

Finance and Resources Committee, 21 November 2013

## Review of Financial Regulations

### Executive summary and recommendations

#### **Introduction**

In accordance with Regulation 59 of the Financial Regulations, a review of the Financial Regulations has been carried out. As a result of the review a number of changes are proposed:

1. Reference to the Finance and Resources Committee have been removed and, where appropriate, replaced with references to the Council;
2. References to the President have been removed and replaced with references to the Chair;
3. Regulation 27 has been expanded to include specific reference to the authorisation of transactions using electronic banking; and
4. Regulations 46 and 47 have been amended to include reference to the procurement policy (presented to Finance and Resources Committee of 21 November 2013 in a separate paper) and to remove some detail now included in the procurement policy.

A draft of the amended regulations is attached.

#### **Decision**

The Committee is asked to recommend to the Council the adoption of the revised Financial Regulations with effect from the date of appointment of the new Council.

#### **Background information**

As per regulation 59 of the Financial Regulations the Finance Director is required to review the Financial Regulations at least every third year in order to ensure that they continue to reflect the circumstances of HCPC and financial best practice.

#### **Resource implications**

No resource implications

#### **Financial implications**

No financial implications

#### **Appendices**

Appendix 1 – Draft Financial Regulations

#### **Date of paper**

11 November 2013

# **HCPC draft financial regulations for consideration at Finance and Resource Committee on 21 November 2013**

## **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 HCPC'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 HCPC's finances.
4. Where appropriate, the Regulations will be supplemented by detailed Financial Operating Procedures which have been approved by the Council

### **Roles and responsibilities**

#### **The Council**

5. The Council has the ultimate responsibility for the financial viability of HCPC 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 and Social Work 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 a committee, the Audit Committee, which oversees 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:
  - A. the organisation and management of HCPC'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. HCPC's financial operations, including the system of internal control.
9. As accountable officer, the Chief Executive is responsible for ensuring that HCPC 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 and Care Professions Council. As Accounting Officer, the Chief Executive is responsible for the execution of the Council's obligations under Article 46 of the Health and Social Work 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 HCPC, 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 HCPC's transactions and disclose, with reasonable accuracy, the financial position of HCPC at any time;
- D. providing financial advice to the Council, its committees and employees;
- E. preparing such accounts and reports as HCPC may require for the purpose of carrying out its statutory functions;
- F. 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
- 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

. 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 and 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. The Chief Executive agrees and monitors the budget with budgetholders.

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 revenue 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 Chair of Council, 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. HCPC'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 HCPC monies.

21. 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.

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 HCPC;
- D. provide, safeguard and subsequently dispose of HCPC 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 HCPC's Bankers.

25. 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.

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 HCPC funds and the title of which includes any reference to the Health and Care Professions Council.

27. All cheques and other documents authorising payment from HCPC Accounts require two authorised signatories. All electronic payment instructions require approval by two authorised signatories using secure passwords and/or payment cards as provided by the Council's appointed bankers. The Chair, Chief Executive and

Director of Finance shall be authorised signatories. The Council, on the recommendation of the Chief Executive may appoint other signatories for all or specified HCPC Accounts and may at any time revoke the authorisation of any such signatory.

28. 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.

29. Every HCPC 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 HCPC's capital, by means of deposit accounts or any other method of investment authorised by Council.

### **Borrowing Arrangements**

31. The approval of the Council is required before HCPC 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 HCPC enabling 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.

33. All monies received on behalf of HCPC shall be banked without delay in one of the HCPC Accounts.

34. All agreements, invoices, receipts and other documents relating to income receivable by HCPC shall be in the name of HCPC.

35. Custody of all cash holdings must comply with the requirements of HCPC'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 HCPC.

### **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 £5,000 shall be written off without the approval of the Council.

39. Where appropriate steps have been taken to recover monies due to HCPC, 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 HCPC is satisfied that it will ultimately receive the goods and services, then such payments may be made.

42. 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 & Other Allowances**

43 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.

44 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 Chair 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 HCPC partners shall be authorised by the relevant Budget Holder; and
- F. claims by the Chair shall be authorised by the Chief Executive and the Director of Finance.

### **Contracts and Procurement**

45.

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.

46. All procurement shall be conducted in accordance with the procurement policy agreed from time to time by the Council.

47. 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.

### **Asset Management**

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

49. The Director of Finance shall be responsible for:

G. maintaining a register of all HCPC assets; and

H. the safe keeping of deeds, leases, agreements, financial instruments, loan agreements, share certificates and other securities.

50. 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**

51. The Audit Committee is responsible for the development and oversight of HCPC's risk register.

52. 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**

53. 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.

54. The main purpose of the internal audit is to provide the Council with independent and objective assurances on the adequacy of HCPC's financial control, operating control and risk management systems.

55. The external auditor's responsibilities include reporting on whether HCPC'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**

56. In order to perform their functions, the internal and external auditors have authority to:

- I. enter, at a reasonable time, any HCPC premises or land;

- J. have access to records, documents and correspondence relating to any transaction of HCPC;
- K. review any relevant activity of HCPC;
- L. require and receive such explanations as are necessary concerning any matter under examination; and
- M. require any HCPC Council member, employee or contractor to produce any asset under his or her control for which HCPC is responsible.

#### **Comptroller and Auditor General**

57. Article 46 of the Health and Social Work Professions Order 2001 provides that HCPC'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 HCPC'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**

58. HCPC 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**

59. 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 HCPC and financial best practice.