

AUDIT AND GOVERNANCE COMMITTEE
21 SEPTEMBER 2018**UPDATE ON FINANCE IMPROVEMENT PROGRAMME (FIP)**

Recommendations

1. **The Chief Financial Officer recommends that the report be noted and that a further update be brought to the next Committee.**

Background

2. At the last meeting on 26 July 2018 the Committee discussed the external audit opinion (Grant Thornton) and Internal Audit Annual Reports. Both auditors raised concerns regarding the financial systems and procedures with recommendations around improving the controls environment.
3. Management are therefore reviewing what actions are needed to address these concerns and recommendation and this report updates the Committee on this matter.

Management action to date

4. The Chief Financial Officer has undertaken a review of all audit recommendations and carried out an assessment of the practices and procedures in place. This has identified significant improvements are needed to strengthen the control environment and to ensure that the Council has a fit for purpose finance function to support the organisation in the coming years.
5. Some of the issues identified include that:
 - There is a low proportion of professionally qualified staff within the finance team
 - The level of financial competence and use of the ledger's reporting tool by budget holders is lower than expected
 - Significant actions recommended as part of the audit assessment of the control assurance framework have yet to be implemented
 - The control environment is not fully documented, with clear procedural notes or training, and the hand offs to Liberata are not always clear
 - The current ledger is not utilised to its full potential
 - There are too many different ways to raise and make payments, with a need to improve controls

- There are inconsistencies in practices across directorates, including accounts receivable and payable
- There are too many work arounds that are reducing the efficiency of the function.

6. As a result a change programme has been drawn up to address these issues. The Finance Improvement Programme has six projects that are interlinked:

- i. **Control environment** – this project will ensure that audit recommendations are actioned, that key financial controls are in place and that there are clear and documented governance arrangements, as well as procedural manuals that ensure staff understand and are aware of the processes they must follow.;
- ii. **Budget Structures and roles and responsibilities** – this project will focus on ensuring that the cost centres and subjective reporting are effectively linked to the ways of working that ensure robust budget monitoring;
- iii. **Financial Transactions** – this project will review how payments / income receipts are generate and paid / raised to ensure that an efficient and effective system is in place and fully understood and applied;
- iv. **Staffing structures** – this project will review the role of budget holders and those who commit to spend to ensure that the roles and responsibilities are aligned to the new governance and approaches; as well as assessing and ensuring that the finance functions are fit for purpose to support the new ways of working;
- v. **Systems** – this project will seek to maximise the utilisation of the general ledger (E5), linked to effective processing and recording within key feeder systems. This will link with the replacement of the social care database (Frameworki with Liquid Logic);
- vi. **Partners and customers** – this project will ensure that where there is a third party engagement, be that Liberata, schools, etc... that the roles and responsibilities are clearly understood and that the interfaces ensure effective reporting and control. The programme has been discussed with Liberata and they are committed to this approach and workshops to plan the work are scheduled for September and October.

7. Underpinning these are two cross cutting projects:

- i. **Communications** – this will focus on both the communication of progress on the project but also on how we communicate on an ongoing basis with the organisation to break down the cultural and professional language that often reduces the buy-in to financial controls and monitoring;
- ii. **Training** – this programme will both ensure staff working on the Programme have the right skills, but also plan for how we upskill the finance and non-finance staff with the necessary competence to be able to work in the new environment post change delivery.

8. A diagram of the programme and the project leads is attached as an Appendix. The Programme is being managed using the Council's project management approach, and includes a Project Manager and Board to oversee the actions. At this stage the Board is just being constituted.

9. Draft project plans are being drawn up with significant improvements to be delivered by the end of the financial year and the whole project likely to last for some 18 months.

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11. A Full Business Case is being drafted to reflect the anticipated costs and savings of the Programme. It is suggested that this and a full update is reported to the next and subsequent Audit and Governance Committee meetings, and is considered alongside audit reports and the Annual Governance Statement.

Legal, Financial and HR Implications

12. There will be a cost associated with resourcing the Programme. At present this is being managed within the existing Finance service budget by reallocating and realigning individuals within the current team. Over time that is likely to be supplemented by specific resources for specific tasks, for example the use of Advanced (owners of E5) for system enhancements and training. This should be offset by recurring savings generated from efficiencies arising from the Programme, and as such the Programme is seen as an efficiency programme.

13. In addition, it is envisaged that the Financial and Procurement Regulations will need updating. This will be undertaken in accordance with the Council's constitutional provisions for updates that includes and requires councillors input.

Contact Points

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Supporting Information

- Appendix – Finance Improvement Programme Overview diagram.

Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) the following background papers relate to the subject matter of this report:

External and Internal Audit Reports presented to the Audit and Governance Committee on 26 July 2018.

Finance Improvement Programme Overview diagram.



Portfolio Map v0.4 Draft
20th June 2018

