

AUDIT & GOVERNANCE COMMITTEE – 8 MARCH 2017

FINANCE IMPROVEMENT PLAN

Report by Director of Finance

Introduction

1. This report is the latest of the regular updates provided to the Committee and the Audit Working Group (AWG) on Finance Improvement activity.
2. 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 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

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

Roles and Responsibilities

4. This has been completed for the current structure within 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.
5. In the last report to the Committee there was one specific process, refunds and credit notes, which needed further work looking at the end to end process to clarify policy, in particular in relation to use of credit notes. It was expected this work would have been completed by the end of February, but this has been delayed and will now be completed end of March.

Regulations Policies and Procedures

6. Work is on-going to review policies, procedures and guidance, including Financial Procedure Rules and Financial Regulations and is still scheduled to be completed by the end of March 2017.

Training and Self Help Material

7. 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

8. The project is on-going, and on track to go live from April 2017. Council Leadership Team has agreed a new budget sign off process. Cost centre managers are no longer required to sign agreement to their annual budget, this will instead be controlled at the level of accountable officer, to whom the cost centre managers report.

Management Control

9. Performance reports are being regularly produced. For Purchase to Pay, we now receive monthly dashboards of aged creditors, blocked payments, and performance by vendor, which enable detailed analysis and performance to be challenged. For Debt Management, monthly dashboards are being produced for the Adult Social Care Debt, and these are being developed for corporate debt.

Financial Systems

10. 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, and these were considered at the last AWG. The current position with the key systems was summarised as follows:

Accounts Payable

11. The Corporate Procurement team are focussed on improving the internal purchasing processes, working in conjunction with the IBC reviewing performance reports and looking for areas where there are blockages in the payments process, and where alternatives for more efficient purchasing can be found. This team is playing a key role within the Transformation Programme looking at better ways of controlling spend through demand management and expert purchasers, as well as overseeing the implementation of the new contract management system.
12. Duplicate payments is an area that still requires improvement to the process. Reports of potential duplicate payments are being received and analysed monthly; however the gap in the process is there is no monitoring to ensure refunds are received. The internal process was agreed in November, but has been delayed in implementation. This has recently been identified, and action is in place to have this implemented by the end of February.

Accounts Receivable

13. As reported at the last Committee, aged debt was a concern. Since the Committee a new resourcing structure has been designed and additional resources made available to reflect the need for tighter credit control operations. Considerable work has already been undertaken with the Adult

Social Care Income team in developing knowledge, systems and processes, and this is now demonstrating very good results. The team has been transferred into Corporate Finance, and is now being managed by the Corporate Income Manager. In addition a new Credit Controller post has been created and appointed to, to manage the corporate debt.

14. At the end of March the Legal Executive handling debt recovery within Legal Services is leaving. This is a significant risk as the individual has considerable experience and expertise that will be lost, and is very effective in the role. To mitigate the risk, we have been working with the Director of Law and Governance to consider how this activity can be resourced going forward. The changes reported in Para 13 above, reflect the outcome of those discussions. The Credit Controller started on Thursday 2 February, and in conjunction with the Corporate Income Manager and the Legal Executive, they are working on knowledge and case transfer whilst there is the opportunity until the end of March.

Purchasing Cards

15. We are currently trialling using an embedded purchasing card with a key supplier that will be more efficient. If the trial is successful, the concept will be rolled out for other contracts where low value items are subject to regular purchasing by Managers.
16. Purchasing cards are also being promoted as the preferred method for low value purchases. There are too many small value purchases being made via a purchase order, including retrospective orders.
17. Reports are received in respect of purchasing card spend, but the performance report showing the level of compliance with items being reviewed and approved is not yet embedded into our management routines. It is expected this will be actioned from this month

Bulk Data Upload (BDU)

18. The focus remains on the development of the payment feeder system from the CONTROCC system into SAP. Testing results have delayed the implementation, as issues have been identified that are being worked on to resolve. The expected go live date is now end of March. 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.
19. 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

20. This action has been completed, with the new governance structure embedded. The operation of the IBC services remains under continuous review.
21. One of the key issues that have been consistently highlighted by staff has been the support and query resolution by the customer services centre within the IBC. During November the IBC has engaged with all its partners and commissioned an external company to undertake a fundamental review of its customer service. This has included a large scale feedback via questionnaires, and more recently a facilitated workshop involving staff from OCC and other partners to support action planning. Management are currently considering the outcomes of the review and developing an action plan. The report has not yet been published. A full update can be provided at the next committee meeting.

Issues Arising

22. There were issues identified from the Finance Improvement activity reported to the Committee January. The following is an update on those issues:

Payroll Configuration

23. The IBC 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. The fieldwork has been completed and a draft report is subject to management review and action planning. The full outcome will be reported to the next committee meeting.

Financial Assessment

24. As reported at the last meeting the Financial Assessments issue has been resolved and control in place.

Aged Debt

25. Covered in paragraphs 13 and 14 above.
26. In addition a process review has been undertaken with the IBC and identified a small number of minor changes in the debt management process that will support improved performance. A follow up meeting has been scheduled for the first week in March to confirm implementation and review impact.

Progress Highlights

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

LAS/CONTROCC

28. We are continuing to look 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.
29. A Project Initiation Document (PID) will be developed to set out the full scope of the Phase 2 implementation.

Pre-Paid Card

30. The pre-paid cards project is entering procurement phase. This should be completed over the next two months followed by a phased implementation.

PCI (Payment Card Industry) Compliance

31. The industry expert has completed the assessment of options to maintain compliant solutions for receiving payment by card. We are currently drafting a specification for a banking procurement in conjunction with ICT to enable on line payments to be available for a range of services.

Customer Portal

32. 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

33. 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

34. 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 team commenced the work in January, and it is expected a draft target operating model will be developed by the end of March, for implementation during 17/18.

Financial and Staff Implications

35. 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

36. 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

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

Lorna Baxter
Director of Finance

Background papers: None

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