

AUDIT & GOVERNANCE COMMITTEE – 13 JULY 2016

FINANCIAL CONTROL IMPROVEMENT PLAN

Report by Chief Finance Officer

Introduction

1. In July 2015, the Council went live with a new partnership for delivering HR and Finance transactional operations through Hampshire County Council's Integrated Business Centre (IBC).
2. The transfer of transactional services to the IBC resulted in a fundamental change to the systems and processes operated within OCC.
3. The Chief Finance Officer commissioned Internal Audit to undertake a review of the design of controls within the new systems and procedures being operated by OCC staff. The internal audits focussed initially on the design of control, followed up with a second series of audits focussing on substantive testing to establish whether the systems are operating effectively.
4. The internal audits have identified a series of control issues within the financial systems, including across all the financial systems reviewed, out of date, insufficient or absence of procedures leading to errors and delays plus insufficient monitoring and control.
5. In addition to the audits, Audit & Governance Committee has been monitoring duplicate payments and aged debtors as two areas where the cut over from Oxfordshire in July led to legacy issues and management information to manage these areas was not available in full until February 2016.
6. In March 2016 the Chief Finance Officer created the post of Assistant Chief Finance Officer (Assurance). Included in the responsibilities of the post is the requirement to manage the corporate financial systems and the regulatory framework underpinning the system of financial control. Following the results of the internal audits the Assistant Chief Finance Officer has been tasked with delivering a Financial Control Improvement Plan. The plan is set out in Annex 1.

Transformation

7. The Council has recently appointed an Interim Director of Transformation. The scope and governance arrangements for the transformation programme are set out in the Revised Medium Term Financial Plan 2017/18 – 2019/20 report to Cabinet in July.

8. Early work by officers throughout the organisation has highlighted that the Council is well placed to deliver continued financial efficiency. With a greater focus on a 'one council' approach, it will be able to continue to improve services and outcomes for residents and businesses across Oxfordshire, but more effectively because the focus will be on their needs, rather than on internal structures. The one council approach to transformation and delivery will include, but will not be limited to:
 - Community empowerment and localisation
 - Digital delivery and improved customer access
 - Performance and efficiency, including contracts
 - Placed based asset and opportunity planning
 - Income generation
 - Culture, values and behaviours
 - Workplace and productivity tools
 - Growth and opportunity
9. The Assistant Chief Finance Officer will working closely with the Interim Director of Transformation to ensure the Financial Control Improvement Plan will deliver outcomes that are consistent with the transformation objectives.
10. There are three projects already in train that will be operating in conjunction with the Financial Control Improvement Plan. The Assistant Chief Finance Officer is involved in all three projects, so will be able to ensure outcomes are consistent:

Business Management Reporting

11. This project is reviewing the quarterly business management reporting. The objective is to deliver a timely dashboard for Cabinet and CCMT that will show key performance, finance and risk information.

Business Intelligence

12. This project is reviewing the way in which the Council gathers evidence to support its business activity, decision making, and improvement plans. Financial data is included within the scope of that project.

IBC Review

13. The Assistant Chief Finance Officer has been tasked with undertaking a review of the IBC. The review has been commissioned by the County Director following strong feedback relating to the IBC in the recently reported staff survey. The objective of the review is to assess whether we are getting the desired outcomes from our end to end systems, and if not to appraise options and prepare business cases for how those outcomes can be achieved. The review will be conducted initially with staff groups selected from across the council, and will commence in July, concluding in advance of staff conference in November.

Governance

14. The Financial Control Improvement Plan will be led by the Assistant Chief Finance Officer. It will be delivered utilising existing resources within Corporate Finance, through a series of task and finish reviews.
15. The Chief Finance Officer and the Finance Leadership Team will receive regular progress reports (at least monthly), and facilitate any corporate consultation and decisions required on changes or improvements.
16. The Corporate Services Leadership Team, including the County Director, Chief HR Officer, Interim Director of Transformation, and Chief Finance Officer will also receive regular updates.
17. At a member level the Cabinet Member for Finance will be updated at least monthly. Further, it is recommended that the Audit and Governance Committee receive a progress report at each of their meetings.

Financial and Staff Implications

18. It is expected that the delivery of the plan will be resourced through current teams. There are no immediate cost or staff implications, although there will be a need to prioritise work; however the overall objective is to provide efficient and effective financial management systems, policies and procedures, therefore opportunities requiring investment may be identified. These would need to be considered and agreed by the Transformation Board (to be established).

Risk

19. There is an inherent risk of loss or error where financial control is not managed effectively. The objective of the improvement plan is to deliver financial control that is based on strong risk awareness.

RECOMMENDATIONS

20. **The Committee is RECOMMENDED to:**
 - (a) **agree the Improvement Plan;**
 - (b) **receive progress reports and updates on effectiveness at all future committee meeting until further notice.**

LORNA BAXTER
Chief Finance Officer

Background papers: None

Contact Officer: Ian Dyson, Assistant Chief Finance Officer (Assurance)
July 2016