

## READING BOROUGH COUNCIL

### REPORT BY EXECUTIVE DIRECTOR OF RESOURCES

TO:	AUDIT and GOVERNANCE COMMITTEE		
DATE:	28 <sup>th</sup> January 2021		
TITLE:	IMPLEMENTATION OF THE FINANCE IMPROVEMENT PROGRAMME - PROGRESS UPDATE		
LEAD COUNCILLOR:	COUNCILLOR EMBERSON	PORTFOLIO:	CORPORATE AND CONSUMER SERVICES
SERVICE:	FINANCE	WARDS:	BOROUGHWIDE
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#### 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 Audit and Governance Committee agreed at its meeting in October 2020 that progress against the Finance Improvement Programme should be reported on a regular basis to the Committee.
- 1.2 This report provides an update on progress of the Programme workstreams and their deliverables against the Plan since the last meeting.

#### 2. RECOMMENDED ACTION

- 2.1 To note progress of the Finance Improvement Programme

#### 3. INTRODUCTION AND BACKGROUND

- 3.1 The Finance Improvement Programme has two key phases: Phase I responds to the historic and current issues identified to ensure a sound foundation and 'getting the basics' right. The second phase (Phase II), will concentrate on embedding Phase I delivery and developing the financial management culture and governance framework across the Council. The Programme is currently in Phase I.
- 3.2 The Programme is led and overseen by the Finance Transformation Board chaired by the Executive Director of Resources and meets fortnightly. The Board receives updates and reports ensuring appropriate challenge and stewardship the Board monitors progress of delivery against the Project Plan and signs off key deliverables.
- 3.3 There are six workstreams in Phase I. These are:
  - Accounts payable
  - Accounts receivable
  - Chart of accounts
  - Reconciliations
  - Final accounts
  - Finance system (general ledger and associated modules)

- 3.4 Each workstream has a number of deliverables and these include responding to appropriate 'Audit Tracker' recommendations to help ensure progress with implementation.

#### 4. PROGRAMME UPDATE - PLAN AND DELIVERABLES

- 4.1 Progress against the Phase I plan has been steady with a number of targeted deliverables being achieved. There have been delays in delivery of the overall programme due to capacity as a consequence of resources being directed towards priority issues such as closure of accounts, managing Covid related activity and staff sickness. Supplier delays around accounts payable have also delayed some activities. The Finance Transformation Board continue to oversee the Programme and monitor delivery of actions and as a consequence challenge delivery and approve, or otherwise any changes to timescales.

Three of the workstream are nearing completion; Accounts Payable, Accounts Receivable and Chart of Accounts. For all of these areas residual activity is expected to be completed by the 31<sup>st</sup> March 2021.

As indicated in the report presented at the October Audit and Governance Committee the following workstream has a longer timeline:

- The Finance System Procurement - scheduled for completion December 2021.

- 4.2 Phase II (developing corporate financial management governance and the overarching financial management environment) will only commence once Phase I workstreams are complete.

- 4.3 Audit tracker recommendations continue to be included within individual workstream deliverables where appropriate and are managed as part of the overall Plan. Progress is being made with implementation. There are a total of 60 recommendations within the tracker covered by the Finance Improvement Programme. These are rated as; Red 5, Amber 24, and Green 31.

#### 5. WORKSTREAM UPDATES

The following section highlights each workstream's terms of reference and progress against the Plan. Each workstream has a table indicating a RAG rating for its deliverables and Audit Tracker recommendations. For reference the previously reported numbers are shown in brackets.

##### 5.1 Accounts Payable (AP)

Terms of reference

To review and modernise the Accounts Payable process from start to finish using the technology available to the full ensuring it is fit for purpose and addresses historic issues. To improve the Supplier Database and increase efficiency within AP with the increased use of the Supplier Portal and access to the web centre.

Final delivery date (revised): 31 March 2021

The accounts payable workstream has 10 specific deliverables.

Completed	In progress	Not Started
5 (5)	5 (2)	0 (3)
<b>Commentary</b>		
<ul style="list-style-type: none"> <li>All tasks due to start have now commenced.</li> <li>Three of the five deliverables in progress all relate to supplier arrangements and are being delivered jointly by AP and Procurement and will be completed by the end of March 2021</li> <li>The reconciliation of BfFC and the AP system is underway and planned for completion in March 2021.</li> </ul>		

- The Audit Recommendations Tracker has 34 recommendations relating to Accounts Payable (12 relating to Purchase Cards were added in December 2020).
- Of the 34 recommendations included in the tracker ratings are: **13(8) Green, 16 (14) Amber and 5(0) Red.**

## 5.2 Account Receivable (AR)

Terms of reference

To review, develop and implement actions to ensure an efficient and effective debt management service that ensures compliance and is delivered using the most appropriate technology.

Final delivery date: (revised): 31 March 2021

The Accounts Receivable workstream has 12 specific deliverables.

Completed	In progress	Not Started
5 (2)	2 (4)	5 (6)
<b>Commentary</b>		
<ul style="list-style-type: none"> <li>The move of AR processing from Academy to Oracle Fusion to improve processing efficiency is now underway with suppliers engaged to introduce changes and will be completed by the 31<sup>st</sup> of March.</li> <li>The five deliverables not started are all linked to the new system above and have a sequential timeline for completion by 31<sup>st</sup> of March.</li> <li>The Debt Management Strategy has been approved by Policy Committee, the AD Finance has convened and chairs a regular Debt Management Review Group and there are ongoing discussions with Directorates on resolving historic debt issues.</li> </ul>		

- The Audit Recommendations Tracker has 6 recommendations relating to Accounts Receivable.
- Of the 6 recommendations included in the tracker ratings are: **Amber 4(6) and Green 2(0).**

### 5.3 Chart of Accounts

Terms of reference

To review and rationalise the Chart of Accounts in line with best practice to aid financial information reporting for all users and to develop a governance process to manage amendments moving forwards, with the involvement of all key stakeholders.

Final delivery date (revised): 31 March 2021

The Chart of accounts workstream has 11 specific deliverables.

Completed	In progress	Not Started
7 (1)	4 (8)	0 (2)
Commentary		
<ul style="list-style-type: none"><li>• The majority of deliverables are either completed or nearing completion.</li><li>• The remaining tasks which will be completed by the end of January 2021 relate to the final issue of codes which will complete the revision to the chart of accounts.</li><li>• Following this, the process for monitoring and compliance will be put in place.</li></ul>		

- Following completion of the above it has been agreed that an additional deliverable will be transferred to this workstream from Reconciliations namely the review and rationalisation of holding accounts which will be completed by the 31<sup>st</sup> of March.
- The Audit Recommendations Tracker has 3 recommendations relating to the Chart of Accounts.
- Of the 3 recommendations included in the tracker, ratings are: **Amber 2(3)** and **Green 1(0)**.

### 5.4 Reconciliations

Terms of reference

To review and rationalise all Control, Holding and Suspense codes to ensure that they facilitate efficient and effective working practice, and to develop a scheduled review process to ensure that they are reconciled at appropriate intervals.

As indicated above the new Chief Accountant reviewed work to date on the reconciliations workstream and prepared a plan for completion by of 31<sup>st</sup> of March.

Final delivery date: 31 March 2021

The revised reconciliations workstream has 5 planned specific deliverables.

Completed	In progress	Not Started
0	4	1
<b>Commentary</b>		
<ul style="list-style-type: none"> <li>• All bank and cash reconciliations are now up to date, are produced, verified and authorised by the 21st of each month. The other areas underway include; identification of all reconciliations and a standardised approach and process for completion.</li> <li>• All reconciliation to be updated to the end of December.</li> <li>• Documentation of procedures and a guide to be developed.</li> <li>• There will be a focus on the VAT reconciliation system and process which will improve its operation and control.</li> </ul>		

- The Audit Recommendations Tracker now has 14 recommendations relating to reconciliations. Since the last update a number of recommendations have been reviewed and added to this workstream. These include inter company, payroll and rent accounting reconciliations that have achieved a green status.
- Of the 16 recommendations included in the tracker ratings are: **Amber 2(3)** and **Green 12(0)**. The increase in tracker recommendations is as a consequence of review and allocation since October 2020.

## 5.5 Final accounts

### Terms of reference

To review and refine the Final Accounts process to ensure that the closedown process is efficient and effective and delivers an accurate compliant set of accounts in accordance with statutory deadlines.

The Final Accounts workstream was originally scheduled for completion in December 2020. However, following the arrival of the new Chief Accountant and a review of priorities this workstream will be integrated with the Reconciliations workstream. The revised deliverables will be completed by 31<sup>st</sup> March 2021.

- The work on closure of accounts is reported under a separate paper to this Committee.
- There are no relevant recommendations on the Tracker in respect of this workstream.

## 5.6 Financial system procurement

### Terms of reference

To determine the required finance system outcomes from stakeholders and produce an options-based business case. To lead the re-procurement of the finance system and subsequent implementation within the required governance framework.

Final delivery date and go live date: 2 December 2021

The finance system workstream has 4 specific deliverables. These deliverables are key milestones in the system re-procurement.

Completed	In progress	Not Started
0 (0)	2 (2)	2 (2)
<b>Commentary</b>		
<ul style="list-style-type: none"> <li>• Policy Committee approval for re-procurement was given in December 2020.</li> <li>• The final version of the requirements specification and procurement documentation will be completed by 31<sup>st</sup> January.</li> <li>• RBC will go to the market for formal procurement at the beginning of February.</li> <li>• The remaining activities not started relate to the implementation and go-live of the finance system.</li> </ul>		

- The Audit Recommendations Tracker includes 2 recommendations in respect of this workstream which have now been completed.

## 6. CONTRIBUTION TO STRATEGIC AIMS

- 6.1 The Finance Improvement Programme has been designed and developed to build a strong financial management and governance foundation, with the aspiring direction of a fit for the future, exemplar financial management and governance environment in Reading.

## 7. ENVIRONMENTAL AND CLIMATE IMPLICATIONS

- 7.1 None arising from this report.

## 8. COMMUNITY ENGAGEMENT AND INFORMATION

- 8.1 Not applicable to this report.

## 9. EQUALITY IMPACT ASSESSMENT

- 9.1 Not applicable to this report.

## 10. LEGAL IMPLICATIONS

- 10.1 Not applicable to this report.

## 11. FINANCIAL IMPLICATIONS

- 11.1 There are no direct financial implications arising from this report.

## 12. BACKGROUND PAPERS

- 12.1 None.