HAMPSHIRE FIRE AND RESCUE AUTHORITY

Purpose: Decision

Date **31 January 2018**

Title **HFRS ICT Implementation Project (Governance & Financial Control) and HFRS Budgetary Control Audit**

Report of Treasurer

EXECUTIVE SUMMARY

1. In May 2016 the Hampshire Fire & Rescue Service (HFRS) decided to move to a different delivery model for the support of Information & Communication Technology (ICT). A project was established and a budget of £967,000 was authorised by Hampshire Fire and Rescue Authority (HFRA) to implement this change. The budget was increased to £1.805m to allow for front loaded costs of licensing and software but during 2017/18 it was identified that the project was forecast to overspend by £1.008m, which has now increased to £1.068m following receipt of the final invoices.

2. This report sets out the background and circumstances surrounding this overspend and identifies failures in governance and financial and management control following an internal audit review of the project. This report makes a number of recommendations to prevent a re-occurrence, including a recommendation that an independent Post Project Evaluation should be carried out. This needs to look specifically at the sustainability and robustness of the implemented solution, given the importance of a 24/7 operational ICT system and the extent to which the changes have delivered the expected savings included within the 2017/18 budget.

3. The report also confirms that whilst the project overspend is containable within the overall HFRS budget for 2017/18, this may not necessarily be the case for the ongoing revenue expenditure in subsequent years.

4. In addition to the specific recommendations associated with the ICT project, a parallel and complementary Internal Audit review into Budgetary Control within the Service has set out a number of management actions that need to be considered.

INTRODUCTION and BACKGROUND

5. On 24 May 2016 the Hampshire Fire & Rescue Service (HFRS) gave formal notice(1) of their intention to move to an alternative delivery model for the support of Information & Communication Technology (ICT) services. This decision was predicated on the fact that HFRS predicted that they could deliver recurring operating costs savings of £805,000.

6. Apart from the financial savings, HFRS had also concluded that they required a more agile IT solution to support their future organisational and operational requirements which they did not believe HCC could provide, hence their formal notice to leave the joint working arrangement(2) in respect of ICT support only. The earliest exit date was communicated as 31 December 2016 although HFRS confirmed that the actual date would be agreed between the joint HCC/HFRS project team.

7. An original change over date of 6 March 2017 was scheduled as part of the project. As a result of a number of technical issues, the ‘go live’ date was deferred and the new “stand-alone” system went live over the weekend of 19 May 2017.This did give rise to additional costs for an extra two months of IT service from HCC which was known at the time and was reported to the Authority.

8. The original funding envelope approved by HFRA to deliver the implementation was £967,000 although a further request for £838,000 was made and approved by the Authority in February 2017. The additional budget was to enable the upfront purchase of software licenses for a 5 year term, which would allow an annual revenue saving of £150,000 per annum to be placed into a separate IT reserve for future replacement costs. The total implementation budget was therefore set at £1.805m.

9. As stated in paragraph 7 above, during the 2017/18 financial year it was reported to the Authority that the planned delay in implementation meant that services needed to continue to be purchased from HCC for an extra two months. This incurred an overspend of £210,000 in the ICT transformation budget. At this point of the year no other indications of a potential overspend were flagged by the project team.

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(1) Letter from Geoff Howsego, Director of Professional Services HFRA to Carolyn Williamson, Director Corporate Resources, HCC.
(2) ICT support by HCC pre-dated the Joint Working arrangement and was not included as part of the Service Agreement or Framework.

10. In October 2017 as part of the quarterly budget monitoring process undertaken by Shared Services Finance (SSF) a potential significant overspend against the authorised budget was identified. Further investigation and analysis with the ICT team was carried out but was complicated by suggestions that business as usual (BAU) costs had been included erroneously under project expenditure.

11. In order to eliminate this confusion an assessment of both the project and BAU costs was undertaken against the available budgets and at this stage predicted a total overspend of £1.008m, which has subsequently increased to £1.068m following receipt of final invoices.

12. This overspend amount included the £210,000 additional costs for HCC services that had already been reported, reducing the net unauthorised overspend to £858,000.

13. Given the magnitude of this overspend, Southern Internal Audit Partnership were asked to conduct an investigation into the project's governance, accountabilities and financial control:

    - To document the responsibilities and accountabilities of those involved in the project.
    - To document the decision making processes and authorisations in respect of the day to day project spend in particular around project staffing and consultancy.
    - To document the overall governance framework and the management oversight of the project.
    - To document the reasons for the additional spend over the approved amount.
    - To document the extent of the budgetary control and financial reporting applied within the project.
    - To document the impact on the overall original business case for the ICT Transformation Programme including a review of the final recurring savings achieved.

14. In addition, given the apparent more general weaknesses in financial control, Southern Internal Audit Partnership were asked to conduct an audit into HFRS general budgetary control in 2017/18. Their findings are discussed later in this report at paragraphs 29 to 37.

<u>INTERNAL AUDIT ICT INVESTIGATION</u>

15. Southern Internal Audit Partnership presented their report on Governance and Financial Control to Geoff Howsego, HFRS Head of Professional

Services and Rob Carr, Head of Finance on 11 December 2017. As part of this review, key staff involved in the project were interviewed, including staff working in SSF. Documentation from the project staff, the Project Management Office (PMO) and finance was reviewed, albeit not all project documentation was made available to the audit team because some documents could not be found e.g. some project board minutes and highlight reports.

16. The key findings set out in the audit report were:

- The staff member appointed Senior Responsible Owner (SRO) for the project was also the budget holder for all relevant IT cost centres and produced the original business case for the ICT Transformation project;
- The SRO's deputy, as project manager, managed the project budget and was line managed by the SRO;
- The Business case was approved by the Senior Management Team (SMT) and the Authority during 2016 with a project budget of £967,000 and estimated annual savings of £805,000, with the cost of implementation being met by the Transformation Fund;
- Shared Services Finance provided advice and support to all budget holders across the service and reviewed financial data on a quarterly basis;
- The SRO and Deputy were unsure of their financial delegation limits and indicated that they were not always sure how to code costs correctly to the appropriate cost centre but did not raise these concerns with SSF;
- It is possible that Contract Standing Orders were breached with regards to tender limits and disaggregation of orders;
- The Framework agreement was not used for the procurement of consultancy and agency staff contrary to HFRS policy;
- The Quality Assurance role, which includes a remit of financial overview and challenge and is required for each project board was not effectively carried out due to staff transfers and role changes that occurred after project commencement;
- Neither Operational Finance or the Finance Business Partner (Fire) were invited to, or were represented on, the Project board;
- The draft project close report dated July 2017 stated that project governance was weak and that Project Boards were poorly attended and there was a lack of interest from board members.

17. No specific recommendations were put forward by audit since this was a retrospective review of a single project and the main findings tended to relate to non-compliance with existing practice and procedures.

18. It does however highlight weaknesses in the overall project governance

arrangements within HFRS and it is therefore recommended that assurance is sought from management on the adequacy of project governance across the Service and the senior oversight that this receives.

FINANCIAL ANALYSIS

19. The financial table below summarises the make-up of the net unauthorised overspend based on revised approved budget compared to the forecast outturn. It has been difficult to properly analyse all of the spend and therefore these categories were chosen as a simpler summary of the project budget and spend.

	Budget £'000	**Forecast £'000**	**Variance £'000**
Project staffing and consultancy	250	1,014	764
Desktop implementation	86	192	106
Desktop solution - 5 year up front costs	752	752	-
Document management impl. costs	86	124	38
Hardware	56	56	-
HCC uncoupling costs	90	90	-
Systems migration	80	80	-
Telephony	405	355	(50)
Grand Total	**1,805**	**2,713**	**858**

20. . The main points to note are:

- Most final invoices have now been received but the Telephony figure is still yet to be fully confirmed at this stage;
- Based on the agreed savings and the most recent forecast available, the payback period for the investment is now over three years. This may be further eroded if the anticipated savings are reduced going forward;
- The net unauthorised project overspend is £858,000 which is 47.5% above the revised approved budget;
- The most significant cause of the overspend was due to the employment of external consultancy support that was required during the implementation phase of the project and following go live in order to address operational issues within the new system.
- The original business case budgeted £250,000 for project management, external technical consultancy and for an interim operational ICT manager although no detailed breakdown of this figure is available. Costs against

this area have reached £1,014,000 in total;

- The requirement to manage 24/7 support of the new stand-alone ICT system was apparently overlooked and this may create a financial pressure going forward as the current staff ICT establishment will be unable to support this.

21. A more detailed analysis of the consultancy costs is provided in Appendix A and further work will be undertaken to understand which companies worked on which aspects of the new system implementation and where therefore the greatest overspend occurred.

22. The profile of spend for consultancy costs is also shown in the Appendix £469,000 of which was paid after the original go live date and indicates that this may have been in response to the delayed go live and subsequent problems that were experienced. There has also been some overlap with BAU activity since go live and later payments in 2017 and 2018 could be linked to that, but further analysis of the spend will need to be undertaken to fully understand this.

23. It is difficult to determine with any certainty whether or not all of these costs were legitimately required as part of the project, but inevitably the delays to the go live date and problems with the system after go live would have required additional resources over and above those in the budget, which would also seem to have been drastically underestimated from the outset.

24. It should also be noted however, that the ICT infrastructure that was implemented was key in being able to mobilise and communicate with firefighters in an emergency response and therefore the need for swift intervention after go live is entirely justified, although it is difficult to judge at what level.

25. The main problem is that the additional costs were never formally identified, escalated or approved as part of the project and were only highlighted following routine financial monitoring by SSF.

Impact on Approved Savings

26. There are a number of financial risks remaining with this project which potentially may further increase the ongoing BAU costs and thus reduce the financial return on investment further. These include:

- The need to make a financial contribution to reserves of £150,000 a year in line with the approval for the increased project budget.
- Potential increased software and licensing costs above those assumed in the savings calculation.
- The fact that additional permanent staff may be required to be appointed if HFRS is to maintain 24/7 support of their ICT services.

27. These items are currently under investigation by the Director of Professional Services who is also commissioning an independent review of the technical design and solution of the ICT infrastructure to ensure that it is fit for purpose for HFRS.

28. Both of these pieces of work are still ongoing and it is therefore recommended in this report that a further report be presented to Standards and Governance Committee outlining the conclusions of these two pieces of work. A team has been established and chaired by the Director of Professional Services to oversee the business critical aspects of the ICT Transformation that are yet to be fully implemented.

BUDGETARY CONTROL AUDIT

29. As mentioned earlier in paragraph 14, Southern Internal Audit Partnership were asked to audit the HFRS budgetary control processes for 2017/18 given that the seriousness of the overspend in the ICT budget was not wholly apparent until October 2017, six months into the financial year.

30. It should be noted at this point that the Authority’s past record for financial management has been very sound and has been given a clean bill of health by the external auditors for many years. Other major projects currently in train have been reviewed in light of the overspend on the ICT project and are found to be on a solid financial footing, in particular the Service Delivery Re-Design project which is very different in nature to the ICT project, given that the main costs relate to a project team of staff employed over a period of time. This is also the case for most of the other key projects currently in train.

31. This review sought to assess the effectiveness of controls in place mainly at the budget manager level and focusing on those designed to mitigate risk in achieving the following key objectives:

- roles and responsibilities for budgetary control are clearly defined and understood;
- sufficient information is available to budget holders to enable them to effectively manage their budget;
- regular budget monitoring is carried out and any issues addressed appropriately; and
- reporting to senior management and the Authority is sufficient, timely and accurate.

32. The overall audit opinion based on the audit evidence obtained was that

"limited assurance(3) could be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives".

33. Based on the evidence of the audit this seems to be a fair assessment, but it is important to consider it in the context of the financial risks within the Service as a whole. In financial terms most of the budget for HFRS is spent on salaries and the running of premises and vehicles (they account for around 87% of operational service spend).

34. For all of these costs, they tend to be spent evenly throughout the year and are not subject to demand pressures in the same way as adult social care for example. The only significant demand led cost within HFRS relates to RDS call outs, but clearly these are in response to emergency incidents and would not be something that you would actively try to limit. Any overspend on RDS at the end of the year would then be easily explained and evidenced by an increased number of callouts.

35. Nevertheless, the audit opinion is clearly very serious and the main report findings were:

- Budget managers, whilst aware of their role and responsibilities for budgetary control were not always clear about their responsibilities for reviewing, correcting and updating portal data. Although there are reminders on the portal each month, HRFS staff only see these if they log-in: the absence of adequate handovers following a change in role compounded this weakness;

- Budget reports are available to budget managers in the SAP portal. Most budget managers appear to run reports but not on a regular basis and a few had not done so at all during the financial year;

- Responsibility for the accuracy of the base SAP data rests with budget managers, ensuring errors are corrected and so the argument that the "portal reports are not accurate" was no justification for avoiding their use;

- Only about a third of budget managers said they provided SSF with updates of their forecast during the financial year but they all said that they check funds are available before authorising expenditure;

- SSF monitors budgets on a quarterly basis at a high level and provide reports to Directors and the Authority on a regular basis, however they do not routinely undertake detailed monitoring of

3 Defined as significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk.

service budgets;

- Not all budget managers have regular diarised meetings with their SSF contact (albeit that the finance model has moved away from this style of support due to cost reductions in the Finance Service). Similarly, there is little formal reporting taking place up the management chain during the year;

- A large proportion of the BAU revenue budgets relate to staff costs and therefore many of the budgets are considered low risk by SSF. It was not apparent that budgets had been risk assessed by Managers;

- More importantly there did not appear to be any risk assessment of projects to determine whether or not additional financial scrutiny is required or if finance staff should be a member of the project board;

- Staff with project budget responsibility felt that it was the project board's role to monitor spend but that this was not always exercised adequately. Budgetary information passed to project boards varied across HFRS and was not always detailed enough for monitoring purposes;

- SSB monitored projects at a strategic level and receive highlight reports from project boards but these tended to be focussed on monitoring the delivery of savings rather than the financial cost of implementation.

36. The detailed management action recommendations arising from the audit are set out in Appendix B. Whilst these cover the key issues highlighted from the audit, the format is not always helpful in providing management responses, since many of the management actions will for example relate to providing adequate training to budget managers, this would therefore be repeated several times.

37. Appendix C therefore sets out a comprehensive list of management actions that will be monitored by Directors which it is felt address all of the points highlighted by audit, however these will be reported to them to undertake their own assessment of whether they are adequate or not.

<u>SUPPORTING OUR SERVICE PLAN AND PRIORITIES</u>

38. The July 2017 minutes of the Safer Stronger Board (SSB) make clear that any savings realised cannot be used to fund the project and that they need to be transferred into the central transformation pot with a new bid submitted for any additional budget.

39. Heads of Service are also fully aware that any spend over £200,000 needs to

be reported to the Authority for approval before it can be spent.

40. As the overspend was not approved in advance by the Service Management Team (SMT) or the Authority it is, therefore, unauthorised spend.

CONSULTATION

41. No external consultation outside of HFRS is required as this is an internal failure in governance and management control.

LEGAL IMPLICATIONS

42. Failure to comply with HFRS policy regarding procurement could lead to a claim from a third party, although given the circumstances and the need to call in technical resource and capacity quickly, this is considered to be low risk.

RISK ANALYSIS

43. The original ICT business case included four risks. These were:

- Impact of Government policy and the possible change in strategy leading to a diversion of funding away from ICT;
- Limited budget available that may restrict choice of options available to ICT transformation;
- Pace of technological change continues to increase rather than decrease meaning that current technologies become redundant in a relatively short period of time;
- Ability to respond to increased cyber security threats.

44. As will be noted, these are generic risks and they failed to address the specific risks that a project of this nature would face, in particular the financial risk of undertaking such a complex project in a limited timescale using new technology for the Service. The potential risk of delay in go live was also not highlighted nor was the potential for there to be operational issues following the implementation of the new systems.

45. Since this report deals mainly with financial risks, the key management action going forward is to ensure that a financial risk assessment of any new projects is undertaken and the project board membership and project reporting reflect this risk.

CONCLUSIONS

46. This project has demonstrated a number of shortcomings both in governance and process failures that has led to a material amount of unauthorised expenditure and has potentially undermined a key objective of the original ICT change programme.

47. The most significant issue was the failure of Officers to properly identify, escalate and get authorisation for the additional expenditure.

48. The lack of effective checks and challenge in respect of the costs of the project have also meant that the expected governance and controls framework has not been implemented properly.

49. The absence of effective scrutiny and regular structured progress reports and updates to the project board and SSB, crucially including financial spend and project progress further undermined the governance and control framework.

50. The weaknesses identified in the general budgetary control arrangements compounded the problem with the ICT project as it failed to highlight the serious and growing overspend at an earlier stage. Since the problem was highlighted, management have responded in a number of ways, they have :

    - Commissioned two separate independent reviews by internal audit
    - Ensured that other project related spend is being properly managed within budget
    - Requested Heads of Service to actively manage the budget in the last quarter of the year and report this monthly to Directors
    - Established a team to look at the remaining business critical aspects of the ICT Transformation project

51. The proposed management actions to address the issues highlighted in the budgetary control review are detailed in Appendix C. These will be extended to include timescales and responsibilities as part of the response to the audit report.

RECOMMENDATIONS

It is recommended that Standards and Governance Committee

52. Request that the Chief Fire Officer provides an assurance report on the project governance arrangements across the service.

53. Request a report from the Director of Professional Services that outlines the forecast of savings arising from the ICT Transformation Project and provides an assessment of the ICT systems that have been implemented.

54. Approves the management actions contained in Appendix C as an appropriate response to the issues highlighted by the audit review set out in Appendix B.

55. Request the Chief Fire Officer and Chief Financial Officer to report on progress on the management actions to this Committee.

56. Note that active financial management of the budgets for the remainder of the year is being undertaken by Heads of Service and reported to Directors monthly and current projections are that the overall budget will be £252,000 underspent, after absorbing the increased ICT project costs.

APPENDICES ATTACHED

A. Analysis of Consultancy Spend
B. Southern Internal Audit partnership budgetary control recommendations
C. Management Action Plan

Appendix A

	2016					2017					2018	
	Total	**Jan / Feb**	**March**	**April**	**May**	**June**	**July**	**August**	**Sept / Oct**	**Nov / Dec**	**January**	**Grand Total**
	£	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Individual Consultants	315,376	69,579	66,976	23,394	47,777	57,160	25,438	20,839	60,216	31,779	132,875	851,408
Crayon Limited	40,300											40,300
Firewatch	1,000	107,220										108,220
Sharepoint Architect	6,000											6,000
Other Miscellaneous	6,000							2,465				8,465
Grand Total	**368,676**	**176,799**	**66,976**	**23,394**	**47,777**	**57,160**	**25,438**	**23,304**	**60,216**	**31,779**	**132,875**	**1,014,393**

NB : A large proportion of the spend relates to individual consultants and therefore a breakdown of individual payments cannot be provided in a public report.

Appendix B

Action plan 1 - Role and responsibilities clear	
Objective	Roles and responsibilities for budgetary control are clearly defined and understood.
Observation	The majority of staff interviewed were clear about their role and responsibility for BAU budgets. One out of twelve budget staff interviewed were not clear about their budget responsibility and not confident about finance and were not aware that they were responsible for an income budget of £30k in addition to their expenditure budgets of £6,107k.

Action plan 2 - Delegated budgets are monitored	
Objective	Roles and responsibilities for budgetary control are clearly defined and understood.
Observation	Interviews found that budgetary control tasks are often delegated for both BAU and project budgets and staff confirmed these are monitored at one to one or other meetings. Only one member of staff in our sample said that a monthly monitoring report is produced but often no formal finance reports are produced and there are no records of any monitoring. In some instances managers are also independently monitoring the same budgets themselves leading to a duplication of work.

Action plan 3 - Handover provided	
Objective	Roles and responsibilities for budgetary control are clearly defined and understood.
Observation	Staff interviewed were asked if a handover was provided if they had taken over budgets during the year. Two staff said that they had taken over budget responsibility during the year and a handover had been provided but one member of staff said that they had not had a handover. Two other members of staff said they had not taken over budgets during this year but they had not had a handover when budget responsibility was previously passed to them.

Action plan 4 - Sufficient information is available	
Objective	Sufficient information is available to budget holders to enable them to effectively manage their budget.
Observation	The reports available to all managers via the portal provide detailed staff costs and transaction level information for non pay costs. Reports show budget, actuals and forecast for each cost centre, cost centre group and general ledger code but other information is also available such as commitments. The reports can be downloaded to spreadsheets if required. Some of the budget managers interviewed confirmed that they have sufficient information to manage their budgets and are able to access the information in the portal. The portal reports should be set up for each manager but from discussions with staff it would appear that this may not always be the case and staff therefore need to speak to shared services finance and raise an IBC enquiry to set this up. If they have not been set up correctly budget managers can still access the information they require and save reports but this will take longer. There was feedback that sometimes incorrect costs have been charged to budgets, it is up to budget managers to correct this information in liaison with Shared Services Finance. Managers can authorise expenditure to any budget and the portal report shows who authorised transactions so they can be queried. The portal staff reports show which staff have been charged to each budget, budget managers said this is often incorrect. Budget managers are responsible for reviewing the staff reports and following the HR process when staff transfer post to ensure staff are recorded in the correct budgets, adjustments to budgets will be automatically made from the effective date of the staff move. Spreadsheets are sometimes used to manage project budgets. The spreadsheets are in some instances regularly reconciled with the portal reports and discrepancies investigated and corrected but some budget managers used the spreadsheets to manage their budgets and said that these did not agree with the information in the portal reports. Budget managers are responsible for reconciling the portal data and correcting any errors.

Action plan 5 - Portal reports run	
Objective	Sufficient information is available to budget holders to enable them to effectively manage their budget.
Observation	All staff interviewed said that they run portal reports either monthly or quarterly to monitor their budgets. Shared Service Finance provided a report showing how many times the different portal reports had been run by each member of staff each month this financial year. This shows that monitoring has generally been done less frequently than indicated: • 3 run reports monthly as discussed • 1 runs reports quarterly as discussed • 7 have run reports but not regularly and less frequently than discussed • 3 have not run reports this financial year Budget managers were requested to bring evidence of their budget monitoring to the audit meeting but many did not provide any documentation.

Action plan 6 - Portal Training	
Objective	Sufficient information is available to budget holders to enable them to effectively manage their budget.
Observation	One member of staff interviewed said they had received formal training a few years ago but the majority of staff said that they had not received any formal budget training or training on the use of the portal. Many have received assistance on the use of the portal from Shared Services Finance when asked. Shared Services Finance are planning to provide budget training early in 2018 but this will not include training on the use of the portal.

Action plan 7 - Update forecasts on portal	
Objective	Regular budget monitoring is carried out and any issues addressed appropriately.
Observation	Shared Services Finance review budgets on a quarterly basis and budget holders are required to inform them of any changes to their forecasts. A sample of staff interviewed confirmed that the forecasts are generally not updated regularly. Five of the budget managers interviewed said that they do review their forecast and liaise with Shared Services Finance. Some review monthly others said they review mid year. The remaining nine budget managers interviewed do not review and liaise with Shared Services Finance to update their forecast on a regular basis. Some project mangers keep spreadsheets and they confirmed that the spreadsheet forecast is more accurate than the portal however Shared Services Finance only have access to the portal figures.

Action plan 8 - Reporting to management	
Objective	Reporting to senior management and the Authority is sufficient, timely and accurate.
Observation	Three of the BAU budget managers said that they produce regular budget reports that are discussed with their line managers. Other BAU budget managers said that they do not produce budget reports for discussion about the budgets with their line managers. Some staff interviewed said that budgets are not discussed with management or are discussed irregularly or if issues.

Action plan 9 - Quarterly meetings with Shared Services Finance	
Objective	Reporting to senior management and the Authority is sufficient, timely and accurate.
Observation	Four of the budget managers interviewed said they had regular meetings or discussion with Shared Services Finance. Ten of the budget mangers interviewed said that they do not have regular meetings. One reported that they used to have quarterly meetings but there are currently no formal meetings and some contact finance if issues or help is required.

Action plan 10 - Risk assessment of budgets	
Objective	Roles and responsibilities for budgetary control are clearly defined and understood.
Observation	Whilst the governance structure in place for projects differs to that of BAU budgets all projects have the same governance structure and all BAU budgets have the same governance structure, regardless of the type of expenditure, income and risk. Some budget holders said that they risk assess their budgets and focus on big ticket items or have delegated limits to ensure higher value items are escalated for approval. The same rigour is often applied to all budgets and projects and high risk budgets are not identified to allow more controls to be put in place to monitor them more closely and to ensure these are reported frequently to senior management.
Action plan 11 - Project Board Budget Reports	
Objective	Reporting to senior management and the Authority is sufficient, timely and accurate.
Observation	From discussions with a sample of project staff it would appear that there is a wide variation in the budget reporting to project boards. The Service Delivery Redesign (SDR) project have a detailed dashboard and the project spend to date and forecast are reported against the budget. Other projects report a dashboard that does not include detailed financial information or verbal updates only are provided. The level of detail provided does not always appear sufficient to enable project boards to monitor budgets.
Action plan 12 - Project quality assurance	
Objective	Roles and responsibilities for budgetary control are clearly defined and understood.
Observation	The Quality Assurance role on a project board is to have an objective view of the project. The Quality Assurance responsibilities include a wide remit for different aspects of the project the finance related responsibilities include: ensuring the business case is fit for purpose; there is continuous evaluation of value for money; and the budget is adequately managed. Two of the six projects in the audit sample have a quality assurance person in place on the project board to ensure the board review the project finance but it is not clear that the other projects have a quality assurance role on the board.

Appendix C

Budgetary Control Audit – Management Actions

Training and Guidance

a) Induction training for all new budget managers;

b) Mandatory finance training for all existing budget holders (these were already planned from the beginning of this year and the first sessions are completed);

c) A commitment to have finance training as a qualifying requirement for promotion where applicable, therefore becoming either a pre-employment training (PET) requirement or a requirement within a set period of taking up post;

d) A review of the current guidance for project managers and line managers with budgetary responsibilities to include clear expectations of what is expected of them and their delegated spend and approval levels;

e) Training to include how to use portal reports and details of the financial housekeeping activities budget managers should do regularly;

f) Training to include an understanding and appreciation of financial regulations and contract standing orders;

g) Written guidance available on the intranet that covers these issues;

Budgetary Control and Forecasting

h) Requirement that all managers will look at their budgets and update forecasts at least quarterly;

i) Budget Managers are expected to escalate issues of financial concern to their line manager and SSF (this is in response to audit Action Plan 8 and 9, where it is not felt appropriate that separate reports are produced by budget managers for onward reporting and limited resources mean that the SSF cannot meet with all budget managers on a set basis);

j) Corporate monitoring will be carried out quarterly which will include formal reporting to Directors and HFRA;

k) Compliance checking by Directors that budget managers are carrying out effective budget monitoring, forecasting and housekeeping

l) Ensure that the Establishment Management Group (EMG) are monitoring establishments and the spend on staffing, which should include all staff related costs (temporary, agency, volunteers etc.);

Project Management

m) Risk assessment of projects from a financial and non-financial point of view at the outset to determine the appropriate board representation and on-ward reporting.

n) Stricter financial reporting to all boards for projects concentrating on costs not just achievement of savings;

o) A review of the highlight report format to ensure that it is fit for purpose from a financial point of view.

p) Compliance checking by the PMO to ensure that highlight reports are being completed appropriately.

q) The appointment of Finance and Quality Assurance members on Project Boards to be considered at the initial stages of establishing the governance arrangements for all projects.