

Audit Committee, 20 November 2018

Review of financial regulations

Executive summary and recommendations

### **Introduction**

Following the internal audit review on budget, forecasting and key financial controls, Grant Thornton has suggested an extra paragraph should be included within the financial regulations document to specify what happens if an unplanned event occurs after the original budget is approved.

The Senior Management Team (SMT) welcomes this suggestion and has proposed changes to the financial regulations in response.

An extra section (paragraph 18 & 19) has been inserted to the document to reflect the changes. In summary:

- As well as the annual budget, the SMT propose that Council also approve the Month 6 and 9 forecast during the year.
- The management accounts will continue to be included within the Chief Executive report for each Council meeting. This combined with budget and forecast approval, will give the Council a better view of the financial performance of the organization.
- In between budget and forecast processes, if a singular, unplanned event would result in a financial impact that would exceed 1% of the total budgeted expenditure for the year, the Chief Executive will alert the Council and seek approval.

### **Decision**

The Committee is asked to review the financial regulations and agree to recommend the proposed changes to Council.

### **Resource implications**

None

### **Financial implications**

None directly

### **Appendices**

Appendix 1 – current financial regulations, with proposed changes tracked.

**Date of paper**

09 November 2018

# Appendix 1: Financial Regulations

## **Introduction**

1. These Regulations set out the principles governing the financial and accounting practices of the Health and Care Professions Council (**HCPC**). Their purpose is to ensure that the HCPC's finances are managed with probity, accuracy, economy, efficiency and effectiveness.
2. The Regulations have effect as if they were incorporated in the Council's Standing Orders 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 the HCPC's finances.
4. Where appropriate, the Regulations will be supplemented by detailed Financial Operating Procedures.

## **Roles and responsibilities**

### ***The Council***

5. The Council has the ultimate responsibility for the financial viability of the HCPC and for making arrangements for the proper administration of its finances. The Council exercises financial supervision and control by approving the annual budget and the five year plan and defining and approving essential features of the financial control framework, including policies on reserves, investment and procurement.
6. Under the Health and Social Work Professions Order 2001, the Council is specifically responsible for:
  - 6.1 setting fees;
  - 6.2 keeping accounts;
  - 6.3 preparing and publishing the annual accounts; and
  - 6.4 appointing auditors.

### ***Audit Committee***

7. To assist it in the discharge of its financial responsibilities, the Council has established an Audit Committee, which oversees the HCPC'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:
  - 8.1 the organisation and management of the HCPC's functions and leadership and management of all employees;
  - 8.2 ensuring that budgets and resources are managed within the estimates approved by the Council; and
  - 8.3 the HCPC's financial operations, including the system of internal control.
9. The Chief Executive has been appointed as Accounting Officer by the Privy Council and, as such, is responsible for ensuring that the HCPC performs its statutory functions within the available financial resources and for complying with the Council's obligations under Article 46 of the Health and Social Work Professions Order 2001.

### ***Director of Finance***

10. The Director of Finance is responsible for the administration of the financial affairs of the HCPC, in particular, by:
  - 10.1 implementing the Council's financial policies;
  - 10.2 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 may require revision;
  - 10.3 ensuring that records are maintained which explain the HCPC's transactions and disclose, with reasonable accuracy, the financial position of the HCPC at any time;
  - 10.4 providing financial advice to the Council, its committees and employees;
  - 10.5 preparing such accounts and reports as the HCPC may require for the purpose of carrying out its statutory functions;
  - 10.6 ensuring that good financial practice is adopted by HCPC, in accordance with accepted professional standards and taking account of advice received from the internal and external auditors; and
  - 10.7 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:
  - 11.1 a statement of the HCPC's priorities and objectives for the year;
  - 11.2 the planned use of resources to reflect those priorities and achieve those objectives;
  - 11.3 the financial implications of the planned use of resources;
  - 11.4 contracts with an expected total value greater than £100,000 which are planned to be tendered or retendered during the year; and
  - 11.5 performance targets established by the Council.

### ***Annual Budget***

12. Resources are allocated annually by the Council. 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 approval by the Council.
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.
15. The Chief Executive is responsible for the day to day management and control of the annual budget and capital programme and may:
  - 15.1 authorise spending on items not exceeding £100,000 each;
  - 15.2 with the approval of the Chair of the Council (except in any case where the Council has resolved otherwise), authorise spending on items which exceed that limit; and;
  - 15.3 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 use resources within their budget, but may not delegate responsibility for the management of that budget. Each Budget Holder is responsible for expenditure within 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 levels of expenditure to the Chief Executive ~~or Director of Finance~~ [and the Senior Management Team](#) as soon as they become apparent and ensure that any necessary action is taken promptly.

### ***Change Management***

18. [Budget Holders must report any unplanned events to the Chief Executive, the Senior Management Team and Director of Finance through the variance analysis within the monthly management accounts. The management accounts are included within the Chief Executive report and reviewed by the Council in each of its](#)

meetings. Expected financial impact resulting from the event will be reflected in the month 6 and 9 forecast, which are approved by the Council during the year.

19. In between budget and forecast processes, when a singular, unplanned event would result in a financial impact that would exceed 1% of the total budgeted expenditure for the year, the Chief Executive will inform and seek approval from the Council.

## **Accounts**

20. HCPC's annual accounts shall be prepared under the direction of the Director of Finance and comply with any relevant statutory requirements and accepted accounting practice.
21. The annual accounts shall be presented to the Audit Committee and subsequently to the Council for approval.

## **Financial Systems and Procedures**

22. The Director of Finance must establish procedures for the secure receipt and payment of all HCPC monies.
23. The HCPC'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.
24. The Director of Finance will be responsible for the day to day operation and control of the systems and procedures required to:
  - 22.1 order goods and services;
  - 22.2 pay creditors, allowances and expenses;
  - 22.3 collect and bank all income due to the HCPC;
  - 22.4 provide, safeguard and subsequently dispose of HCPC assets; and
  - 22.5 account for taxes and make necessary payments to the appropriate authorities.
25. 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**

26. The Council is responsible for the appointment of the HCPC's Bankers.
27. All bank accounts which contain HCPC funds (**HCPC Accounts**) shall be operated in the name of the Health and Care Professions Council and in no circumstances shall HCPC funds be held in an account operated in the name of an individual or with other than HCPC's appointed bankers.
28. The consent of the Council is required before any person opens or maintains any account which contains monies which do not form part of HCPC funds and the title of which includes any reference to the Health and Care Professions Council.

29. All cheques and other documents authorising payment from HCPC Accounts must be signed by two of the following authorised signatories:
  - 27.1 the Chair of the Council;
  - 27.2 the Chief Executive;
  - 27.3 the Director of Finance; and
  - 27.4 any other person who is appointed as an authorised signatory by the Chair on the recommendation of the Chief Executive.
30. A person may be appointed under Regulation 27.4 as a signatory for all or specified HCPC Accounts and any such appointment may be revoked by the Chair at any time.
31. Transfers of funds between HCPC Accounts may be undertaken by electronic banking methods without authorising signatures. The Chief Executive shall designate the persons authorised to perform such transactions.
32. Every HCPC Account shall be reconciled at least once every month.
33. The Director of Finance is authorised to invest surplus funds in a manner which:
  - 31.1 manages cash resources effectively and provides security of HCPC's capital; and
  - 31.2 accords with any investment policy adopted by the Council.

### **Borrowing arrangements**

34. The approval of the Council is required before the HCPC enters into any borrowing arrangements.

### **Income**

35. The Director of Finance shall establish procedures for the secure collection, custody, control and deposit of all monies due to the HCPC, enabling the HCPC 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.
36. All monies received on behalf of the HCPC shall be banked without delay in one of the HCPC Accounts.
37. All agreements, invoices, receipts and other documents relating to income receivable by the HCPC shall be in the name of the HCPC.
38. The custody of all cash holdings must comply with any requirements of the HCPC's insurers.
39. No deductions may be made from, or personal or other cheques cashed out of, any cash collected or received on behalf of the HCPC.

### **Debts**

40. The Chief Executive shall have all necessary powers to recover debts, including the taking of legal action.
41. The Chief Executive is authorised to write off debts which, after appropriate steps have been taken, are considered to be irrecoverable but no individual debt of more than £5,000 or any debt arising from theft or fraud shall be written off without the approval of the Council.

## **Expenditure**

42. Invoices will only be paid for amounts authorised by an appropriate Budget Holder.
43. 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 the HCPC is satisfied that it will ultimately receive the goods and services, then such payments may be made.
44. No credit card account shall be established or operated in the name or on behalf of the Council without the prior express consent of the Council.

## **Payment of travel, subsistence and other allowances**

45. 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.
46. Claims for payment (including bookings made with any travel company approved by the HCPC) shall be authorised in the following manner:
  - 44.1 claims by employees shall be authorised, as appropriate, by their line manager or another appropriate reviewer within the department;
  - 44.2 claims by Directors or the Chief Executive up to the domestic limit (UK travel, subsistence and allowances not exceeding £500) may be self-authorised but will be subject to an annual audit process conducted by the Business Process Improvement department to ensure compliance with applicable policies;
  - 44.3 claims by Directors which exceed the domestic limit or involve travel outside of the UK shall be authorised by the Chief Executive or by one other member of the Senior Management Team and the Director of Finance;
  - 44.4 claims by the Chief Executive which exceed the domestic limit or involve travel outside of the UK shall be authorised by the Chair of the Council and the Director of Finance;
  - 44.5 claims by Council members shall be authorised, as appropriate, by the Secretary to the Council, Secretary to the Committees or a relevant Budget Holder;
  - 44.6 claims by HCPC partners shall be authorised by the relevant Budget Holder; and
  - 44.7 claims by the Chair of the Council shall be authorised by the Chief Executive and the Director of Finance.

## **Contracts and procurement**

47. The HCPC 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.
48. 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 which accords with any procurement policy adopted by the Council.

## **Asset Management**

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

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

### **Risk Management**

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

### **Audit Arrangements**

54. 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.
55. The main purpose of the internal audit is to provide the Council with independent and objective assurances on the adequacy of the HCPC's financial control, operating control and risk management systems.
56. The external auditor's responsibilities include reporting an opinion on whether the HCPC's accounts give a true and fair view. As part of that responsibility the external auditor obtains an understanding of the system of internal control to the extent that it is relevant to the audit, including the control environment, the risk assessment process, and information technology relevant to financial reporting.

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

57. In order to perform their functions, the internal and external auditors have authority to:
- 55.1 enter, at a reasonable time, any HCPC premises or land;
  - 55.2 have access to records, documents and correspondence relating to any transaction of the HCPC;
  - 55.3 review any relevant activity of the HCPC;
  - 55.4 require and receive such explanations as are necessary concerning any matter under examination; and
  - 55.5 require any HCPC Council member, employee or contractor to produce any asset under his or her control for which the HCPC is responsible.

### **Comptroller and Auditor General**

58. Article 46 of the Health and Social Work Professions Order 2001 provides that the HCPC's accounts shall be subject to examination by the Comptroller and Auditor General.
59. For the purposes of such examination, the Comptroller and Auditor General may inspect the HCPC's accounts and any records relating to them. Notwithstanding that power and the powers available 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**

60. The HCPC shall not establish any subsidiary company (or appoint or remove a director of any such subsidiary company) without the approval of the Council.

**Review of Financial Regulations**

61. The Financial Regulations will be reviewed at least every third year in order to ensure that they continue to reflect the circumstances of the HCPC and financial best practice.

(64 ~~December~~ July 2018)