

READING BOROUGH COUNCIL

REPORT BY DEPUTY CHIEF EXECUTIVE

TO:	AUDIT and GOVERNANCE COMMITTEE		
DATE:	30th September 2021		
TITLE:	IMPLEMENTATION OF THE FINANCE IMPROVEMENT PROGRAMME - PROGRESS UPDATE		
LEAD COUNCILLOR:	COUNCILLOR McEwan	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 the latest update on progress of the Programme workstreams and their deliverables against the Plan since the last meeting in July 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.

The accounts payable workstream is now essentially concluded. The transformation deliverables are complete but there are three outstanding tracker recommendations which were added in April this year and are being addressed.

The accounts receivable workstream still has four remaining areas to conclude, progress since the last Committee centres around the introduction of KPI reporting monitoring and compliance and the use of performance indicators.

The chart of accounts workstream along with accounts payable and accounts receivable are in addition moving on to the final, ongoing next stage of activity which relates to monitoring and reporting of key performance indicators (KPIs) as the changes become part of business as usual.

The Board will continue to review the monitoring and compliance process to ensure the improvements introduced become embedded.

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

The finance system replacement workstream is in the system implementation stage. Project governance arrangements are in place and a finance system project group has been established, chaired by the Director of Finance, to manage the implementation of the new system. The project group reports through to the Finance Transformation Board. Updates on implementation progress will be included within future reports to the Committee.

- 4.2 Phase II of the transformation programme (developing corporate financial management governance and the overarching financial management environment) is to be aligned to the implementation of the new finance system.

As the finance system implementation stage is now underway and the Phase I workstreams are coming to a conclusion the Board is undertaking a review of its composition and terms of reference to ensure they are aligned with delivery of Phase II of the transformation programme, encompassing the finance system implementation. The Board will also retain a monitoring role where activity relating to compliance moves from workstreams into business as usual. This is to ensure that the improvements introduced continue to be delivered.

Phase II of the programme and plan will be designed to 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. There are now a total of 7 (previously 34) recommendations within the tracker covered by the Finance Improvement Programme. These are rated as; Red 0 (0), Amber 6 (12), and Green 1 (22). The significant reduction in tracker recommendations follows a detailed review of activity and recommendations by the Chief Internal Auditor which has resulted in a large number identified as complete and therefore removed.

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
10 (9)	0 (1)	0 (0)
Commentary		
<ul style="list-style-type: none">The remaining ongoing activity relates to reporting and monitoring of KPIs.		

- The Audit Recommendations Tracker has 3 (17) recommendations relating to Accounts Payable.
- Of the 3 recommendations included in the tracker ratings are: **1(8) Green, 2 (9) Amber and 0(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): 4 May 2021

The Accounts Receivable workstream has 12 specific deliverables.

Completed	In progress	Not Started
8(6)	3(5)	1(1)
Commentary		
<ul style="list-style-type: none">In progress deliverables are 1) addressing historic debt and debt reporting arrangements, 2) developing a SLA 3) delivery of user guides and training. The deliverable yet to start relates to refining the team structure and defining individual roles.		

- The Audit Recommendations Tracker has 0 recommendations relating to Accounts Receivable.
- Of the 0 (4) recommendations included in the tracker ratings are: **Amber 0(4)** and **Green 0 (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
13(12)	0(1)	0 (0)
Commentary		
<ul style="list-style-type: none"> • All deliverables have been completed. 		

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

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 4(11) recommendations relating to reconciliations and final accounts.

- Of the 4 recommendations included in the tracker ratings are: **Amber 4(0)** and **Green 0(11)**.

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): 1st 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
2(1)	1(1)	1 (2)
Commentary		
<ul style="list-style-type: none"> • The implementation stage is now underway. • The remaining activity not started relates to the final go-live of the finance system. 		

- 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.