

# Remaining in Control – Financial Systems (CCGs)

During 2019/20 and pre COVID-19 MIAA undertook reviews of Financial systems at CCGs focusing on the operation of General Ledger, Accounts Payable, Accounts Receivable, Treasury Management, Budgetary Control, and Financial Reporting and Integrity. Overall organisations had good control frameworks in place to manage financial control risks.

Financial Systems need to be adequate to meet the requirements of statutory financial duties and the organisation's financial objectives. Poor and ineffective systems can reduce the organisation's ability to deliver and monitor financial performance. Whilst guidance issued to support organisations in their initial response to COVID-19 was clear that financial constraints must not stand in the way of taking immediate and necessary action there was no relaxation in fiduciary duties. As the pandemic response continues and financial arrangements change it is important that organisations ensure robust financial controls are in place.

## Areas of Good Practice

- ✓ **Segregation of duties** was in place between preparers and reviewers of balance sheet control account reconciliations.
- ✓ **Control Schedules** were in place to confirm status of all control account reconciliations
- ✓ **Standard Operating Procedures (SOPs)** were in place for supplier bank details changes
- ✓ Shared Business Services (SBS) completed **Security Checks** and documented supplier amendment requests on behalf of CCGs
- ✓ **Quality, Innovation, Productivity and Prevention (QIPP) targets** were built into annual financial budgets
- ✓ **Significant risks, variances or trends** in relation to control total and QIPP delivery were included in reports to the Governing Body and sub-committees.

## Areas for Enhancement

- × **Electronic signatures** were not widely used to evidence review of balance sheet control account reconciliations
- × **Governing Bodies** did not always routinely receive a full set of financial statements
- × **Lists of budget holders** who approve expenditure were not maintained and updated appropriately
- × Policies and procedures were not in place for the **debtors process** and organisations did not consistently have clearly defined conditions for providing for bad debt.
- × Number of purchases raised **without Purchase Orders**.

## Challenge Questions

1. Do finance reports adequately reflect the financial position, and the risks and implications of COVID-19?
2. Have financial systems, controls and reporting been adapted to reflect the new financial regime?
3. Have there been any changes to the authorisation of expenditure and have these been reflected in authorised signatory lists and budget holder arrangements?
4. What assurances have you received that financial controls continue to operate effectively?
5. Is there Governing Body engagement in monitoring the organisation's financial position?

*This Insight provides information to support organisations in reviewing their financial systems. It is intended to prompt and inform discussions in this area.*