

# Financial management in government: enablers of success



## Good practice guide

July 2023

This guide aims to provide insights and good practice on the essential enablers of success for better financial management in government.

**We are the UK's independent  
public spending watchdog**

Communications Team  
DP Ref 013511

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# Overview

## Why are we publishing this series?

Sound financial management is vitally important to government organisations. In the public sector, financial management is pivotal in meeting policy aims, monitoring progress against goals and objectives, and ensuring scarce resources are utilised effectively. It is critical to helping government organisations set the right priorities, deliver on their responsibilities to provide good value for money and exercise their responsibilities to the taxpayer, as set out in *Managing Public Money*.

Financial management – when done well – enables government organisations to:

- make more timely and well-informed decisions;
- unlock efficiencies and drive better ways of working; and
- improve financial resilience and enhance their ability to adapt and respond to shocks and disruptions.

## Who is the series for?

Our Financial management: insights and good practice series is aimed at senior finance decision-makers across all of our audited bodies.

## How should you use these guides?

This series is designed as a helpful reference point for senior finance leaders to use at regular intervals to assess their organisation’s financial management health.

Our insights do not represent mandatory guidance. They complement existing guidance provided to finance teams across government by the Government Finance Function, such as the [Finance Functional Standard](#), and guidance provided through [One Finance](#).

## Where have we drawn our insights from?

We have drawn our insights and good practice primarily from:

- the National Audit Office’s (NAO’s) back catalogue of value-for-money reports and Comptroller and Auditor General reports on accounts;
- the experiences of our financial audit and insights teams; and
- interviews with a range of senior finance decision-makers from our audited bodies and a number of private sector organisations.

A short methodology is provided in the Appendix.

# Introduction

## Enablers of success

*Enablers of success* focuses on the most critical areas senior finance decision-makers should focus on to improve the financial management of their organisation. These areas underpin each phase of the financial management lifecycle – from strategy, planning and budgeting, to resource allocation, to monitoring and forecasting, to evaluation and reporting.

In *Enablers of success* we focus on three key themes which consolidate the key findings from our research and discussions with senior finance leaders.



### Leadership, governance and culture

How setting the right tone from the top, securing strong governance and oversight, defining clear accountabilities, and promoting a culture of openness and transparency are essential to creating an environment where the finance team can thrive.



### Skills and capabilities

How having the right range of professional and technical skills, prioritising flexibility and responsiveness, and working well with stakeholders enables finance teams to maximise their impact.



### Data and management information

How using data for decision-making, ensuring data quality and having effective management information systems can result in better outcomes for finance teams.

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# Key takeaways

## Summary of key takeaways

	Enabler	What good looks like	Key actions for leaders
 <p><b>Leadership, governance and culture</b></p>	<p><b>Setting the tone from the top</b></p>	<p>Strong organisational leadership creates an environment where finance is central to decision-making and integrated fully within the organisation.</p>	<ul style="list-style-type: none"> <li>● Influence the Accounting Officer to deliver a clear message that sound financial management enables the delivery of strategic objectives</li> <li>● Promote the benefits of finance leaders being included in executive committees and strategic meetings</li> <li>● Collaborate with other executives to integrate financial management within the organisation</li> <li>● Promote a culture of continual improvement</li> </ul>
	<p><b>Governance and oversight</b></p>	<p>Governance structures facilitate the right level of oversight and challenge by the Board or relevant governing body and support the Accounting Officer in their requirements over financial management.</p>	<ul style="list-style-type: none"> <li>● Cultivate constructive relationships with non-executive directors</li> <li>● Promote the importance of decision-making committees being populated by individuals with the required skills and authority</li> <li>● Raise the need for the Audit and Risk Assurance Committee and Board to include an appropriate range of key skills</li> <li>● Work with the Accounting Officer and the Board to establish a governance structure that is proportionate, supported by clear terms of references, and facilitates effective decision-making</li> </ul>
	<p><b>Clear accountabilities and responsibilities</b></p>	<p>Individuals across the organisation understand their accountabilities and responsibilities when it comes to financial management.</p>	<ul style="list-style-type: none"> <li>● Establish clear accountability at executive level</li> <li>● Build accountability into the performance evaluation of individuals with financial management responsibilities</li> <li>● Make financial management responsibilities clear in role descriptions</li> <li>● Provide individuals with the time to execute their financial management responsibilities</li> <li>● Make guidance and training materials readily available to all individuals</li> </ul>
	<p><b>Culture of openness and transparency</b></p>	<p>The organisation promotes a positive culture where the finance function can collaborate seamlessly with the rest of the organisation.</p>	<ul style="list-style-type: none"> <li>● Identify key relationships and invest time to develop them</li> <li>● Ensure the strategic goals of the organisation are informed by sound financial data and metrics</li> <li>● Establish realistic ways of working between finance teams and other internal stakeholders</li> <li>● Encourage people across the organisation to be open about mistakes and where things have not worked well</li> </ul>

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## Summary of key takeaways *continued*

Enabler	What good looks like	Key actions for leaders
 <p><b>Skills and capabilities</b></p>	<p><b>Range of skills and capabilities</b></p> <p>Finance leaders prioritise the skills and capabilities which enhance the quality of financial management within their organisation.</p>	<ul style="list-style-type: none"> <li>● Focus development and recruitment activities on priority areas for the finance team</li> <li>● Use a skills matrix to assess the current skills of the finance team against the core requirements for the financial management of the organisation</li> <li>● Provide fit-for-purpose and continuous training to finance team members</li> <li>● Encourage and incentivise finance professionals to develop their skills, and give them the time and space to execute their plans</li> </ul>
	<p><b>Building a flexible and responsive team</b></p> <p>Finance leaders build agile, flexible and responsive teams that are resilient, proactive and can adapt quickly to changing circumstances.</p>	<ul style="list-style-type: none"> <li>● Have a plan for rotating team members across different roles to broaden their experience</li> <li>● Consider inward and outward secondments as ways of broadening experience and expertise</li> <li>● Work with human resources and learning and development to develop succession plans and contingencies</li> <li>● Encourage an open learning culture within the finance team</li> </ul>
	<p><b>Working effectively with others</b></p> <p>Finance teams have strong non-technical skills to enable them to collaborate with and influence internal and external stakeholders.</p>	<ul style="list-style-type: none"> <li>● Identify the non-technical skills and capabilities critical to working effectively with the key stakeholders of the organisation</li> <li>● Encourage the finance team to draw clearer, faster and richer insights from the financial information they produce</li> <li>● Ensure the level and nature of challenge is targeted on a risk basis depending on the materiality or complexity of the financial information</li> <li>● Invest time in building important external relationships</li> </ul>

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## Summary of key takeaways *continued*

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 <p data-bbox="136 839 389 898">Data and management information</p>	<p data-bbox="465 400 633 448"><b>Using data for decision-making</b></p>	<p data-bbox="741 400 1285 448">Finance leaders use data to enhance the accuracy and timeliness of decision-making across the organisation.</p>	<ul data-bbox="1330 400 2130 655" style="list-style-type: none"> <li>● Present financial data in a way which objectively shows a range of scenarios and offers insights on areas of risk, opportunity and uncertainty</li> <li>● Provide decision-makers with the right data at the right time of the business cycle</li> <li>● Consult with decision-makers to understand how they like information to be presented to enable them to interact, challenge and use confidently to make informed decisions</li> <li>● Align financial data with data with risk management data</li> </ul>
	<p data-bbox="465 676 680 700"><b>Ensuring data quality</b></p>	<p data-bbox="741 676 1285 724">Finance leaders understand the strengths and limitations of the data which underpin financial management.</p>	<ul data-bbox="1330 676 2157 908" style="list-style-type: none"> <li>● Identify opportunities to simplify and unify sources of data</li> <li>● Understand the most important drivers of financial data quality issues and design effective and proportionate controls in line with data governance protocols</li> <li>● Be explicit and open about any data quality issues and limitations and the impact that could potentially have for users</li> <li>● Use government's Data Maturity Assessment and Data Quality Framework as a measure of assessing the quality of data that are being used</li> </ul>
	<p data-bbox="465 930 703 978"><b>Systems and processes to manage information</b></p>	<p data-bbox="741 930 1240 1010">Finance leaders see opportunities to improve the quality of management information systems and processes to the wider benefit of the organisation.</p>	<ul data-bbox="1330 930 2157 1254" style="list-style-type: none"> <li>● Influence other senior leaders on the benefits of developing a system which integrates multiple sources of information</li> <li>● Make incremental improvements to older systems, focusing on processes which are the most inefficient</li> <li>● Ensure technical guidance is available and up to date so users can easily understand processes</li> <li>● Focus on developments in technology and opportunities to improve existing systems and processes</li> <li>● Ensure data needs continue to be met when transitioning to new arrangements under government's Shared Services Strategy (if relevant)</li> </ul>

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# Leadership, governance and culture

- Setting the tone**
- Governance and oversight
- Clear accountabilities
- Culture of openness

## Setting the tone from the top

### What good looks like

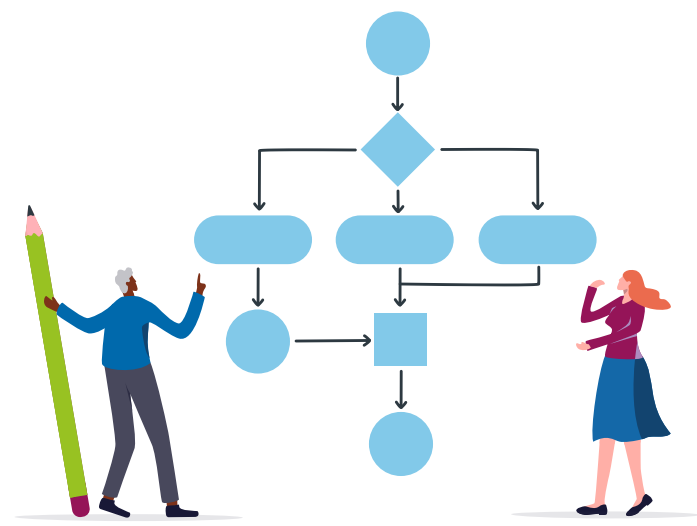
Strong organisational leadership creates an environment where finance is central to decision-making and integrated fully within the organisation.

### Why this is important

Many of the organisations we talked to promoted the importance of a clear and demonstrable commitment from the Accounting Officer on the importance of the finance function and the need for finance to be integrated fully within the decision-making process. Finance should be central to how the organisation achieves its vision, and represented in positions of influence within the governance and decision-making structure.

In our report on *Financial management in government* we said a key strategic challenge was “developing a financial management mindset throughout the organisation, so that all decisions are taken considering the financial effects”.<sup>1</sup>

This helps set a culture for the organisation where finance professionals can interact and collaborate successfully with the organisation. It elevates finance to a level where it can drive value for money, efficiency and sustainability across all aspects of the financial management lifecycle. It allows policy and delivery teams to maximise what they can achieve and operate at their best by having a strong understanding of their finances.



<sup>1</sup> Comptroller and Auditor General, *Financial management in government*, Session 2013-14, HC 131, National Audit Office, June 2013, paragraph 3.2.

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## Setting the tone from the top *continued*



### How finance leaders can address this

- Influence the Accounting Officer to deliver a clear message that sound financial management enables the delivery of strategic objectives. This could be a feature of organisation-wide briefings, supported by tactical and consistent messaging through, for example, training sessions or Q&As with finance leaders.
- Promote the benefits of finance leaders being included in executive committees and strategic meetings. If finance leaders are not currently part of executive committee or strategic meetings – or there is insufficient financial capability at Board level – motivate leadership on the key benefits of finance being central to decision-making. If finance leaders are already established within key committees, influence leaders towards greater maturity – for example, upskilling Board members and non-finance executives in the key financial processes of the organisation and the most significant financial reporting issues.
- Collaborate with other executives to integrate financial management within the organisation. The executive team should work together in a way that allows finance to be embedded and play a central role in supporting timely and accurate decision-making. For instance, ensuring finance and risk management data are aligned, promoting collaboration between finance and operational teams around information and knowledge sharing, and integrating stronger financial insight into the decision-making process.
- Promote a culture of continual improvement in financial management across the organisation, for example, developing strong relationships with internal and external auditors and seeing their recommendations as opportunities to improve existing processes, and taking opportunities to shift towards more value-adding activities.



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## Setting the tone from the top *continued*

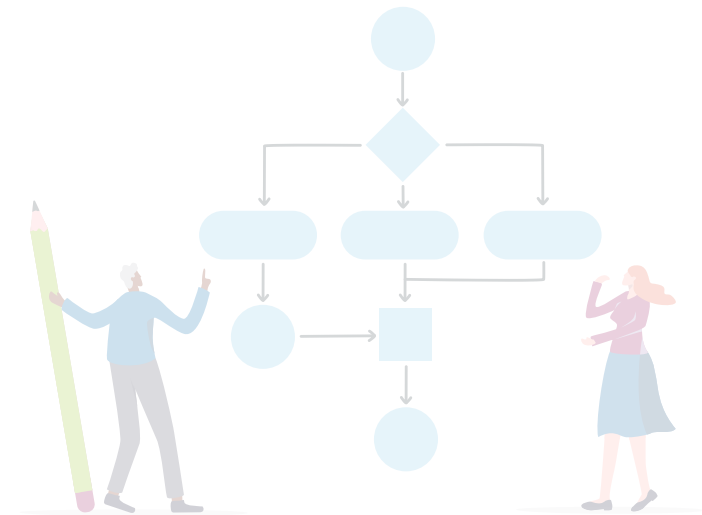
### Case study

**Background:** The leadership of the UK Infrastructure Bank (UKIB) value the importance of working collaboratively to set collective goals for the organisation.

**Approach:** The chief finance officer, chief executive officer, and entire executive leadership team set clear objectives for the organisation. Their Board provides strategic oversight, input and challenge, and holds finance to a very high standard. Delivering on UKIB's strategic objectives means the finance team is charged with the management level challenge function, founded on delivering accurate metrics and measures. This authority can only be effective if finance is an enabling and trusted partner of the business, providing teams with transparency and insights into financial drivers, and supporting organisational success.

**Benefit:** In establishing finance as a critical function, the Board and other executive leaders set an expectation to the rest of the business that financial management is important to the organisation.

Source: Interview with Annie Ropar, Chief Finance Officer, UK Infrastructure Bank



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## Governance and oversight



### What good looks like

Governance structures facilitate the right level of oversight and challenge by the Board or relevant governing body and support the Accounting Officer in their requirements over financial management.



### Why this is important

It is crucial for finance leaders to operate within a governance structure which provides a balanced level of support, oversight and challenge. *Managing Public Money* states “each public sector organisation shall establish governance arrangements appropriate to its business, scale and culture. The structure shall combine efficient decision-making with accountability and transparency.”<sup>2</sup>

A well-designed system of governance and oversight helps provide the Accounting Officer with assurance over the financial management of the organisation, and is central to unlocking effective and timely decision-making. An ineffective or disproportionate governance structure can prohibit the quality of decision-making and reduce the ability for finance teams to add value to the organisation in an efficient manner.

Many finance leaders reflected on the importance of their relationship with the chair of their Audit and Risk Assurance Committee (ARAC) in particular; a productive, collaborative relationship which enables honest discussion of challenges is hugely beneficial.

## Financial management requirements for organisations

Use its resources efficiently, economically and effectively, avoiding waste and extravagance

Plan to use its resources on an affordable and sustainable path, within agreed limits

Carry out procurement and project appraisal objectively and fairly, using cost-benefit analysis and generally seeking good value for the Exchequer as a whole

Use management information systems to gain assurance about value for money and the quality of delivery and so make timely adjustments

Avoid over-defining detail and imposing undue compliance costs, either internally or on its customers and stakeholders

Have practical documented arrangements for controlling or working in partnership with other organisations. As appropriate, use internal and external audit to improve its internal controls and performance

Source: *Managing Public Money*, Box 3.1

<sup>2</sup> HM Treasury, *Managing Public Money*, paragraph 4.1.1 (viewed on 11 July 2023).

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“The link between finance, governance and risk is hugely important. The Board relies on the Audit and Risk Assurance Committee (ARAC) for assurance, and so the relationship between the ARAC chair and the finance director has to work. It’s important to build a relationship where there is scope for advice and support – as well as challenge. Where there is not enough challenge from the ARAC chair, this can cause issues – difficult questions need to be asked as ultimately the Accounting Officer has to have the confidence to sign off the Annual Report and Accounts.”

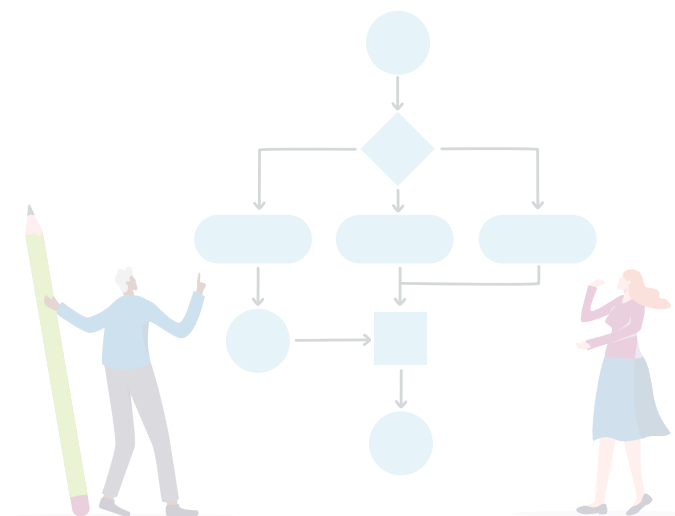
Serena Jacobs, Finance Director, VisitBritain (part of British Tourist Authority)

## Governance and oversight *continued*



### How finance leaders can address this

- Cultivate constructive relationships with non-executive directors. Finance leaders should work closely with non-executive directors who can provide strong challenge and oversight to them and the wider business – particularly the chair of the ARAC.
- Promote the importance of decision-making committees being populated by individuals with the required skills and authority. This ensures that decisions can be made on a timely basis, and there is strong alignment with the strategic objectives of the organisation.
- Raise the need for the ARAC and Board to include an appropriate range of key skills, notably financial literacy, and an understanding of specific financial issues relevant to the organisation. The NAO’s [ARAC effectiveness tool](#) outlines all essential and good-practice features.
- Work with the Accounting Officer and the Board to establish a governance structure that is proportionate, supported by clear terms of references, and facilitates sound oversight and effective decision-making. Ensure senior finance leaders are included within key committees.



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# Leadership, governance and culture

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## Clear accountabilities and responsibilities

### What good looks like

Individuals across the organisation need to understand their accountabilities and responsibilities when it comes to financial management.

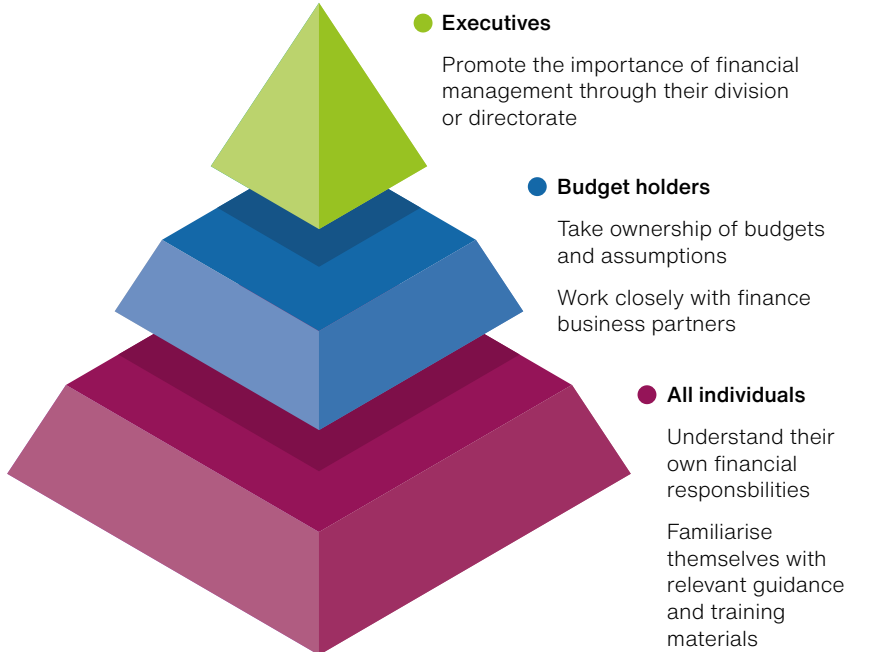
### Why this is important

Financial management is not only the responsibility of the finance function – every individual has a role in securing the financial wellbeing of the organisation. This ranges from an executive with responsibility for an entire directorate or business group, to a budget-holder responsible for an individual project, to a team member who needs to allocate their time to the correct project.

If finance leaders can instil a culture of accountability and ownership across the organisation, there is a much greater chance of the organisation being in a position where it has accurate and up-to-date financial management information. This is because individuals understand their responsibilities and the importance to the organisation of getting it right.

Finance not only has a crucial role to play in outlining the accountabilities and responsibilities that exist across the organisation, but also why this is important in supporting the organisation’s strategic priorities. For example, the role each individual can play in limiting the organisation’s exposure to regularity or value-for-money risks, and how their actions and approach to documentation can support the organisation in assuring the accuracy and reasonableness of its finances.

## Responsibilities in securing the financial wellbeing of the organisation



Source: National Audit Office

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Quote

“A compliance-based culture is what we should be striving for – it means that everyone is not coming to Finance for approval, but instead they understand their responsibilities and Finance can play the role of adviser. I have seen compliance dashboards work really well. Covering compliance against key processes and controls, they instil accountability beyond Finance and can be linked to year-end performance reviews.”

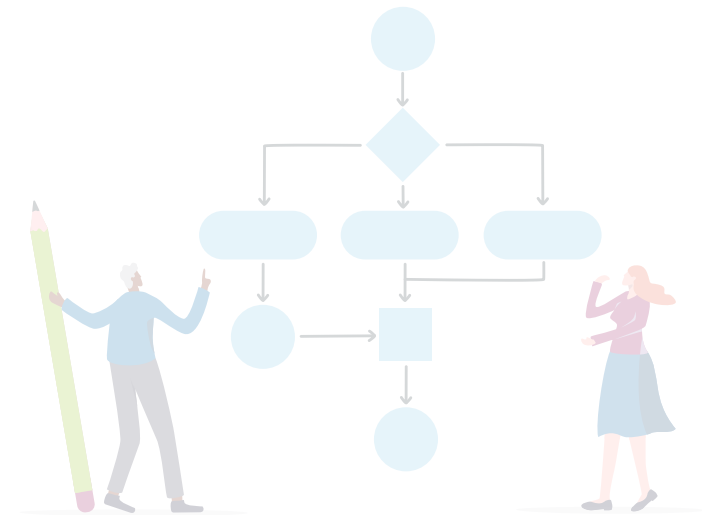
Louise Wilkinson,  
Chief Operating Officer,  
Active Travel England

## Clear accountabilities and responsibilities *continued*



### How finance leaders can address this

- Establish clear accountability for financial management at executive level – for example, through regular discussions of financial performance at executive team meetings. This provides each executive with a clear mandate to encourage colleagues within their divisions or directorates to exercise their own individual responsibilities when it comes to financial management.
- Build accountability into the performance evaluation of individuals across the organisation with financial management responsibilities. This makes clear that responsibility is held at an individual level, and establishes the importance of taking accountability for financial management.
- Make financial management responsibilities clear in role descriptions and provide individuals with the time to execute these responsibilities. Use the three lines of defence model to establish key financial responsibilities and illustrate how this contributes to the organisation’s overall approach to managing risk.<sup>3</sup>
- Make financial management guidance and training materials readily available to all individuals. Options include online training modules, and the focus should be on key controls and processes which provide assurance to the finance team that individuals manage finances in a way that is accurate, reasonable and regular.



<sup>3</sup> Government Finance Function and HM Treasury, *Orange Book: Management of risk – principles and concepts*, Annex 2 (viewed on 11 July 2023).

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# Leadership, governance and culture

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## Culture of openness and transparency



What good looks like

The organisation should promote a positive culture where the finance function can collaborate seamlessly with the rest of the organisation.



Why this is important

The organisation should promote a positive culture where the finance function can collaborate seamlessly with the rest of the organisation.

For finance to be fully integrated within the organisation, finance and the wider business need to have regular and meaningful dialogue so decision-makers can act on timely and accurate information.

To maintain this, finance leaders need to build a culture of openness and trust, where the finance function feels empowered and supported to have difficult conversations and offer constructive challenge to their colleagues. By having timely conversations and trusted relationships with budget-holders, the finance function can identify issues and resolve challenges in a more efficient and constructive way.

A culture of transparency is equally important: finance leaders should work with other organisational leaders to break down any boundaries or siloes which prevent the easy sharing of information. This creates a culture which allows for opportunities to be realised and risks to be more easily identified and managed. A positive culture of openness and transparency, which encourages collaboration across the organisation can lead to greater efficiency, shared problem solving, and put the organisation in a stronger position to respond more quickly and effectively to sudden or unforeseen events.



How finance leaders can address this

- Identify key relationships across the organisation, and invest time to develop them. This will help to foster effective two-way communication built on a foundation of openness, accessibility and collaboration. Different approaches will be needed for different parts of the organisation, and building an approach which works for individual stakeholders is more likely to be productive and sustainable.
- Ensure the strategic goals of the organisation are informed by sound financial data and metrics. A balanced scorecard approach, for example, allows financial performance to be openly reported against an organisation's objectives, allowing everyone to see how finance fits into strategy and performance.
- Establish realistic ways of working between finance teams and other internal stakeholders. Different areas of the organisation will have different times of peak activity throughout the year, in the same way finance teams have peak activity times each month. Working around this requires careful planning, but it is mutually beneficial to creating a culture of trust between finance and the rest of the organisation.
- Encourage individuals across the organisation to be open about mistakes and where things have not worked well. Changing culture takes time, and building openness and trust requires honesty and openness from everybody. It is important that leaders encourage this openness – that previous mistakes are not seen as “failure” – so lessons can be learned and applied.

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## Culture of openness and transparency *continued*

### Case study 1

**Background:** The finance team from the Ministry of Justice outlined how they proactively share financial information across business areas to foster a culture of openness and transparency.

**Approach:** The finance team produce monthly management reporting packs which are routinely shared with their executive committee and HM Treasury – covering information across the entire Department. The finance team decided to extract summarised financial information from these packs to share across each business area. The intention of this was to increase understanding of the financial position of the organisation as a whole and of different areas – to prompt questions, and to encourage collaboration.

**Benefit:** This process was very easy to roll out, as it made use of information the finance team were producing anyway. It was also an easy way to support leadership’s aim to have an open and transparent culture.

Source: interview with finance team members from the Ministry of Justice group

### Case study 2

**Background:** Schools and academy trusts are responsible for managing their resources effectively and operating in an efficient and financially sustainable way. The Department for Education (DfE) seeks to support them to achieve this.

**Approach:** In 2017, DfE launched the schools financial benchmarking service. This is a publicly available website which allows schools and academy trusts to compare their income and spending in various categories with those of similar schools or trusts. Then, in 2020, DfE launched its View My Financial Insights (VMFI) service. This provides academy trusts and local authorities a single place to view how each of their schools spends its resources compared with similar schools and provides upfront analytics that show the areas of spend that are the greatest outlier. VMFI then links the user through to wider frameworks, advice and guidance should a school wish to investigate ways to reduce its spend, freeing up resources that it can target into its priority areas.

**Benefit:** DfE intends that governors and school leaders will use the information to identify where savings could be made and to share good practice. Stakeholders consulted as part of the report were generally positive about this approach.

Source: Financial sustainability of schools in England, 2021<sup>4</sup>

4 Comptroller and Auditor General, *Financial sustainability of schools in England*, Session 2022-23, HC 802, National Audit Office, November 2021, paragraph 2.33.



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# Skills and capabilities

## Range of skills and capabilities

### Building a flexible team

### Working effectively with others

## Range of skills and capabilities



### What good looks like

Finance leaders prioritise the skills and capabilities that are likely to enhance the quality of financial management within their organisation.



### Why this is important

We have reported on some of the specific challenges of attracting and retaining specialist staff – such as finance professionals – within the civil service in addition to government not having a clear picture of its current skills.<sup>5,6</sup> It is important for finance leaders to prioritise the skills and capabilities which are likely to enhance the quality of financial management within their organisation.

Each organisation will have a different view on the essential skills and capabilities required from their finance team. Many of the finance leaders we talked to reflected on the growing emergence of commercial, data analytics and sustainability as areas where finance professionals can add real value. A base level of technical and professional skills is essential as this goes some way to ensuring financial management is grounded in accounting and financial expertise. A clear understanding of the business – and an ability to interpret financial information in that context – is hugely beneficial.

Professional skills enhance confidence and help to establish credibility with stakeholders, such as individual budget-holders, and provide a level of assurance to the Accounting Officer on the quality of financial management information produced.



### How finance leaders can address this

- Work closely with human resources and learning and development teams to focus development and recruitment activities on priority areas which will add value to the finance function.<sup>7</sup>
- Assess the current skills of the finance team against the core requirements for the financial management of the organisation using a robust and approved skills matrix. This will help identify areas where training or recruitment may be needed.<sup>8</sup>
- Provide fit-for-purpose and continuous training to finance team members. In particular, this should focus on areas where there are or have been changes to technical standards or areas which are more complex or specific to the business.
- Encourage and incentivise finance professionals to develop their skills and give them the time and space to execute their plans. There may be opportunities to align development aspirations with growing areas of risk or importance to the organisation. Create protected training days where there is no expectation on individuals to monitor business-as-usual activities.

5 Comptroller and Auditor General, *Specialist skills in the civil service*, Session 2020-21, HC 575, National Audit Office, July 2020.

6 Comptroller and Auditor General, *Capability in the civil service*, Session 2016-17, HC 919, National Audit Office, March 2017, paragraph 9.

7 National Audit Office, *Managing business operations – what government needs to get right*, September 2015, Figure 14.

8 National Audit Office, *Improving services – understanding and managing demand*, October 2022, Page 41.



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## Skills and capabilities

Range of skills and capabilities

Building a flexible team

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Quote

“Finance teams need to be engaged, knowledgeable and credible to all aspects of the business – and they must have an appropriate mix of capabilities. In addition to professional skills, the finance team must have sufficient understanding of the business to engage in a strategic sense. Departments need people who understand the ‘business of government’. All public sector organisations are different – we need to understand what drives the financials of our business.”

Mike Sunderland,  
Operational Finance Director,  
Department for Education

### Range of skills and capabilities *continued*

#### Case study

**Background:** [The Government Finance Function \(GFF\) Career Framework](#) is an important tool for the function to develop a longer-term vision for the workforce and skillset it needs to deliver for organisations both now and in the future.

**Approach:** The Finance Career Framework provides an opportunity for the GFF to set standards, drive consistency and set expectations for people working across the function. It can be used to support individuals when they are thinking about their development and career. The Framework gives a clear and agreed cross-government definition of core finance roles to help guide consistent job design, recruitment and selection – and outlines the skills, experiences and qualifications needed to operate effectively in these roles.

**Benefit:** The Framework has given the GFF a basis for building skills, identifying capability gaps and informing support that can be provided to people working in finance in government.

Source: Government Finance Function



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## Skills and capabilities

Range of skills and capabilities

Building a flexible team

Working effectively with others



Quote

**“Our team is small but flexible. We are trying to achieve the same thing. There are some capabilities we all need, and we have worked hard to remove ‘key individual’ risk. A lot of work has been done to spread knowledge across the team as much as possible, which includes opportunities to upskill and provide the required flexibility for the team.”**

**Paul Sayce, Senior Finance Business Partner, Government Internal Audit Agency**

### Building a flexible and responsive team



What good looks like

Finance leaders build agile, flexible and responsive teams that are resilient, proactive and can adapt quickly to changing circumstances.



Why this is important

Instability and uncertainty is a permanent feature of the external environment – in recent times, organisations have needed to respond to a geopolitical crisis, pandemic, and rises in inflation. Finance leaders should anticipate uncertainty and have confidence that their team can respond and adapt to events.

A lesson around financial and workforce pressures in our report on *Initial learning from the government’s response to the COVID-19 pandemic* highlighted the importance of ensuring that existing systems can respond effectively and flexibly to emergencies, including providing spare or additional capacity and redeploying staff where needed.<sup>9</sup>

Many of the finance leaders we spoke to discussed how important it is for the finance function to be agile. Building a resilient and adaptable finance function that can pivot with the business enables finance leaders to be more proactive and respond quickly to changing circumstances.



How finance leaders can address this

- Have a plan for rotating team members across different roles to broaden their experience. Individuals exposed to different roles within finance – and where relevant the wider business – enhance the team’s flexibility and resilience. Build in appropriate controls to safeguard objectivity and independence and maintain segregation of duties where necessary.
- Consider secondments and cross-functional training opportunities as ways of broadening experience and reducing dependency on specific individuals within the team. Inward secondments into the finance team can introduce fresh ideas and help create a pool of individuals who can be called upon in emergencies.
- Work with human resources and learning and development teams to develop strong succession plans and contingencies in the eventuality members of the finance team leave or are unavailable for periods of time. Developing and regularly updating corporate memory is a straightforward way of mitigating some of this risk.
- Encourage an open learning culture within the finance team. Create opportunities for team members to update and educate the rest of the team on their role – for example, during team meetings, training days or workplace shadowing opportunities.
- For particularly critical processes which fall to a small number of individuals, have clear, understandable and up-to-date process notes which can be picked up by any member of the team in the event of an emergency.

<sup>9</sup> Comptroller and Auditor General, *Initial learning from the government’s response to the COVID-19 pandemic*, Session 2021-22, HC 66, National Audit Office, May 2021, page 7.

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## Skills and capabilities

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### Working effectively with others



What good looks like

Finance teams have strong non-technical skills to enable them to collaborate with and influence internal and external stakeholders.



Why this is important

It is not just professional and technical skills which are crucial in finance teams. Finance leaders should emphasise the importance of non-technical skills in their people. For finance functions to be fully integrated in decision-making, they require individuals who can communicate clearly and authoritatively to a range of internal stakeholders.

Constructive relationships with human resources, policy, operations and other core lines of business will give finance teams a clearer understanding of the risks and opportunities facing the organisation. This will help achieve the goal of building a culture of openness and transparency, and allow finance teams to challenge budget-holders in a constructive and collaborative way.

The benefit of strong communication skills goes beyond the individual organisation too. By having a good balance between technical knowledge and communication skills, finance professionals will be able to interact with other government organisations, external suppliers and sponsoring bodies with credibility. This will help the organisation secure better outcomes.



How finance leaders can address this

- Identify the non-technical skills and capabilities critical to working effectively with the key stakeholders of the organisation. Work with learning and development teams to develop training programmes which enhance these skills within the finance team.
- Encourage the finance team to draw clearer, faster and richer insights from the financial information they produce.<sup>10</sup> Developing a narrative to support financial information and telling the story succinctly to non-finance colleagues is central to driving others in the organisation towards a collective goal. Use data visualisations and other analytics tools to engage a range of audiences.
- Ensure the level and nature of challenge is targeted on a risk basis, depending on the materiality or complexity of the financial information. Finance leaders may wish to regularly assess whether they have the optimal approach to their finance business partnering model – and that skills and capabilities are being utilised in the best way.
- Invest time in building important external relationships. An example for Departments is developing relationships with spending teams from central government – particularly where there is a mutual benefit of understanding specific complexities, or long-term issues which cross multiple Spending Review periods.

<sup>10</sup> A Agrawal and others, Finance 2030: Four imperatives for the next decade (available at: [www.mckinsey.com/capabilities/operations/our-insights/finance-2030-four-imperatives-for-the-next-decade](https://www.mckinsey.com/capabilities/operations/our-insights/finance-2030-four-imperatives-for-the-next-decade)), November 2020 (viewed on 21 July 2023).

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### Working effectively with others *continued*

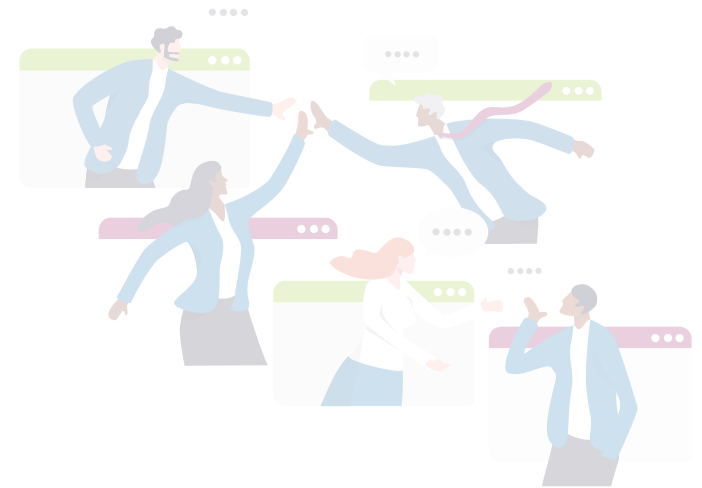
#### Case study

**Background:** Ofsted has harnessed the skills and knowledge of its finance team to make a clearer link between strategic priorities and finance.

**Approach:** Ofsted has found that having a finance team which is diverse both geographically and in terms of expertise and career background has enabled strong engagement with all aspects of their operations: notably strategy, policy and delivery. They have found that finance business partners with an understanding of government finance and the operating environment are a key benefit – when new policy is developed, the finance team is involved from the outset to evaluate the financial and staffing implications of draft proposals. A good understanding of the operating environment has also enabled a robust bottom-up analysis of the true cost of inspections. It has created an understanding within the policy and delivery teams of the impact of their work on the finances of Ofsted – and the impact ultimately on the strategic aims of the organisation in terms of optimising how much of Ofsted’s total expenditure is spent on inspection and regulation.

**Benefit:** This more integrated approach has created an environment where Finance not only monitors resources and costs across the financial year – tracking forecast overspends and underspends – but actively monitors operational delivery and proactively finds solutions to delivery issues that are affordable and represent value for money.

Source: interview with Louise Grainger, Director, Finance, Planning and Commercial, Ofsted



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# Data and management information

## Using data for decision-making

### Ensuring data quality

### Systems and processes

## Using data for decision-making



### What good looks like

Finance leaders use data to enhance the accuracy and timeliness of decision-making across the organisation.



### Why this is important

Finance leaders use data to enhance the accuracy and timeliness of decision-making across the organisation.

In our report on *Challenges in using data across government*, we said government needs accurate and useful data to underpin its policies, programmes and activities, and to make evidence-based decisions.<sup>11</sup> This extends to financial management. Finance teams should aim to use data responsibly to enable effective and informed decision-making within their organisation.

Decision-makers need information on the range of outcomes that may occur.<sup>12</sup> In producing accurate and timely information – which draws on a range of scenarios – the finance team is providing organisational leaders with information which enables well-informed decisions across the organisation.



### How finance leaders can address this

- Present financial data in a way which objectively shows a range of scenarios and offers insights on areas of risk, opportunity and uncertainty.
- Provide decision-makers with the right data at the right time of the business cycle – this helps limit the risk of confusion and focuses the efforts of decision-makers in the most critical areas.
- Consult with decision-makers to understand how they like information to be presented to enable them to interact, challenge and use confidently to make decisions. Using data visualisation tools is an effective method of allowing different stakeholders to maximise their understanding of financial data.
- Align financial data with risk management data. This minimises conflicting information, averts the need for data manipulation or reconciliation, and provides decision-makers with the confidence that they can make joined-up, informed and risk-based decisions from reliable financial data.

<sup>11</sup> Comptroller and Auditor General, *Challenges in using data across government*, Session 2017–2019, HC 2220, National Audit Office, June 2019, paragraph 1.2.

<sup>12</sup> Comptroller and Auditor General, *Financial modelling in government*, Session 2021–22, HC 1015, National Audit Office, January 2022, paragraph 17.

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## Using data for decision-making *continued*

### Case study

**Background:** Effective use of financial data is very important for the Crown Commercial Service (CCS). CCS uses data to derive commercial benefits gained by using its commercial agreements and in turn to influence their forward plans.

**Approach:** By analysing supplier data, CCS calculates the commercial benefit from prices gained by using its own frameworks versus those in the wider marketplace. This benchmarking allows CCS to understand where the greatest value lies in the services it provides to government and the wider public sector. CCS also analyses data to identify and target future opportunities and for informing future demand forecasts.

**Benefit:** CCS's approach to data allows it to be dynamic in its monitoring and prioritise decisions.

Source: interview with Paul Coombs, Director of Finance, Planning and Performance, Crown Commercial Service



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## Ensuring data quality



### What good looks like

Finance leaders understand the strengths and limitations of the data which underpin financial management.

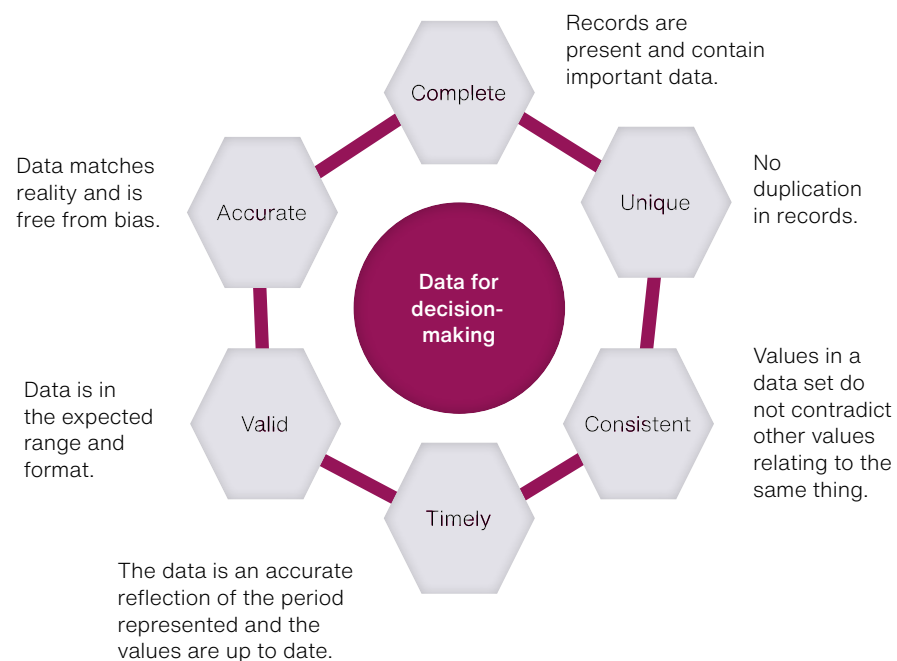


### Why this is important

In our report on *Challenges in using data across government*, we said high-quality data provide government with opportunities to deliver policies effectively and efficiently. However, perfect data are both impossible to achieve and very costly, so Departments must ensure the data they hold is 'good enough' for the purpose required.<sup>13</sup> Put simply in *Improving government data: a guide for senior leaders*, without data quality, data cannot be trusted.<sup>14</sup>

Finance teams manage a significant amount of data and need to regularly assess its quality and identify any limitations. This is crucial because decision-makers need to understand the limitations of financial information. In some scenarios finance teams may have a difficult choice to make between presenting incomplete data quickly or optimal data in a less timely manner. Clear discussion of data and information limitations will ensure that decisions are well-informed and risk-based.

## Measures of data quality



Source: National Audit Office, *Improving government data: a guide for senior leaders*, July 2022, Figure 2. Taken from *Government Data Quality Framework*, December 2020

<sup>13</sup> See footnote 11, paragraph 3.2.

<sup>14</sup> National Audit Office, *Improving government data: a guide for senior leaders*, July 2022.

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Quote

**“It is never possible to fully mitigate the risks of imperfect data. Data are only as useful as their interpretations and limitations. We are often working with limited data – and so it is important to build in controls, perform sensitivity analysis and sense-check all assumptions feeding into the data.”**

**James Michelson,  
Financial Controller, Department  
for International Trade**

## Ensuring data quality *continued*



### How finance leaders can address this

- Identify opportunities to simplify and unify sources of data – aiming for a ‘single version of the truth’ based on the most reliable data where possible. Reducing the number of sources of data improves the credibility of data by limiting the chance of conflicting information, and increases efficiency by reducing the amount of time individuals need to spend manipulating the data to a point where these can be trusted.
- Understand the most important drivers of financial data quality issues within the organisation and design effective and proportionate controls in line with data governance protocols. Where possible, look to make use of data analytics and automated validation rules to scan and interrogate the quality of data, and identify any gaps or errors.
- Be explicit and open about any data quality issues and limitations – and the impact that could potentially have for users. This could include conducting – and reporting on – periodic data health-checks.
- Use government’s Data Maturity Assessment and Data Quality Framework as a measure of assessing the quality of data that are being used by the organisation.<sup>15,16</sup>



15 Central Digital and Data Office, [Data maturity assessment for government](#), March 2023.

16 Government Data Quality Hub, [The Government Data Quality Framework](#), December 2020.



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## Systems and processes to manage information



### What good looks like

Finance leaders see opportunities to improve the quality of management information systems and processes to the wider benefit of the organisation.



### Why this is important

High-quality systems and well-designed processes can increase the value and utility of management information across all areas of the organisation. Systems which provide access to accurate and accessible management information will increase productivity and efficiency – and provide other key benefits, including:

- finance team members spend less time manipulating financial data, which frees them up to do more value-adding activities – such as strategic planning, analysis and business partnering;
- barriers between different areas of the organisation are broken down – some systems allow human resources and finance to be integrated, for example;
- the quality of financial information across the organisation is better and supports timely, informed and risk-based decision-making; and
- individuals are more likely to engage with efficient systems – for example, reducing the number of clicks required to raise purchase orders or submit expense claims.

Our report on *Digital transformation in government*, says that digital transformation and modernisation of services and data are instrumental in achieving efficiencies, with huge gains to be achieved if all government services were modernised.<sup>17</sup> This underscores the importance of finance functions being part of wider strategy discussions on digital transformation.

Many finance teams in government rely on financial data from multiple sources and legacy IT systems. Leaders should be aware of the possible opportunity cost of not investing in systems that enable more efficient, resilient and insight-driven financial management.

<sup>17</sup> Comptroller and Auditor General, *Digital transformation in government: addressing the barriers to efficiency*, Session 2022-23, HC 1171, National Audit Office, March 2023, paragraph 3.4.

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## Systems and processes to manage information *continued*



### How finance leaders can address this

- Influence other senior leaders on the benefits of developing a system which integrates multiple sources of information, and how this will help address the long-term strategic objectives of the organisation.
- Make incremental improvements to older systems, focusing on processes which are most inefficient and take up a disproportionate amount of the finance team's time on an ongoing basis.
- Ensure technical guidance is available and up-to-date so users can easily understand processes.
- Focus on emerging developments in technology – for example, Artificial Intelligence – and consider whether there are opportunities to improve existing systems and processes.
- For affected organisations, ensure data needs continue to be met when transitioning to new arrangements under government's Shared Services Strategy.

### Case study

**Background:** The National Archives successfully made the business case for a new Enterprise Resource Planning (ERP) system which integrates finance, human resources and planning.

**Approach:** On spend-to-save principles, the National Archives demonstrated the transformational gains through a new system unifying finance, human resources and planning. The business case was made on the principles that an integrated system would free up resources, significantly reduce the amount of data which needed to be consolidated manually, and mitigate many risks caused by poor-quality and untimely information.

**Benefit:** The benefits hoped to be realised through a system that unifies finance, human resources and planning will be greater accountability across the organisation, and finance and human resources teams which are less focused on transactional tasks and more focused on adding value to the business.

Source: interview with Neil Curtis, Chief Operating Officer, National Archives

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# Appendix

## Our approach

### We have used the following methods to generate our insights:

- a **We conducted interviews with senior finance leaders from a range of our audited bodies.** We interviewed chief finance officers, finance directors, chief operating officers, financial controllers, finance business partners and other finance leaders and team members experienced in finance. Our interviews covered ministerial and non-ministerial departments, executive agencies, non-departmental public bodies, and other arm's-length bodies. We used this information to inform our themes and identify examples of good practice. Our interviews were carried out between March 2023 and June 2023.
- b **We interviewed a range of financial audit teams from the National Audit Office.** We used this information to gain insights into the variation in financial management across different bodies, identify good-practice examples and further our understanding of what different government bodies require for good financial management. Our interviews were carried out between December 2022 and April 2023.
- c **We reviewed our back catalogue of value-for-money reports and Comptroller and Auditor General reports on accounts.** We used this information to identify our key themes, and why they are important to senior finance leaders in enabling sound financial management, in addition to examples of good practice.
- d **We conducted wider research on financial management.** This constituted desktop research of guidance and documentation from central government and the private sector, and discussions with organisations from beyond central government.