Overview of the Financial Management Maturity Model

Themes and questions

There are five themes and for each theme there are a number of questions...

Themes

Key questions



Financial

- 1. What emphasis do the board and executive team place on their own responsibility and on a culture of collective responsibility for financial matters?
- 2. How do the systems of internal control, governance arrangements and risk management processes operate?
- **governance** 3. What financial management capability have the board (including the audit committee) and executive team, the finance department and staff working outside finance?
 - 4. What training and continuous professional development in financial management is provided to staff both within and outside the finance department?



Financial

- 5. How is financial planning and monitoring integrated with the organisation's strategic and corporate planning processes?
- 6. How robust and streamlined are the systems for financial planning?
- 7. How does the financial planning undertaken cover the elements needed to support the business: for example annual financial plans, integrating current expenditure plans and investment programmes, treasury management, cash flow and balance sheet projections?



- 8. What understanding does the organisation have of its expenditure and cost drivers, and those of other operators in the sector in order to understand the impact of costs on its programmes?
- 9. What understanding does the organisation have of its income streams and the way in which it sets prices, as well as the income streams and pricing mechanisms of its partners?
- 10. How are investment appraisal and project management processes used to evaluate costs and benefits and to inform all key policy, operational and investment decisions?



- 11. What is the quality, accuracy and timeliness of the organisation's financial management and forecasting information, including information on income, expenditure, cash flow, and working capital?
- 12. How are appropriate financial and non-financial indicators covered within the monitoring and forecasting reports such as operational reports, board reports, management accounts, external accounts and business plans?
- 13. What is the quality of the financial management and operational performance management systems, including the transactional processing systems?



- **Financial** and performance reporting
- 14. How open, clear and concise are reports of financial and performance information, and are they tailored to the needs of the user, both internal and
- 15. How timely are the reports that are presented to internal and external users?

Financial management practices and outcomes, by maturity level

...and for each question, practice is mapped to five levels of maturity.

				Level 5: Leading edge
			Level 4: Professional	Highly sophisticated — few organisations
		Level 3: Adequate	Appropriate for many organisations	need to operate at this level. The organisation has in place financial management practices that are leading edge and allow it to anticipate both challenges and key opportunities, in order to optimise its performance. As a result the organisation anticipates and responds to challenges it delivers programmes to time, cost and planned level of quality it seeks efficiencies and improves services while minimising cost increases.
	Level 2: Basic	May be adequate for some organisations The organisation has in place financial management practices that are adequate in supporting the business under stable circumstances, and enable it to develop but will not be sufficient in challenging times. As a result the organisation manages well in a stable environment, but is challenged by change programmes are	The organisation has in place professional financial management practices which enable it to cope effectively in challenging times and will identify some opportunities to improve its performance. As a result • the organisation responds to challenge in good time • most programmes are delivered on time and to expected cost and quality levels.	
Level 1: Inadequate	almost all organisations The organisation has in place financial management practices that are basic and allow it to function on a day to day basis but do not support the organisation to develop. As a result to day of the ation. Sult Sult As a result The organisation has in place financial management practices that are basic and allow it to function on a day to day basis but do not support the organisation to develop. As a result There is an awareness of issues with current financial management processes			
Inadequate for all organisations The organisation				
has some financial management practices in place but they are inadequate in that				
there are many gaps which affect the day to day running of the organisation.				
As a result budgets are overspent projects overrun				
in cost and timeexpected benefits are often not delivered.	 project overspend is identified too late to address the underlying causes. 	not always delivered to time, cost and quality targets.		

Shown in Special Report 101 as Figure 2.1