



# Office for Environmental Protection

## Board Paper

21.52

### Date

14<sup>th</sup> December 2021

### Title

Finance Report

### Report by

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Paper for information and decision

Open in part

## Recommendation

1. The Board is recommended to:
  - a. Consider the current financial headlines and analysis.
  - b. Note the update on the project to establish the OEP finance function.
  - c. Note the updates relating to the Financial Scheme of Delegation, following the Board meeting on 4<sup>th</sup> November.

## Financial Headlines and Analysis

2. *This section has been redacted as its publication would be prejudicial to the effective conduct of public affairs.*
3. A Delegated Authority Letter (dated 16<sup>th</sup> November 2021) was issued to Natalie Prosser as CEO and Accounting Officer. *This section has been redacted as its publication would be prejudicial to the effective conduct of public affairs.*
4. *This section has been redacted as its publication would be prejudicial to the effective conduct of public affairs.*

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## Finance Project

5. At the board meeting on 4<sup>th</sup> November, it was noted that the financial reporting project will result in a comprehensive overhaul of the current financial reporting received from Defra Finance. This project will include setting up the OEP on the accounting system, stakeholder engagement to develop the required financial reporting for a monthly reporting pack and an 'audit' of the data transferred from Defra to ensure accurate recording of transactions in accordance with the relevant accounting standards and frameworks.
6. One additional FTE postholder has been secured for the finance function through contingent labour arrangements. He has been in place since 8<sup>th</sup> November for a four-month contract to support the finance function set up.
7. A new accounting system is being procured, as the original option was, upon review, determined to not be suitable for OEP's needs. This has resulted in approximately £200 of lost budget. This tender is progressing at pace, with a solution agreed, pending IT review.
8. The new system needs to be uploaded onto an OEP laptop and therefore will not be operational until the end of December at the earliest. This has a knock-on effect to the full operational readiness of an independent finance function, which is now anticipated to be the end of January.
9. Due to the delays to the implementation of the OEP's own accounting system, the OEP will continue to use Defra finance and procurement procedures until the end of January. This decision has been made to ensure sufficient governance and controls are in place for all procedures until the OEP finance function is ready.
10. Financial reporting will be carried out manually on Excel using the transaction downloads provided by Defra, until the accounting system has been set up. The risk of misstatement has been minimised by the implementation of reconciliation controls. Utilisation of the Defra transaction download minimises this risk further by using a trial balance that is system generated, and thus produced under the Defra financial controls.
11. Progress is being made on reviewing the Q3 financial position to ensure accurate forecasting for the last quarter of the year. *This section has been redacted as its publication would be prejudicial to the effective conduct of public affairs.*
12. Progress is also being made on establishing the financial policies and procedures.

## Financial Scheme of Delegation

13. The Financial Scheme of Delegation was approved at the board meeting on 4<sup>th</sup> November, subject to clarity being sought on the financial implications of cumulative contracts. The financial and procurement processes that are being

developed will include controls on non-competitive cumulative contracts (for example, from value and scope variations to contracts, and repeated single tender contracts being awarded to a supplier). Controls will include the new financial system having the Scheme of Delegation financial thresholds programmed into the purchase order approvals routing; review and approval of single tender justifications being required prior to their procurement commencing; and regular spend analysis and internal audit to identify and deep dive into contracts and suppliers flagging cumulative indicators. Financial and procurement controls will be stated in the Standing Financial Instructions to be tabled to the ARAC in January 2022.

## Impact Assessment

14. *This section has been redacted as its publication would be prejudicial to the effective conduct of public affairs.*

## Implementation Timescale

15. As set out in the body of the paper:
  - a. The OEP finance functions to be fully operational by the end of January 2022.
  - b. A full 'audit' of the Q3 financial position to be completed by the 17<sup>th</sup> December.

## Communications

16. Internal communication relating to the finance transition from Defra processes to OEP ones needs to be developed, to ensure minimal disruption.

## External Stakeholders

17. The overall timetable for establishment of the OEP, including the key milestones have been discussed with stakeholders in the stakeholder forum.

## Internal Stakeholders

18. Colleagues are aware of the status of the financial reporting project via various update meetings across the organisation, including SLT and cascade meetings.

*ANNEX A – This section has been redacted as its publication would be prejudicial to the effective conduct of public affairs.*