

Division(s):

AUDIT & GOVERNANCE COMMITTEE – 14 SEPTEMBER 2016

FINANCIAL CONTROL IMPROVEMENT PLAN

Report by Chief Finance Officer

Introduction

1. In July 2016, the Committee approved the Financial Control Improvement Plan (Annex 1). This report sets out the progress made against that plan, and current priorities.

Background

2. 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).
3. The transfer of transactional services to the IBC resulted in a fundamental change to the systems and processes operated within OCC.
4. 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.
5. 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a series of control issues within the financial systems, including across all the financial systems reviewed, out of date, insufficient or absence of procedures leading to errors and delays plus insufficient monitoring and control.
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.

Transformation

7. The Council has established a Transformation Programme led by the Interim Director of Transformation.
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.

9. Having efficient financial systems and policies, underpinned by effective financial controls that are proportionate to the financial risk exposure, is an essential component of Transformation. The Assistant Chief Finance Officer is 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. By aligning the financial control improvement activity with Transformation is already seeing a more collaborative approach to problem solving, with for example colleagues from across the service areas, Finance and ICT working closely as a “one council” approach.
10. There are three projects already in train that are operating in conjunction with the Financial Control Improvement Plan. The Assistant Chief Finance Officer continues to be involved in all three projects:

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.
14. In Addition to the above projects, the further development of the Adult Social Care Management Information System, including the finance module CONTROCC, is now being considered under Transformation. The further development of the systems and processes within Adult Social Care will be aligned to the Digital Strategy and for example the developments of a single “front door” approach for our customers and businesses. Updates on the implementation of this system have previously been reported to the Audit and Governance Committee by the Deputy Director, Adult Social Care; however, as the development of CONTROCC is so intrinsically linked to the Financial Control Improvement Plan, in particular the automation of interfaces with the SAP system, updates will in future be included in this progress report.

Progress Highlights

Roles and Responsibilities

15. The two priority areas for reviewing roles and responsibilities have been the Corporate Procurement Team and the Income and Banking team. These have been completed and responsibilities clarified. Both teams are now providing a stewardship role, as well as leading on process development and redesign.

Regulations / Policies / Procedures

16. In conjunction with defining the roles and responsibilities, the teams have been supported by the Business Process Analysts from the Customer Services Centre to determine the current work streams, defined as either business and usual, task and finish activity, or query resolution. This is enabling the team to plan resources accordingly and prioritise activity. The development of regulations, policies and procedures is then being undertaken on a priority basis but the ownership is now clearly within these teams.
17. A resource is being identified with the Corporate Finance Team to support the teams in the drafting and maintenance of policies and procedures.
18. The added benefit of the work being undertaken by the Business Process Analysts is the insight it is providing into the synergies between the two teams, so we are undertaking joint workshops to increase the collaboration between the teams.
19. The Managers of both teams are “professional leads” in the new governance arrangements put in place with the IBC (see section on IBC Review below). The first meetings with the IBC under the new arrangements have included clarifying IBC processes where there has been uncertainty, and confirming the responsibilities where “hand offs” between OCC and IBC have not been defined. Having the clarity makes it easier to develop local procedures within OCC.

Training / Self Help

20. Regular drop in sessions have been introduced around the County for staff to speak to colleagues in Finance and HR to help resolve any difficulties they are experiencing in using the IBC and related systems.
21. Through the “professional lead” meetings with the IBC, and management reporting, we are able start targeting areas of poor performance and focus on root causes. This is including where appropriate, in conjunction with the IBC, updating or revising self-help material and guidance, and providing targeted support.

Financial Reporting

22. The project has commenced building upon the work completed by the Business Process Analyst in mapping the current process. We are currently

undertaking workshops initially within the Corporate Finance Team to look at the scope and opportunity for leaning the process. This initial discovery work will be completed in September 2016.

Management Control

23. The original action was to define management information requirements and commission these from the IBC by 31 August 2016. The meetings between professional leads and the IBC has created a space for looking at key issues regarding performance and compliance. These meetings are scheduled monthly (started in August), and include feedback from the IBC on information they have on their system regarding OCC performance. In addition the Professional Leads in HR and Income and Banking are now producing their own reports for monitoring key compliance activity.
24. For the Corporate Procurement Team it is not yet possible to produce reports locally in all instances. For example duplicate payment reports and procurement card usage/approval reports are being produced by the IBC. We are expecting the first routine report on procurement cards to be received end of September.

S151 Assurance Framework

25. Whilst no detailed work has been progressed on this yet, there is confidence that through the existing framework, and the proactive collaborative working within particular ICT, any emerging issues will be identified.

Financial Systems

26. The Internal Audit reports have been fundamental in demonstrating the need for the Financial Control Improvement Plan, and the overarching issues of defining roles and responsibilities, establishing management reporting, and updating rules and regulations have been undertaken; however it is clear through working with Transformation, that the real value of reviewing the financial control systems and putting in effective control, comes when it forms part of an end to end review. When considering prioritising the implementation of the audit actions, we are now more informed using the insight from the Transformation activity, and from the partnership working with the IBC. The Assistant Chief Finance Officer is keeping the Chief Internal Auditor apprised of the activity, and where appropriate working with the Internal Audit team in looking at more strategic solutions to the issues highlighted in the reports.
27. This approach has two benefits to the role of Internal Audit in the organisation; The Internal Auditors skills are in identifying risk and evaluating the effectiveness of controls in mitigating that risk, by having that skill set involved early in developing solutions provides a structured and rational input to the risk management; and, it also provides the internal audit team with an understanding of the risk tolerance and decisions taken around materiality that will inform future audits.

28. Three areas of priority have been identified: CONTROCC (the Adult Social Care Finance Module) (see para 34); Review of payment card income systems for assurance on PCI compliance (Payment Card Industry); and Debt Management.
29. The review of Payment Card Income Systems was a joint piece of work performed in collaboration between Corporate Finance and ICT. It has been an excellent piece of work completed by the teams that has provided essential evidence over both the operations and hardware used for taking payments by credit / debit cards. This work has provided the assurance of compliance with the PCI security standards, and has informed the strategy for future design of these income systems.
30. Debt management remains an area of on-going improvement, but through the professional lead meeting with the IBC improvements to reporting and management information have been delivered and are informing the work of the Income Teams within Adult Social Care and Corporate Finance.

Bulk Data Uploads (BDU)

31. This has been given the top priority, with the focus on determining a strategic solution for automating interfaces into the IBC, and then prioritising the Adult Social Care CONTROCC system for implementation.
32. We have established a council solution as part of the digital platform being implemented to support the delivery of the Digital Strategy. The digital platform is a priority with the Transformation Programme, as it is fundamental to the future operating framework.
33. We are currently developing the interfaces from CONTROCC with a target for implementation by December 2016.
34. The timetable for further rollout will be developed over the next month as it is dependent on resources being available, but it is expected that the target of 31 March 2017 will be achieved.
35. Crucially, the implementation of interfaces will include an end to end review of the systems to ensure they are aligned to Transformation principles, and provide lean financial processes. This work has already commenced for CONTROCC with the Assistant Chief Finance Officer, working in conjunction with the Service Manager Transforming Social Care, in leading a full review of the financial processes. This work is being undertaken in full collaboration between Adult Social Care, ICT and Finance.
36. All of the existing use of BDU for generating payments have been mapped by the Business Process Analysts, and where a system to system interface can be developed it will form part of the programme above; however where the spread sheet upload is used to facilitate payment without use of a purchase order, these are subject to further review and we are working with IBC and Service Areas to consider alternatives. One that is currently being explored is payments to Utilities.

IBC Review

37. This was another high priority action in the Financial Control Improvement Plan. The governance arrangements have been reset, and a “client side” management function has been established. There are now monthly “Partnership Management Group” meetings where that management team meet with Senior Management at the IBC to ensure strategic issues are being addressed and progressed, and performance issues considered.
38. The Internal Communications Team is now fully integrated into all communication and meetings with Senior Managers in the IBC to ensure managers and staff are kept informed of actions and progress.
39. Professional Lead meetings have been re-established, with clear terms of reference, with an emphasis on partnership working looking at strategic issues and opportunities for improvements both within IBC operations but also using insight from the IBC to investigate inefficiency with OCC.

In Summary

40. The Financial Control Improvement Plan is being progressed in accordance with the timescales presented to the Audit and Governance Committee in July, and is already delivering improvements.
41. Whilst at this stage there has been limited output, the last two months has been focussed on building the partnership working with the IBC, and greater collaboration within OCC, working together to improve our services, including financial control.
42. This work is now established as part of the Transformation Programme, and will continue to focus on developing behaviours so that collaboration for developing one council solutions becomes normal practice; and that we adopt a root cause analysis to inform solutions.

Financial and Staff Implications

43. 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

44. 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.

RECOMMENDATION

45. **The Committee is RECOMMENDED to**

- a) Note the report;**
- b) Request the Audit Working Group routinely review the actions taken; and,**
- c) Receive a further progress report at the next Committee meeting on 9 November 2016.**

Lorna Baxter
Chief Finance Officer

Background papers: None

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September 2016