

## Maldon District Council

**To:** Annette Cardy, Resources Specialist Services Manager

Alastair Morrell, Resources Casework Manager

**c.c.** Simon Walker, Sandra Farrow, Ann Nagy.

**From:** Kamal Mehta, Interim Section 151 Officer

**Date :** 16 August 2019

### **Subject: Change Management Note**

Further to our meeting of 15 August 2019 on the transition from the old traditional local government operating model to the new Future Model I have identified the following as critical areas that I need assurances that the key controls and internal checks are in place and are being correctly operated in the work carried out by the Specialist Finance staff and the Resources Caseworkers who are now or in the near future will be undertaking some of these activities, processes and tasks. This list at this stage is not exhaustive however, these are the key areas involved in recording and properly accounting for the Council's financial transaction. The second part of this Note is the programme of work that I believe is required to ensure 'business as usual/ 'our new way of working' in the Future Model. Please note that many of these requirements will be already in place currently and that is fully accepted and recognised by me but I have included them here for completeness for any transfer of activities/processes/tasks from the Specialist to the Caseworker. The Section 151 Officer is statutorily required to ensure the 'proper financial administration of the council'.

### **Key Controls, Checks and Working Practices**

#### **1. Reconciliations**

- Payroll to General Ledger (GL) Control Account including all deductions properly posted and paid over.
- Payroll to HR system – People being paid each month are the same as those on the establishment held in HR.
- Debtors Sales Ledger to GL
- Creditors – Purchase Ledger to GL
- Bank and Cash

#### **2. Treasury Management (TM)**

- Training in Treasury Management for staff. This is not internal training but external normally day courses/workshops held by CIPFA and the Council's Treasury Management advisors. (It is a requirement to declare that the staff undertaking TM activities have received 'proper' training in the Council's TM Strategy.)

Therefore, whilst I appreciate that the Caseworkers who may take over the TM activities will be given training or shown the processes by the Specialists it is important that external training is factored in if this function in whole or in part is to transfer to the caseworkers. (Note of caution/warning: A number of authorities had ended up with deposits in the Icelandic Banks because the function had been devolved to third and even fourth tier officers and there had been no strong overview of the deposits being placed and the staff were not fully trained in understanding credit rating lists, limits of investments in institutions and advice from the TM advisors)

- Any impending maturity and investment discussed and agreed with the Section 151 Officer for direction.
- Authorisations of investments and recall of funds
- Documentation for audit.
- Reporting to Section 151 Officer – frequency. My requirement is on a weekly basis. The report should contain a statement of all deposits out there with activity undertaken during the week. Interest rates on the investments Interest received and expected for any matured investments against budgeted interest income.

### **3. Journals**

- Robust internal controls and internal checks – separation of duties re: raising journals, reviewing and authorising and inputting. This becomes difficult in a small team and a pragmatic approach can be adopted but it has to be able demonstrate robustness in the circumstances.  
Each stage requires signature of the officer and the date.
- Journals should be accompanied by supporting documentation and or good quality working papers where electronically attached or in hard copy form. Working papers must be cross referenced properly where appropriate to the source of the information contained in them. All working papers must have the name of the officer that has created it and date of creation.

### **4. Working Papers Generally**

- Quality of working papers whether electronic or hard copy form must be to a level which can be followed through by the reader to the source information and follow on destination of information thereby reducing the need to refer to the creator of the working paper. This will also reduce external auditors from raising further unnecessary queries in the future especially in an environment of reduced numbers of staff.

## Programme of Work required for operating in the Future Model

### 1. Financial Management System (FMS)

- Staffing budgets need to be completed and set for the new operating model.
- Staffing budgets allocated to the correct cost centres.
- Allocation of cost centres to managers for budget responsibility and management
- Decisions on the level to which budgets are devolved for budget responsibility and budget spending and for income.
- Consideration on cost centre structure / Chart of Accounts being fit for purpose for the new operating model.
- ***Use of Sage to its full potential and consideration of a new financial management system geared for use in local government with functionality and integration that reduces manual manipulation of data outside of the system including reporting tool. Longer term residence and efficiency gains in an environment of reduced resources.***
- Any new cost centre structure or reconfigurations will need to address the issue of being able to make comparisons and provide comparative data between prior years to current year on a like for like basis for internal monitoring purposes but also and more importantly for external audit requirements in the first year of operation of the new model especially if it only for part year.
- Ensure that **the integrity of the FMS (Sage) is always maintained** when transitioning from the previous structure to the new operating model.

### 2. Finance for Non-Financial Manager and Budget Officers

- Basic understanding of Local Government Finance – High level.
- Budgeting, Budget Monitoring and Budget management training
- Understanding of delegations and Financial Regulations and Procurement and Contract Standing Orders.
- Basic enquiry training on FMS and electronic authorisations where applicable.

### 3. Resources Specialist/Caseworker split of functional activities/tasks/processes

- Part or whole tasks – where does the responsibility and accountability lie.
- Training and understanding
- Devolve across/down the levels but what about escalation points back upto Specialist for input/involvement/decision – understanding of ownership and parameters for seamless working.

### 4. Management Accounts Reporting

- Frequency
- Format and content
- Co-ordination responsibility
- Compiling/Authoring
- Accuracy sign-off