

**Health Professions Council  
Audit Committee 26 June 2007**

**DRAFT FINANCIAL REGULATIONS**

**Executive Summary and Recommendations**

**Introduction**

The draft financial regulations were approved by the Finance and Resources Committee at its meeting on 20 November 2006 and by the Audit Committee at its meeting on 28 February 2007. The Audit Committee had also discussed the regulations at its meeting on 6 December 2006. The HPC's internal auditors, PKF and the external auditors from Baker Tilly and the National Audit Office were present at both meetings of the Audit Committee and offered comments where appropriate.

At the Council meeting on 29 March 2007, the Council agreed that further discussion was needed regarding the regulations. In view of this the Council agreed that the regulations should be reconsidered by the Finance and Resources Committee and the Audit Committee and following this should be presented to Council for ratification.

The Finance and Resources Committee is due to discuss the regulations on 21 June 2007 and the outcome of that Committee's discussions will be reported at the meeting of the Audit Committee on 26 June.

**Decision**

The Committee is asked to

- (1) decide if any further changes are needed to the draft financial regulations and
- (2) subject to any agreed changes, recommend the draft financial regulations to the Council for ratification.

**Background information**

Please see enclosure 14 (paper FRC 121/06) for the Finance and Resources Committee on 20 November 2006 and enclosure 21 (paper HPC 21/07) for Council on 29 March 2007. Both enclosures are available on the HPC website at the following links:

[http://www.hpc-uk.org/assets/documents/100016D1finance\\_and\\_resources\\_20061120\\_enclosure14.pdf](http://www.hpc-uk.org/assets/documents/100016D1finance_and_resources_20061120_enclosure14.pdf)

[http://www.hpc-uk.org/assets/documents/10001A47council\\_meeting\\_20070329\\_enclosure21.pdf](http://www.hpc-uk.org/assets/documents/10001A47council_meeting_20070329_enclosure21.pdf)

See also enclosure 4 (paper AUD 61/06) for the Audit Committee on 6 December 2006 and enclosure 12 (paper AUD 12/07) for the Audit Committee on 28 February 2007.

[http://www.hpc-uk.org/assets/documents/10001746audit\\_committee\\_20061206\\_enclosure04.pdf](http://www.hpc-uk.org/assets/documents/10001746audit_committee_20061206_enclosure04.pdf)

[http://www.hpc-uk.org/assets/documents/10001948audit\\_committee\\_20070228\\_enclosure12.pdf](http://www.hpc-uk.org/assets/documents/10001948audit_committee_20070228_enclosure12.pdf)

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2007-05-03	a	ADT	PPR	Executive Summary Draft Financial Regulations Audit Committee 26 June 2007	Final DD: None	Public RD: None

**Resource implications**

None.

**Financial implications**

None.

**Appendices**

Draft Financial Regulations as submitted to Council on 29 March 2007.

**Date of paper**

14 June 2007

# Health Professions Council

## Financial Regulations

### Introduction

1. These Regulations set out the principles governing the financial and accounting practices of the Health Professions Council (HPC). Their purpose is to ensure that HPC's finances are managed with probity, accuracy, economy, efficiency and effectiveness.
2. The Regulations have effect as if they were incorporated in the Standing Orders adopted by the Council and should be read in conjunction with the Council's Scheme of Delegation.
3. The Regulations are not intended to provide detailed procedural advice and the Chief Executive or Director of Finance should be consulted in respect of any matter which is not covered by the Regulations and which may have a material effect upon HPC's finances.
4. Where appropriate, the Regulations will be supplemented by detailed Financial Operating Procedures which have been approved by the Finance & Resources Committee.

### Roles and responsibilities

#### The Council

5. The Council has the ultimate responsibility for the financial viability of HPC and for making arrangements for the proper administration of its finances. The Council exercises financial supervision and control by formulating the annual budget and the five year plan, requiring the submission and approval of budgets and defining and approving essential features of the financial control framework
6. Under the Health Professions Order 2001, the Council is specifically responsible for:
  - A. setting fees;
  - B. keeping accounts ;
  - C. preparing and publishing the annual accounts; and
  - D. appointing auditors.

7. To assist it in the discharge of its financial responsibilities, the Council has established two committees:
  - A. the Finance and Resources Committee – which oversees the efficient and effective use of HPC resources; and
  - B. the Audit Committee – which oversees HPC’s audit and other risk management arrangements.

### **Chief Executive**

8. The Chief Executive has overall executive responsibility to the Council and as such is responsible for:
  - A. the organisation and management of HPC’s functions and leadership and management of all employees;
  - B. ensuring that budgets and resources are managed within the estimates approved by the Council; and
  - C. HPC’s financial operations, including the system of internal control.
9. As accountable officer, the Chief Executive is responsible for ensuring that HPC performs its statutory functions within the available financial resources. The Chief Executive has been appointed by the Privy Council as the Accounting Officer for the Health Professions Council. As Accounting Officer, the Chief Executive is responsible for the execution of the Council’s obligations under Article 46 of the Health Professions Order 2001 as set out in paragraph 6 B - D above.

### **Director of Finance**

10. The Director of Finance is responsible for the administration of the financial affairs of HPC, in particular, by:
  - A. implementing the Council’s financial policies;
  - B. maintaining effective system of internal financial control, including ensuring that detailed procedures incorporate the principles of separation of duties and appropriate internal checks, keeping the Financial Regulations under review and reporting to the Chief Executive on any matters that require change or update;
  - C. ensuring that records are maintained which explain HPC’s transactions and disclose, with reasonable accuracy, the financial position of HPC at any time;
  - D. providing financial advice to the Council, its committees and employees;

- E. preparing such accounts and reports as HPC may require for the purpose of carrying out its statutory functions;
- F. ensuring that good financial practice is adopted by HPC, in accordance with accepted professional standards and taking account of advice received from the internal and external auditors; and
- G. preparing Financial Operating Procedures to supplement these Regulations.

## **Budgets and Financial Planning**

### **Financial Planning**

- 11. The Chief Executive will each year produce a draft annual budget for submission to the Council including:
  - A. a statement of the Council's priorities and objectives for the year;
  - B. the planned use of resources to reflect those priorities and achieve those objectives;
  - C. the financial implications of the planned use of resources;
  - D. performance targets established by the Council.

### **Annual Budget**

- 12. Resources are allocated annually by the Council on the recommendation of the Finance & Resources Committee. Directors and Managers are responsible for the efficient and effective use of the resources allocated to them.
- 13. The Chief Executive is responsible for preparing an annual budget and capital programme each year for consideration by the Finance & Resources Committee before submission to the Council for approval.
- 14. The Chief Executive must ensure that detailed budgets are prepared in order to support the resource allocation process and that these are communicated to Directors and Managers as soon as possible following their approval by the Council. Chief Executive agrees and monitors the budget with budget-holders.
- 15. The Chief Executive is responsible for the day to day management and control of the annual budget and capital programme and:
  - A. has delegated authority to authorise spending on items not exceeding £25,000 each;

- B. has delegated authority to authorise spending on items in the capital programme not exceeding £50,000 each;
- C. may, with the approval of the Finance & Resources Committee, incur expenditure on items which exceed those limits but which do not exceed £100,000 each; and
- D. notwithstanding paragraphs A to C, has delegated authority to authorise all payroll transactions.

## **Budgetary Control**

- 16. The control of expenditure within an agreed budget is the responsibility of the Director or Manager who holds that budget (Budget Holder) who must ensure that effective day to day monitoring is undertaken. A Budget Holder may delegate authority to utilise resources within their budget, but may not delegate responsibility for the management of resources within that budget. Each Budget Holder is responsible for the expenditure appropriate to their budget and will be assisted in this duty by management information provided by the Director of Finance.
- 17. Budget Holders must report significant deviations from agreed budgetary levels of expenditure to the Chief Executive or Director of Finance as soon as they become apparent and ensure that any necessary action is taken promptly.

## **Accounts**

- 18. HPC's annual accounts shall be prepared under the direction of the Director of Finance and be consistent with any relevant statutory requirements and in compliance with accepted accounting practice.
- 19. The annual accounts shall be presented to the Finance and Resources Committee, the Audit Committee, and subsequently the Council, for approval.

## **Financial Systems and Procedures**

- 20. The Director of Finance shall establish procedures for the secure receipt and payment of all HPC monies.
- 21. HPC's accounting systems should provide for the allocation of expenditure incurred and income received in a manner which facilitates the preparation of statutory and other accounts, with all items of income and expenditure being allocated to relevant cost centres whenever possible.

22. The Director of Finance will be responsible for the day to day operation and control of the systems and procedures required to:
  - A. order goods and services;
  - B. pay creditors, allowances and expenses;
  - C. collect and bank all income due to HPC;
  - D. provide, safeguard and subsequently dispose of HPC assets; and
  - E. account for taxes and make necessary payments to the appropriate authorities
23. The Finance Director, working in conjunction with the Human Resources Director, shall be responsible for the day to day operation and control of the systems and procedures required to pay salaries, wages and pensions.

### **Banking**

24. The Council is responsible for the appointment of HPC's Bankers.
25. All bank accounts which contain HPC funds (HPC Accounts) shall be operated in the name of the Health Professions Council and in no circumstances shall HPC funds be held in an account operated in the name of an individual or with other than HPC's appointed bankers.
26. The consent of the Council is required before any person opens or maintains any account which contains monies which do not form part of HPC funds and the title of which includes any reference to the Health Professions Council.
27. All cheques and other documents authorising payment from HPC Accounts require two authorised signatories. The President, Chief Executive and Director of Finance shall be authorised signatories. The Finance and Resources Committee, on the recommendation of the Chief Executive, may appoint other signatories for all or specified HPC Accounts and may at any time revoke the authorisation of any such signatory.
28. Transfers of funds between HPC Accounts may be undertaken by electronic banking methods without authorising signatures. The Chief Executive shall designate the persons authorised to perform such transactions.
29. Every HPC Account shall be reconciled at least once every month.
30. The Director of Finance is authorised to invest surplus funds, in a manner which manages cash resources effectively and provides security of HPC's capital, by means of deposit accounts or any other method of investment authorised by the Finance and Resources Committee.

## **Borrowing Arrangements**

31. The approval of the Council is required before HPC enters into any borrowing arrangements.

## **Income**

32. The Director of Finance shall establish procedures for the secure collection, custody, control and deposit of all monies due to HPC enabling HPC to receive all income to which it is entitled and ensuring that all monies due are collected promptly, including the proper and timely collection of debts.
33. All monies received on behalf of HPC shall be banked without delay in one of the HPC Accounts.
34. All agreements, invoices, receipts and other documents relating to income receivable by HPC shall be in the name of HPC.
35. Custody of all cash holdings must comply with the requirements of HPC's insurers.
36. No deductions may be made from, or personal or other cheques cashed out of, any cash collected or received on behalf of HPC.

## **Debts**

37. The Chief Executive shall have all necessary powers of debt recovery including the taking of legal action.
38. Subject to Regulation 39, no individual debt of more than £1,000 shall be written off without the approval of the Finance & Resources Committee.
39. Where appropriate steps have been taken to recover monies due to HPC, the Chief Executive is authorised to write off debts which are considered to be irrecoverable up to an individual maximum amount of £5,000 except where the debt arises from theft or fraud.

## **Payments**

40. Invoices will only be paid for amounts authorised by an appropriate Budget Holder.
41. Payments shall only be made on invoices where the goods or services have been satisfactorily received. However, in circumstances where advance



payment (partial or full) is required as a condition of contract and HPC is satisfied that it will ultimately receive the goods and services, then such payments may be made.

- 41A. No corporate credit cards will be set up without the express approval from the Council. There is one corporate charge card (American Express) in use for preferred travel supplier payments only.

### **Payment of Travel/ Subsistence & Other Allowances**

42. All payments for travel, subsistence or other allowances will be made in line with the expenses policy agreed from time to time by the Council.
43. Claims for payment shall be authorised in the following manner:
- A. claims by employees shall be authorised by their line manager;
  - B. claims by Directors shall be authorised by the Chief Executive or three members of the Executive Management Team;
  - C. claims by the Chief Executive shall be authorised by the President and the Director of Finance;
  - D. claims by Council members shall be authorised by the Secretary to Council, Secretary to Committees or a relevant Budget Holder;
  - E. claims by HPC partners shall be authorised by the relevant Budget Holder; and
  - F. claims by the President shall be authorised by the Chief Executive and the Director of Finance.

### **Contracts and Procurement**

44. HPC is the legal party for all contracts entered into for the purchase of goods and services, for the provision of works and for the purchase of assets, including land and buildings.
45. So far as possible, contracts and the process through which they are procured must be open and transparent with the successful contractor being chosen on the basis of a fair and competitive process. All tenders should be based on a written specification supplied by HPC for the services to be rendered or goods supplied.

### **Asset Management**

46. The purchase, lease, rent or disposal of land and buildings by HPC can only be undertaken with the approval of the Council.

47. The Director of Finance shall be responsible for:
- A. maintaining a register of all HPC assets; and
  - B. the safe keeping of deeds, leases, agreements, financial instruments, loan agreements, share certificates and other securities.
48. The Chief Executive shall be responsible for ensuring that appropriate security arrangements exist to cover all HPC buildings, stores, furniture, equipment, cash, information and records.

### **Risk Management**

49. The Audit Committee is responsible for the development and oversight of HPC's risk register.
50. Insurance arrangements are a key element of risk management and the Chief Executive shall be responsible for arranging appropriate insurance in line with agreed policy.

### **Audit Arrangements**

51. The Council is responsible for the appointment of the internal and external auditors, acting on the recommendation of the Audit Committee. The same person or firm shall not be appointed to both positions.
52. The main purpose of the internal audit is to provide the Council with independent and objective assurances on the adequacy of HPC's internal financial control and risk management systems.
53. The external auditor's responsibilities include reporting on whether HPC's accounts fairly present its financial position. As part of that responsibility the external auditor will need to review the effectiveness of the financial control in the organisation.

### **Authority of Internal and External Auditors**

54. In order to perform their functions, the internal and external auditors have authority to:
- A. enter, at a reasonable time, any HPC premises or land;
  - B. have access to records, documents and correspondence relating to any transaction of HPC;
  - C. review any relevant activity of HPC;
  - D. require and receive such explanations as are necessary concerning any matter under examination; and

- E. require any HPC Council member, employee or contractor to produce any asset under his or her control for which HPC is responsible.

### **Comptroller and Auditor General**

55. Article 46 of the Health Professions Order 2001 provides that HPC's accounts shall be subject to examination by the Comptroller and Auditor General and that, for the purposes of such examination, the Comptroller and Auditor General may inspect HPC's accounts and any records relating to them. Notwithstanding that power, and the powers available to him under the National Audit Act 1983, the Comptroller and Auditor General shall have the same authority under Regulation 55 as the internal and external auditors.

### **Subsidiary companies**

56. HPC shall not establish any subsidiary company without the approval of the Council and the approval of the Council shall also be required for the appointment or removal of any director of such a subsidiary company.

### **Review of Financial Regulations**

57. The Financial Regulations will be subject to a thorough review by the Finance Director at least every third year in order to ensure that they continue to reflect the circumstances of HPC and financial best practice.