



SHEFFIELD CITY COUNCIL Audit Committee Report

Report of: The Director of Modern Governance on behalf of the Chief Executive

Date: 31st January 2013

Subject: Report to the Audit Committee on Progress on the 2011/12 Annual Governance Statement.

Author of Report: Alistair Griggs 2736606

Summary: The purpose of the report is to update the Audit Committee on progress made in mitigating the control weaknesses in the specific areas identified in the 2011/12 Annual Governance Statement.

Recommendations: The Audit Committee are asked to note the actions taken by Officers and progress made to date.

Background Papers: The Annual Governance Statement 2011/12 presented to the Audit Committee in August 2012.

Category of Report: OPEN

Statutory and Council Policy Checklist

Financial Implications
NO
Legal Implications
NO
Equality of Opportunity Implications
NO
Tackling Health Inequalities Implications
NO
Human rights Implications
NO
Environmental and Sustainability implications
NO
Economic impact
NO
Community safety implications
NO
Human resources implications
NO
Property implications
NO
Area(s) affected
NONE
Relevant Cabinet Portfolio Leader
Cllr Julie Dore (Leader)
Relevant Scrutiny Committee if decision called in
Not applicable
Is the item a matter which is reserved for approval by the City Council?
NO
Press release
NO

SHEFFIELD CITY COUNCIL

MODERN GOVERNANCE

UPDATE ON ISSUES IN THE ANNUAL GOVERNANCE STATEMENT (AGS) FOR THE FINANCIAL YEAR 2011/12, AS AT THE END OF DECEMBER 2012

Introduction

1. The Council produced and signed off the Annual Governance Statement in June 2012. A number of issues were raised in the AGS for which managers were asked to produce plans to ensure that they did not lead to significant breakdowns in control.
2. This report is to update the Members of the Audit Committee on progress that has taken place. The update covers the 6-month period up to the end of December 2012.
3. The report shows the control weaknesses and proposed officer actions as described in the original AGS, and the latest information provided by the relevant officer. It is expected that these issues will also be reported to senior officers and Members by other reporting mechanisms.

Summary

4. From the information given by the officers concerned it appears that adequate progress is being made in these areas. All these areas will also be reviewed again for possible inclusion in the 2012/2013 AGS, as that Statement is produced over the next six months.

Work on the 2012/2013 AGS

5. Responsibility for the production of the Annual Governance Statement has been with the Director of Modern Governance, Alistair Griggs, for two years. Contingency plans are in place as it is envisaged that a substantial section of Modern Governance will form part of a new Legal and Governance Service from April 2013, including staff responsible for the AGS. Preparatory work on the 2012/2013 AGS is well in hand, and checklists have been circulated to all Directors in order that they can involve their service in preparing detailed responses. To assist, the Director of Modern Governance will meet all the Portfolio Leadership Teams as in previous years to brief them on the procedure and answer any questions the Executive Directors and their Leadership Teams may have.

Financial Implications

6. There are no direct financial implications regarding this report.

Equal Opportunities Implications

7. There are no direct equal opportunities implications regarding this report.

Environmental Sustainability Implications

8. There are no direct environmental sustainability implications regarding this report.

Community Safety Implications

9. There are no direct community safety implications regarding this report.

Human Rights Implications

10. There are no direct human rights implications regarding this report.

Legal Implications

11. There are no direct Legal implications regarding this report.

Recommendation.

12. The Audit Committee are asked to note the actions taken by Officers and progress made to date.

Alistair Griggs
Director of Modern Governance

Issues raised in the 2011/12 Annual Governance statement, proposed officer action, and reports on progress.

Description of the Control Weaknesses

MuseumSheffield (Sheffield Galleries and Museums Trust)

Control weaknesses relating to the Sheffield Galleries and Museums Trust have been highlighted in the Annual Governance Statement for the last two years. Concerns have primarily related to the adequacy of cash flow and the client function management of the Trust.

Last year we reported that the MuseumSheffield Board had recognised the need for more timely financial information. To this end they had recruited a new Head of Finance. This new post holder has accomplished much in the past year so that whilst this work is still ongoing on improving financial systems, there is now more confidence in the financial reporting both to the Board and between MuseumSheffield and the Council.

These changes have, however, occurred at the same time as MuseumSheffield undertook an unsuccessful bidding process for an Arts Council Major Award to replace the Renaissance Funding they had previously received. As a result there has been a significant reduction in external funding. This in turn has resulted in a downsizing of the organisation with the Chief Executive and the Director of Resources both standing aside in order to reduce management costs.

The reduction in funding has again highlighted the extent to which MuseumSheffield had used their external funding to finance their underlying level of expenditure.

Proposed Officer Action (as per AGS)

MuseumSheffield (Sheffield Galleries and Museums Trust)

In June 2012 further action is being taken by the Council to ensure the continued operations of a museums and galleries service for the people of Sheffield. This is only possible because both Culture and Environment, and Finance, are now more confident in the financial management of the organisation and believe that the future can be managed back into a stable position from which to rebuild.

In summary therefore:

- MuseumSheffield have appointed a new Head of Finance who in turn has reviewed and upgraded significantly the quality, accuracy and timeliness of the financial information supplied to the Board and the Council.
- At the conclusion of that governance review, new Service Level Agreements will be implemented aligning outcomes to the current Corporate Plan.

Update on Progress

Information Provided by Dave Macpherson, Head of Business Development On behalf of Paul Billington, Director of Culture & Environment

Since the last update there has been continued progress towards stabilisation of Museum Sheffield financial control.

There has been a consistency of reporting both in terms of its timeliness where reports are now regularly produced every month, and its content where figures are not varying with the resultant uncertainty that has existed in the past. The end result therefore is that subject to continuing monitoring by both Culture and Environment Officers and Officers from Corporate Finance, there is confidence in the financial function of Museum Sheffield going forward.

It needs to be recognised however that due to the budgetary position that the Council finds itself in and the impact this has on Museum Sheffield, there will in future years be an increasing dependency on commercial and alternative income streams. This last Christmas period has shown how volatile those income sources can be and therefore there will continue to be challenging times ahead for Museum Sheffield. To support them in this they have been awarded a grant from Arts Council England designed to help them develop a more sustainable model going forward.

Legal Services has advised that should negotiations go smoothly the proposed revised service agreement could be finalised by the end of March 2013.

Description of the Control Weaknesses

HR Data Reliability Concerns

Externally commissioned reviews of the HR System have found that whilst the system itself is sound, not all standard parts are fully used. Current operational processes may also not be in step with recommended business practices. A project has been commissioned to rectify this. Until the project's completion, there remains a significant risk that the Council is unable to manage its people, resources and associated budgets as effectively as it should, and that there may be errors in the operation of the payroll function. In addition, the reputational effect of poor quality data continues to impact on the wider HR Service and customer perceptions.

Proposed Officer Action (as per AGS)

HR Data Reliability Concerns

A project to rectify weaknesses in the HR System has been commissioned that forms part of the People Transformation Programme. This is governed by the Modern Efficient Council (MEC) Board. The Project has a clear Project Initiation Document and timescales, and reports to a sub-committee of MEC on a monthly basis.

Update on Progress

Information provided by Sue Palfreyman, Head of Human Resources - Business Systems, Capability Development & Change **On behalf of Julie Toner, Director of Human Resources**

HR Data Reliability Concerns – Update as at December 2012

The aim of the HR system review is to make this the single source of data for people information in the Council. A decision was made in August 2012 to undertake Business Process Re-engineering to ensure via an end-to-end review of all processes, including those outside of the system itself, that all were fit for purpose and optimised performance. This has meant a joint approach between Capita and Council representatives to fundamentally review key processes, in order to implement more effective and efficient ways of capturing, monitoring and reporting on people information.

The key areas reviewed are those which have the highest impact in the organisation, and a timeline for the roll-out of each revised process is now in place, commencing in January 2013.

These are:

- OrgPlus Enterprise (the tool to improve the look and feel of reports) – January 2013
- Individual Performance Review/Personal Development – February 2013
- Recruitment, starters, leavers and contract changes – February 2013
- Timesheets and expenses – March 2013

The new functionality and upgrade to the system will also bring improvements to accuracy and reports. These will be introduced once the basic process improvements outlined above have been implemented.

This programme of work continues to be governed under the People Transformation programme, but now has a specific sub-committee, chaired by the Executive Director of Resources.

Description of the Control Weaknesses

Improving Compliance with Payment Card Industry Regulations

These standards cover the processes used to handle payment card information (ie debit card or credit card transactions) whether they are manual or electronic or both. Manual processes are generally (but not exclusively) run by Council staff and electronic solutions are provided by or through CAPITA.

In July 2011 Internal Audit produced a helpful report on the Council's compliance with the standard. A good standard of compliance is a key target for the City Council as it helps provide reassurance both to people using payment cards with us and payment card providers.

Complete compliance with all the standards is extremely challenging. Whilst the Council and CAPITA have arrangements in place to comply with the basic standards, work is outstanding to

achieve higher standards of compliance.

Proposed Officer Action (as per AGS)

Improving Compliance with Payment Card Industry Regulations

Capita is working hard to place its payment card electronic solution – called AIM – in a more secure environment. This work is scheduled to be complete by October 2012 and it follows considerable planning, testing and implementation work. That work will move us to closer compliance with the Data Security Standard.

Work is also continuing to improve City Council processes which involve payment card information; a recent example being in Customer Services.

Both the Council and Capita have committed considerable resources to improving compliance in this area; these efforts will continue, where required.

Update on Progress

Information provided by Oz Oscroft, Project Manager Income Collection and Management and David Bownes, Lead Information Management Officer On behalf of Eugene Walker, Director of Finance

Improving compliance with Payment Card Industry Regulations

The position on the ICT system related part of this control weakness is that Capita have now delivered technical improvements to its payment card solutions. This substantial work has significantly improved our compliance with the Payment Card Industry Data Security Standard; it is expected that very comprehensive compliance will be achieved by the end of 2013.

There is no legal or other obligation on the City Council to progress beyond its current level of compliance with the Data Security Standard. There is also no intention of spending the considerable sums necessary to achieve 100% compliance with the standard; few organisations worldwide in fact achieve such a level of compliance. What we are seeking to do is achieve a higher standard of compliance than we reach at the moment; this approach is typical across payment card processors like ourselves.

The Council does need to convince those it deals with that it takes the Data Security Standard seriously. These stakeholders include the full range of our customers, the financial institutions we deal with and the payment card service providers. The technical solution we will shortly have fully in place will provide that reassurance.

In respect of operational processes (i.e. how staff take payments), we are making fundamental changes to the way income is collected, moving a number of our manual processes to ICT systems that are security standard compliant from April 2013.

With the assistance of SCC's Internal Audit and Information Security teams, the Paye.net project will seek to confirm operational compliance measures, document them and ensure all relevant staff see, acknowledge and implement them. This will include the production of guidance and training measures as part of implementation with no new staff being allowed to start accepting

payments before receiving the relevant training.

This work has reduced this compliance risk to a much more acceptable level. I don't now consider it requires AGS reporting other than as an update on the control weakness identified when the AGS was published, but now addressed.

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