

# Remaining in Control – Financial Systems (Trust/FTs)

During 2019/20 and pre COVID-19 MIAA undertook reviews of Financial systems at NHS Trusts/Foundation Trusts 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 the status of all control account reconciliations
- ✓ **Standard Operating Procedures (SOPs)** were in place for supplier bank details changes
- ✓ **Security Checks** were completed and documented for supplier amendment requests
- ✓ **Cost Improvement Plan (CIP) targets** were built into annual financial budgets
- ✓ **Significant risks, variances or trends** in relation to control total and CIP delivery were included in reports to the Trust Board and sub-committees
- ✓ **Authorised Signatory Lists** which included delegated limits were produced and updated in a timely manner.

## Areas for Enhancement

- × **Electronic signatures** were not widely used to evidence review of balance sheet control account reconciliations
- × **Trust Boards** 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.

## 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?

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