

READING BOROUGH COUNCIL

REPORT BY DEPUTY CHIEF EXECUTIVE

|                  |  |            |  |
|------------------|--|------------|--|
| TO:              | AUDIT & GOVERNANCE COMMITTEE   |            |  |
| DATE:            | 19 JULY 2021   |            |  |
| TITLE:           | IMPLEMENTATION OF THE FINANCE IMPROVEMENT PROGRAMME -<br>PROGRESS UPDATE |            |  |
| LEAD COUNCILLOR: | COUNCILLOR<br>McEwan   | PORTFOLIO: | CORPORATE AND CONSUMER SERVICES  |
| SERVICE:         | FINANCE  | WARDS:     | BOROUGHWIDE  |
| LEAD OFFICER:    | CHRIS TIDSWELL   | TEL:       | 07825 190321   |
| JOB TITLE:       | PROGRAMME LEAD   | E-MAIL:    | <a href="mailto:chris.tidswell@cipfa.org">chris.tidswell@cipfa.org</a> |

**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 in April this year.

**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 'get 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.
- 3.2 The Programme is led and overseen by the Finance Transformation Board chaired by the Deputy Chief Executive 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 which also includes relevant 'Audit Tracker' recommendations to help ensure progress on implementation.

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

- 4.1 Progress has continued against the Phase I plan since the last Committee with a number of deliverables being achieved.

The accounts payable, accounts receivable and chart of accounts workstreams are now moving towards completion, with deliverables relating to the ongoing monitoring and training around revised and improved arrangements being finalised.

In addition, the recent Internal Audit review of Accounts Payable resulted in a positive assurance commentary which recognises the improvements and impact made as part of the Finance Improvement Programme.

The final accounts and reconciliations workstream continues, activity and progress is reported separately to the Committee on this agenda.

The Finance Transformation Board continue to oversee the Programme and monitor and challenge delivery timelines where appropriate. The Board are now also concentrating; where appropriate, on ensuring that the changes made through the Programme are embedded, complied with and monitored through agreed reporting mechanisms.

The finance system replacement workstream continues and has a timeline for completion of the 1<sup>st</sup> April 2022, the 'go live' date. Approval has now been given under delegated powers to appoint Advanced as supplier and the contract has been signed.

- 4.2 Phase II of the transformation programme (developing corporate financial management governance and the overarching financial management environment) will be aligned to the implementation of the new finance system. This is now provisionally scheduled to commence at the end of August. Phase II of the programme will both ensure that the opportunities and benefits of the new system are realised and that the necessary development of the organisational approach to financial management and governance takes place and is embedded.

- 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 is a total of 34 (previously 43) recommendations within the tracker covered by the Finance Improvement Programme. These are rated as; Red 0 (5), Amber 12 (22), and Green 22 (20).

#### **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): 30 April 2021, Monitoring - Ongoing

The accounts payable workstream had 10 specific deliverables.

| Completed  | In progress | Not Started |
|--|-------------|-------------|
| 9 (8)  | 1 (2)       | 0 (0)       |
| <b>Commentary</b>  |             |             |
| <ul style="list-style-type: none"> <li>• There is one remaining task outstanding:</li> <li>• Reconciliations of AP system for RBC and BFfC business units which will be included as part of the final accounts and reconciliation workstream.</li> </ul> |             |             |

- The Audit Recommendations Tracker has 17 (27) recommendations relating to Accounts Payable (3 new recommendations were added in April relating to relating operational processes which are rated as amber).
- Of the 17 recommendations included in the tracker ratings are: **8(10) Green, 9 (16) Amber and 0(1) 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): 4 May 2021

The Accounts Receivable workstream has 12 specific deliverables.

| Completed   | In progress | Not Started |
|---|-------------|-------------|
| 6(5)  | 5(3)        | 1(4)        |
| <b>Commentary</b>   |             |             |
| <ul style="list-style-type: none"> <li>• In progress deliverables are 1) addressing historic debt and debt reporting arrangements, 2) developing a SLA 3) delivery of user guides and training, 4) developing compliance monitoring and 5) introducing compliance reporting arrangements.</li> <li>• The deliverable yet to start relates to refining team roles, which can now commence as the AR migration to Fusion has been completed.</li> </ul> |             |             |

- The Audit Recommendations Tracker has 4 recommendations relating to Accounts Receivable.
- Of the 4 (4) recommendations included in the tracker ratings are: **Amber 3(4) and Green 1 (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): 30 April 2021

The Chart of accounts workstream has 13 specific deliverables.

| Completed  | In progress | Not Started |
|--|-------------|-------------|
| 12(8)  | 1(3)        | 0 (0)       |
| <b>Commentary</b>  |             |             |
| <ul style="list-style-type: none"><li>• All 11 original deliverables have been completed.</li><li>• Of the two additional deliverables, one is complete the second has one task, closure of non-grant holding codes to complete.</li></ul> |             |             |

- Following completion of the original deliverables it was been agreed that two additional deliverables would be transferred to this workstream from Reconciliations concerning the review and rationalisation of holding accounts. These are scheduled for completion at the end of July and are dependent on the closure of accounts schedule.
- The Audit Recommendations Tracker has 2 (3) recommendations relating to the Chart of Accounts. One of the recommendations, relates to objective and subjective codes and is complete and shown as green. The second relates to holding accounts for grant and non-grant related transactions. The final task for this recommendation is to close outstanding codes and will be completed as part of the closure of accounts schedule. This is also shown as green as it has one task remaining.
- Of the 2 recommendations included in the tracker, ratings are: **Amber 0(1)** and **Green 2(1)**.

### 5.4 Reconciliations and final accounts

#### Original 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. To also 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.

#### Revised approach

As indicated at the January Audit and Governance Committee the Chief Accountant reviewed work to date on the reconciliations workstream and prepared a joint plan.

The plan covered the closedown of 2018/19, 2019/20 and 2020/21 and as a consequence all reconciliation processes and issues will be addressed simultaneously.

An update on the closure of accounts is the subject of a separate paper to this Committee.

- The Audit Recommendations Tracker now has 11 (10) recommendations relating to reconciliations and final accounts.
- Of the 11 recommendations included in the tracker ratings are: **Amber 0(1)** and **Green 11 (9)**.

## 5.5 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 (revised): 1<sup>st</sup> April 2022.

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

| Completed  | In progress | Not Started  |
|--|-------------|--------------|
| <b>1(1)</b>  | <b>1(1)</b> | <b>2 (2)</b> |
| <b>Commentary</b>  |             |              |
| <ul style="list-style-type: none"> <li>• The procurement exercise has been completed and the project has now received approval through delegated procedures. The contract has also been signed and implementation planning is underway.</li> <li>• The remaining activities not started relate to the implementation and go-live of the finance system.</li> </ul> |             |              |

- There are no recommendations in the Audit Tracker.

## 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. However, the implementation of the Finance Improvement Programme will streamline processes, reduce closure of accounts timelines and costs, and increase the capacity and value added by the Finance Team. In line with the approved business case for replacing the finance system, provision for funding has been made within the Capital Programme.

## **12. BACKGROUND PAPERS**

12.1 Not applicable to this report.