

Division(s):

## **AUDIT & GOVERNANCE COMMITTEE – 11 JANUARY 2017**

### **FINANCE IMPROVEMENT PLAN**

#### **Report by Chief Finance Officer**

#### **Introduction**

1. In July 2016, the Committee approved the Financial Control Improvement Plan. This report is the latest of the regular updates provided to the Committee and the Audit Working Group.
2. The Finance Improvement Plan is now part of the Transformation Programme, within the Business Efficiencies work stream.
3. As previously reported by aligning the Financial Control Improvement Plan within the Transformation Programme, the scope and timings have changed. Now renamed as Finance Improvement, the principles and key themes of the original plan remain, but a strategic approach is being adopted to the change priorities. This report is therefore structured differently with a brief summary confirming the status of activity within the original plan, followed by an update on the key priorities and any emerging issues.

#### **Summary**

4. The following summarises the progress against the original plan:

#### **Roles and Responsibilities**

5. This has been completed for existing teams within Corporate Finance, but as the Transformation Programme progresses with an expectation of organisation change and system change, roles and responsibilities will be kept under constant review.
6. There is one specific process, refunds and credit notes, where further work is being undertaken to look at the end to end process to clarify policy, in particular in relation to use of credit notes. Once completed a decision will be taken on which team should own that process. This should be completed by the end of February 2017.

#### **Regulations, Policies and Procedures**

7. As reported in November 2016 we are currently reviewing core policies and regulations. Workshops have been undertaken with Finance staff and the Web Content Team to review and adapt existing guidance to ensure it is up to date, consistent in design and presentation, and accessible through logical search enquiries. This will be concluded by 31 March 2017.

8. In addition a review of the Financial Procedure Rules and Financial Regulations is being undertaken to ensure that they are consistent and remain relevant. This will also be concluded by 31 March 2017.

### **Training and Self Help Material**

9. The drop in sessions have now ceased and any future need for more sessions or targeted training will be considered based on any issues emerging from the performance monitoring that the professional leads are undertaking during their monthly meetings.

### **Financial Reporting**

10. The project is on-going, and on track to go live from April 2017.

### **Management Control**

11. Performance reports are being developed to provide corporate overview of the key financial systems, in conjunction with the system improvements. From the original audit reports, there are now routine reports produced for purchasing cards, duplicate payments and payroll. Debtor reporting has been an issue but has recently been resolved. Whilst improved reporting is in place, the routines for reviewing and acting upon that information are not yet fully embedded into the operating model.

### **Financial Systems**

12. The audit actions continue to be monitored and implemented in conjunction with the strategic solutions being developed. There remain several actions, mainly priority 2, that are outstanding. A full review of these actions is being undertaken in January to consider whether the risk exposure remains material to require reprioritising.

### **Bulk Data Upload (BDU)**

13. The focus remains on the development of the payment feeder system from the CONTROCC system into SAP. This remains on track to be live in February 2017. Once this has been successfully implemented, a programme will be established within the Digital work stream of the Transformation Programme, to facilitate further automation of other feeder systems.
14. It was the original objective that the existing BDU system would be decommissioned as alternative, more secure methods of payment would be investigated. It is clear that this is not realistic, and that there will continue to be a need for some manual uploading of payment files; however the scale will be reduced and a new control process for managing the uploads will be developed. This will be undertaken during the first quarter of 2017/18.

## **IBC Review**

15. This action has been completed, with the new governance structure embedded. The operation of the IBC services remains under continuous review.
16. One of the key issues that has been consistently highlighted by staff has been the support and query resolution by the customer services centre within the IBC. During November 2016 the IBC engaged with all its partners and commissioned an external company to undertake a fundamental review of its customer service. This included a large scale feedback via questionnaires, and more recently a facilitated workshop involving staff from OCC and other partners to support action planning. We are expecting the results of this exercise towards the end of January 2017.

## **Issues Arising**

17. There are three key issues to report, identified from the Finance Improvement activity completed during the last quarter:

### **Payroll Configuration**

18. As previously reported to the Committee there have been on-going difficulties experienced in providing the Pensions team with accurate and timely reports. In October further concerns were escalated by the Pension Team to the Chief Finance Officer and the Chief HR Officer. The concerns highlighted suspected errors in the configuration of the payroll system in specific areas of the calculation of pensionable pay. It should be noted that the errors identified are not material in value; however, following various discussions with the IBC at both an operational and senior management level, it was agreed that due to the persistent issues arising, and lack of satisfactory resolution, there is a lack of confidence in the assurance over the accuracy of the system configuration, change control process and operations.
19. Under the direction of their Chief Finance Officer, Hampshire has commissioned an independent payroll and pensions subject matter expert to undertake a review, and to provide assurance over the accuracy and integrity of the system and processes. A terms of reference defining the scope has been agreed, the work has commenced and will conclude end of January 2017.

### **Financial Assessment**

20. A key work stream within Finance Improvement is Phase 2 development of the LAS/CONTROCC (Adult Social Care Management System). This includes an end to end review of the financial system and processes. At the end of October 2016, the Manager of the Financial Assessments Team identified an omission in the management reports being reviewed. The omission was in relation to reviewing service users in receipt of care, but have not received a financial assessment.

21. The report was available but had not been included in the operating procedures. This has been corrected and the report is now run and reviewed weekly.
22. When the report was first reviewed in October 2016, it highlighted a number of cases where financial assessments had not been undertaken for people in receipt of care. The majority of these cases were, as expected, relatively new referrals so in process, or cases where services are non-chargeable; however the report also highlighted a relatively small number of deceased clients that had not received an assessment, and 137 clients where assessments were long overdue.
23. Some of these cases predate the implementation of LAS. In other examples they occurred due to the absence of manual referrals being received. The latter has been an automated process since March 2016, with the exception of residential care which remains a manual referral.
24. The cases are now being reviewed and where appropriate assessments being undertaken.
25. Although it is disappointing that these omissions have occurred, the error was not utilising the management reporting effectively. What this demonstrates though is the new integrated system is providing a much improved control environment, in which omissions are being highlighted through the system reporting; and with the procedures now in place to review these reports weekly as part of regular performance monitoring any future omissions will be highlighted early.

### **Aged Debt**

26. Detailed analysis of aged debt for both Social Care and Corporate Debt is highlighting that performance in debt collection has deteriorated in the last twelve months. We are currently investigating the cause of this, including an urgent review scheduled with the IBC to look at the current processes and performance.
27. This will be a fundamental review as clarification is needed on the debt management strategy and resourcing.

### **Progress Highlights**

28. In addition to the issues highlighted above, the following are the key activities being prioritised under the Finance Improvement work stream:

### **LAS/CONTROCC**

29. We are currently looking at all the end to end processes currently in operation and with the support of a business analyst and systems development team, identifying a series of improvement projects that will form the scope for Phase 2 implementation over the next six months. In scoping each project the principles of digital and business efficiency are set as key deliverables. The

work is highlighting inefficiency and potential areas for reviewing existing charging policies.

30. One of the key priorities is consolidating the payments processing within a single team. The terms of reference for this project are expected beginning of January 2017. The scope will initially be in relation to the Adult Social Care systems, but consideration is being given to extending to include corporate payment control activity including BDU and Duplicate Payments etc.

### **Pre-Paid Card**

31. The business case has been agreed for introducing pre-paid cards as a favoured banking option going forward. It is expected the prepaid cards will stop the reliance on cash for local transactions, including payments over to service users, and be utilised for direct payments going forward. These cards enable greater visibility of transactions and greater control, whilst also reducing the risk we are currently exposed to through cash transactions.

### **PCI (Payment Card Industry) Compliance**

32. As part of the requirement to undertake self-assessment of our compliance with PCI requirements, we have commissioned an expert to present options for maintaining a compliant IT Network. This is necessary as it will be fundamental in determining the strategic solutions for receiving online payments.
33. At present our existing compliance is requiring use of PDQ (card payment) machines at multiple sites, which although compliant is not the most efficient, and requires significant administration and corporate overview.

### **Customer Portal**

34. As part of the Digital Strategy work will soon commence on developing a customer portal. We are currently working with ICT reviewing the banking and financial control requirements to ensure that any financial transactions managed through self-help within the portal will be compliant, both with PCI, and also banking regulations.

### **Bank Accounts**

35. As previously reported we are currently undertaking a review of all bank accounts. This is requiring a detailed data cleansing exercise to ensure we have an accurate and up to date list of all accounts. We are working with Lloyds Bank to review the existing mandates. The aim is to significantly reduce the number of accounts being maintained, and on-going have arrangements in place for monitoring and oversight of the accounts.

### **Finance – Fit for the Future**

36. We are creating a small project team within Corporate Finance, reporting to the Finance Leadership Team, focussing on continuous improvement and a strategic look at the operating model for Finance and how we can be “fit for

the future” in a progressive and transforming organisation. The project team will be meeting in January 2017 to establish scope and priorities.

## **Financial and Staff Implications**

37. The Finance Improvement is a work stream within the Transformation Programme. Any additional resource requirements such as project management and business analyst resources are funded through the Programme. Otherwise, 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.

## **Risk**

38. 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**

39. **The Committee is RECOMMENDED to note the report.**

Lorna Baxter  
Chief Finance Officer

Background papers: None

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