

# Standing Financial Instructions

February 2010

## **Foreword**

Standing Financial Instructions (SFIs) are issued for the regulation of the conduct of the Office of the Health Professions Adjudicator (OHPA) in relation to all financial matters. They have effect as if incorporated into the Standing Orders.

SFIs detail the financial responsibilities, policies and procedures to be adopted by OHPA. They are designed to ensure that its financial transactions are carried out in accordance with the law and Government policy in order to achieve probity, accuracy, economy, efficiency and effectiveness. They should be used in conjunction with the Schedule of Delegated Authorities adopted by the organisation.

These SFIs identify the financial responsibilities, which apply to everyone working for OHPA but do not provide detailed procedural advice (once this is available). These statements should therefore be read in conjunction with detailed financial procedure notes approved by the Director of Finance.

Should any difficulties arise regarding the interpretation or application of any of the SFIs, then the advice of the Director of Finance must be sought in writing before acting.

Failure to comply with SFIs and SOs could lead to disciplinary action up to and including dismissal.

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# 1 INTRODUCTION

## General

- 1.1 These Standing Financial Instructions (SFIs) are issued in accordance with best financial practice and to ensure that all the assets of the organisation are adequately safeguarded.
- 1.2 Within the SFIs, it is acknowledged that the Chief Executive and the Programme Director will have responsibility to the Board for ensuring that OHPA meets its obligation to perform its functions within the financial resources made available to it directly by the Department of Health and through the framework of fees payable introduced by the Health and Social Care Act 2008. The Chief Executive has overall executive responsibility for OHPA's activities and is ultimately responsible as Accounting Officer for ensuring that OHPA stays within its available resources. Prior to the appointment of a substantive Chief Executive, the Accounting Officer function will be undertaken by the Programme Director.
- 1.3 The SFIs have effect as if incorporated into the Standing Orders and may only be changed in accordance with the provisions for amending the Standing Orders.
- 1.4 The Chief Executive, as Accounting Officer (Programme Director) until appointment of a Chief Executive), shall exercise financial supervision and control by:
  - a) requiring the submission and approval of revenue budgets within the projected income, and of capital budgets within the approved allocation;
  - b) defining and approving essential features of financial arrangements in respect of important procedures and financial systems, including the need to obtain value for money;
  - c) defining specific responsibilities placed on Budget Holders;
  - d) accountability to DH in the commencement period and Parliament thereafter.
- 1.5 If for any reason these SFIs are not complied with, full details of the non-compliance and justification shall be reported to the Audit Committee for referring action or ratification. All members of the Board and staff have a duty to disclose any non-compliance with these SFIs to the Director of Finance as soon as possible.

## Terminology

- 1.6 Any expression to which a meaning is given in Health Service Acts, or in the Financial Directions made under the Acts, or in the Standing Orders, shall have the same meaning in these instructions; and
  - a) "OHPA" means the public body corporate responsible for the national health profession adjudication service as set out in the Health and Social Care Act 2008;
  - b) "Board" means the chair and the executive and non-executive members of OHPA;
  - c) "Budget" means a resource, expressed in financial terms, proposed by the Board for the purpose of carrying out, for a specific period, any or all of the functions of OHPA;
  - d) "Budget Holder" means the director or employee with delegated authority to manage finances (Income and Expenditure) for a specific area of the organisation;
  - e) "Chief Executive" means the Accounting Officer of OHPA;
  - f) "Director of Finance" means the chief financial officer of OHPA;

g) "Legal Adviser" means the properly qualified person appointed by OHPA to provide legal advice.

1.7 Wherever the title Chief Executive, Director of Finance, or other nominated officer is used in these instructions, it shall be deemed to include such other director or employees who have been duly authorised to represent them.

1.8 Wherever the term "employee" is used and where the context permits it shall be deemed to include employees of third parties contracted to OHPA when acting on behalf of OHPA.

### **Responsibilities and Delegation**

1.9 The Board exercises financial supervision and control by:

- a) formulating the financial strategy;
- b) requiring the submission and approval of budgets within approved allocations/overall income;
- c) defining and approving essential features in respect of important procedures and financial systems (including the need to obtain value for money);
- d) defining specific responsibilities placed on directors and employees as indicated in the Assignment of functions; and
- e) in-year monitoring of OHPA's income and expenditure against approved budgets.

The Board is responsible for ensuring that its obligation to perform its functions within the available financial resources and that its financial targets are met. The Chief Executive is responsible as Accounting Officer as set out and defined by HM Treasury.

1.10 The Board has resolved that certain powers and decisions may only be exercised by the Board in formal session. These are set out in the 'Reservation of Powers to the Board'.

1.11 The Chief Executive will delegate responsibility for the performance of certain of their functions in accordance with the Assignment of functions adopted by OHPA.

1.12 The Chief Executive has overall responsibility for OHPA's system of internal control.

1.13 The Chief Executive will delegate, as far as possible, detailed responsibilities, but will remain accountable for financial control.

1.14 It is a duty of the Chief Executive to ensure that existing directors, employees and all new appointees, are notified of and understand their responsibilities within these instructions. This process shall be undertaken primarily by the preparation and distribution of a guidance manual, supported by training workshops as required.

1.15 The Director of Finance is responsible, on behalf of the Chief Executive, for:

- a) implementing OHPA 's financial policies and for co-ordinating any corrective action necessary to further these policies;
- b) maintaining an effective system of internal financial control including ensuring that detailed financial procedures and systems incorporating the principles of separation of duties and internal checks are prepared, documented and maintained to supplement these instructions;
- c) ensuring that sufficient records are maintained to show and explain OHPA's transactions, in order to disclose, with reasonable accuracy, the financial position of

OHPA at any time; and, without prejudice to any other functions of OHPA and employees of OHPA;

- d) the provision of financial advice to OHPA and its directors and employees;
- e) the design, implementation and supervision of systems of internal financial control; and
- f) the preparation and maintenance of such accounts, certificates, estimates, records and reports as OHPA may require for the purpose of carrying out its statutory duties.

1.16 All directors and employees of OHPA are individually and collectively responsible for:

- a) the security of the property of OHPA;
- b) avoiding loss;
- c) exercising economy and efficiency in the use of resources; and
- d) conforming to the requirements of Standing Orders, Standing Financial Instructions, and the Assignment of functions.

1.17 Any contractor or employee of a contractor who is empowered by OHPA to commit OHPA to expenditure or who is authorised to obtain income shall be subject to these instructions.

## **2. AUDIT COMMITTEE**

2.1 In accordance with Standing Order [3.1 xii)], the Board shall formally establish an Audit Committee, with clearly defined terms of reference. The Audit Committee shall be responsible to the Board for ensuring that there are arrangements in place to measure, evaluate and report on the effectiveness of internal control and efficient use of resources.

2.2 The Audit Committee shall report annually to the Board on the extent of audit cover achieved, providing a summary of audit activity during the report period, and detailing the degree of achievement of the approved plan.

2.3 Where the Audit Committee feels there is evidence of ultra vires (outside the powers of OHPA) transactions, evidence of improper acts, or if there are other important matters that the committee wishes to raise, the chairman of the Audit Committee shall raise the matter at a full meeting of the Board. Exceptionally, the Board may consider it necessary to refer a matter to the Department of Health.

2.4 The Chief Executive shall ensure that OHPA has a programme of risk management, which will be approved and monitored by the Board.

2.5 The programme of risk management shall incorporate all elements of risk to OHPA, not just financial, and should provide adequate assurance on the overall risk profile of OHPA. The programme should include:

- a) a process for identifying and quantifying risks and potential liabilities;
- b) engendering among all levels of staff a positive attitude towards the control of risk and establishing a culture to embed risk management at all levels of the organisation;
- c) management processes to ensure all significant risks and potential liabilities are regularly reviewed and addressed including effective systems of internal control and decisions on the acceptable level of retained risk;
- d) contingency plans to offset the impact of adverse events;
- e) audit arrangements including; internal audit, health and safety review;
- f) arrangements to review the risk management programme.

2.6 The existence, integration and evaluation of the above elements will provide a basis on which the Audit Committee will make an annual statement on the effectiveness of internal control to the Board. The statement of the effectiveness of internal control covers all controls within OHPA, not just financial controls.

### 3. **INFORMATION TECHNOLOGY**

**IT procedures, controls and procurement should be made in line with latest guidance and directions [from Government].**

3.1 The Director responsible for IT services shall be primarily responsible for the accuracy and security of the computerised financial data of OHPA.

3.2 The Director of Finance shall devise and implement any necessary procedures to ensure adequate protection of OHPA's data, software and computer hardware from accidental or intentional disclosure to unauthorised persons, deletion or modification, theft or damage, having due regard to the Data Protection Act 1998.

3.3 All staff shall comply as appropriate with the Data Protection Act 1998 and Freedom of Information Act 2000, the Environmental Information Regulations 2004 and the Re-use of Public Sector Information Regulations 2005.

3.4 The Director of Finance shall ensure that:

- a) adequate reasonable controls exist over financial data entry processing, storage, transmission and output to ensure security, privacy, accuracy, completeness, and timeliness of the data, as well as the efficient and effective operation of the system;
- b) adequate controls exist so that the computer operation is separated from development, maintenance and amendment;
- c) an adequate management audit trail exists through all computerised systems including one for a performance management framework;
- d) such electronic media policies as OHPA may put in place are observed;
- e) new systems and amendments to current systems are developed in a controlled manner and thoroughly tested prior to implementation. Where this is undertaken by a third party (including Shared Business Services), assurances of adequacy shall be obtained from them prior to implementation;
- f) contracts for computer services for financial applications with a third party shall clearly define the responsibility of all parties for the security, privacy, accuracy, completeness, and timeliness of data during processing, transmission and storage. The contract shall also ensure rights of access for audit purposes;
- g) Where a third party provides a computer service for financial applications, adequate controls are in operation.
- h) adequate controls exist to maintain the security, privacy, accuracy and completeness of financial data sent over transmission networks;
- i) data produced for use with financial systems is adequate, accurate, complete and timely, and that a management audit trail exists.

3.5 The Director of Finance may request computer audit reviews as necessary and arrange that the agreed recommendations are actioned.

#### 4. **FRAUD AND CORRUPTION**

- 4.1 In line with their responsibilities, the Chief Executive and Director of Finance shall monitor and ensure compliance with HM Treasury (or equivalent) directions on fraud and corruption.
- 4.2 The Internal Auditors shall carry out checks and tests of financial systems to ensure that the potential for fraud and corruption is prevented and shall report to OHPA Director of Finance on its work and findings in this area.
- 4.3 The Director of Finance shall work with internal audit to prepare and maintain a counter fraud and corruption policy and communicate this across the organisation.
- 4.4 OHPA will seek to acquire local counter-fraud expertise, to provide specialist advice and guidance and will publish a Counter-fraud Policy.

#### 5. **INCOME AND EXPENDITURE BUDGETS, CONTROL AND REPORTING**

***OHPA has a responsibility to prepare and agree financial plans in accordance with allocated resource and cash limits and to ensure that such plans are reconcilable to the budgets. It shall perform its functions within the total of funds allocated by the DH in working balances during the year. All plans, financial approvals and control systems shall be designed to meet this obligation and shall include the requirement for regular review in the light of variations from forecast income.***

##### **Income and Expenditure**

- 5.1 The Chief Executive, in conjunction with the Director of Finance, shall be responsible for ensuring that all costs incurred are recovered by income and recharges due under service agreements, contracts for the provision of goods and services to customers and other sources of funding.
- 5.2 The Director of Finance shall ensure that the financial details contained within service agreements of contracts entered into by OHPA are consistent with the requirement to balance income and expenditure; and shall ensure that adequate statistical and financial systems are in place to monitor and control all such contracts and to facilitate the compilation of estimates, forecasts and investigations as may be required from time to time.

##### **Budgets**

- 5.3 The Director of Finance shall submit capital (where appropriate) and revenue budgets consistent with the planning policies of OHPA for approval by the Board prior to the commencement of each financial year. The budgets shall show clearly how proposed expenditure is to be funded from income due under grant in aid, contracts, service agreements and other sources of funding and shall be reconciled to the budget and savings targets. In so doing:
  - a) the Director of Finance shall review the basis and assumptions used to prepare the budget and advise OHPA whether they are realistic; as a consequence the Director of Finance shall have right of access to all budget holders on budgetary related matters;
  - b) such budgets shall relate to income and expenditure in that year and shall have supporting statements in order to explain any matter material to the understanding of those budgets.

- 5.4 The Chief Executive may, within budgetary limits approved by the Board, delegate responsibility for a budget or a part of a budget to operational managers to permit the performance of defined activities. Such delegation shall be included in the Assignment of functions and its terms shall include a clear definition of individual and group responsibilities for control of expenditure, exercise of virement, achievement of planned levels of service and the provision of regular reports upon the discharge of these delegated functions to the Chief Executive.
- 5.5 In carrying out their duties:
- a) the Chief Executive shall not exceed the budgetary or virement limits set by the Board; virement is the process by which funds are moved between different budgets;
  - b) budget holders shall not exceed the budgetary limits set for them by the Chief Executive;
  - c) the Chief Executive may vary the budgetary limit of an officer within the Chief Executive's own budgetary and virement limits.
- 5.6 Except where otherwise approved by the Chief Executive, taking account of advice of the Director of Finance, budgets shall be used only for the purpose for which they were provided and any budgeted funds not required for their designated purposes shall revert to the immediate control of the Chief Executive, unless covered by the delegated powers of virement.

### **Control**

- 5.7 The Director of Finance shall be responsible for ensuring that an adequate system of monitoring financial performance is in place to enable OHPA to meet its budget and savings targets.
- 5.8 The Director of Finance shall devise and maintain systems of budgetary control and all managers whom the Board may empower to engage staff or otherwise incur expenditure, collect or generate income, shall comply with the requirements of those systems. The systems of budgetary control shall incorporate the reporting of, and investigation into, financial, workload, or manpower variances from budget. The Director of Finance shall be responsible for providing information and advice to enable the Chief Executive and other operational managers to carry out their budgetary responsibilities and for issuing to all relevant staff, rules and procedures governing the operation of budgets.
- 5.9 The Chief Executive shall devise and maintain adequate systems to ensure that OHPA can identify, implement and monitor opportunities for cost improvements and income generation.

### **Reporting**

- 5.10 The Director of Finance shall prepare before a specified date each month a report showing:
- a) the income and expenditure of OHPA during the previous month and for the financial year to date, in comparison with the corresponding proportions of the approved budget to date;
  - b) a forecast of OHPA's expected position at the following 31 March, the most recent report being provided at each Board meeting from three months onwards.
- 5.11 The Director of Finance shall keep the Chief Executive and the Board informed of the financial consequences of changes in policy, pay awards, and other events and trends

affecting budgets and shall advise on the financial and economic aspects of future plans and projects.

## 6. CAPITAL EXPENDITURE

***Capital expenditure should be incurred and executed in line with the accounting policies set out in the annual financial accounts and documented in the guidance manual.***

- 6.1 The Board shall approve the proposed capital expenditure budget at the beginning of the financial year. Individual items above £50,000 not specified in the Business Plan or Strategy document shall be approved separately by the Board in the form of a business case.
- 6.2 The Director of Finance shall report regularly to the Board the actual expenditure against authorisation of capital expenditure and budget.
- 6.3 The Director of Finance shall ensure that controls are in place to ensure that capital budgeted funds are used only for the purpose for which they were approved and all requests for capital expenditure are properly authorised prior to acquisition.

## 7. CASH AND RESOURCE LIMIT CONTROL

- 7.1 The Director of Finance shall prepare a regular (monthly) report for the Board showing:
  - a) the net cash flow of OHPA during the previous month and for the financial year to date
  - b) a forecast of OHPA's expected net cash flow for the remainder of the financial year.
- 7.2 For all expenditure subject to cash limits the Director of Finance must ensure that before each financial year, an income and expenditure budget and a cash flow is drawn up, setting out the financial resources proposed for carrying out OHPA's functions for that year approved by the Board.
- 7.3 The Director of Finance must ensure that money drawn from the Department of Health against the Cash Limit is required for approved expenditure only, and is drawn down only as required.
- 7.4 The Director of Finance shall take the necessary action to prevent OHPA's cash and resource limit being exceeded.

## 8. ANNUAL ACCOUNTS AND REPORTS

***The Director of Finance shall keep sufficient records to show and explain OHPA's transactions, and they shall be such as to disclose with reasonable accuracy, at any time, the financial position of OHPA at that time.***

- 8.1 The Director of Finance on behalf of OHPA, shall prepare, certify and submit annual accounts to the Secretary of State, Comptroller and Auditor General and the Department of Health, Social Security and Public Safety in Northern Ireland in respect of each financial year in a form determined by the Secretary of State within such period after the end of the financial year to which the accounts relate as the Secretary of State may determine.
- 8.2 The Director of Finance shall prepare and submit such other financial returns as may be required by Parliament.

- 8.3 The annual accounts and financial returns shall be reviewed by the Audit Committee and approved by the Board in accordance with the guidance and the agreed timetables.
- 8.4 The Director of Finance shall prepare and publish an annual financial report in accordance with current guidelines on accountability and provide such other financial data and statements as may be specified from time to time.
- 8.5 OHPA's first financial year shall run from commencement until 31 March 2010 and subsequent financial years shall be each successive period of 12 months ending with 31 March.

## 9. **BANKING ARRANGEMENTS**

***This section pertains whether banking services are provided in-house or through a shared services provider. In terms of a shared services provider, it will be part of a service level agreement that the provider shall adhere to these Standing Financial Instructions, notifying the OHPA Director of Finance of any deviations.***

- 9.1 The Director of Finance shall advise the Board upon the provision of banking services. This advice shall take into account guidance and requirements issued, from time to time, by HM Treasury.
- 9.2 The Board shall approve the banking arrangements when for any reason an account other than a Government Banking Service (GBS) / designated commercial account is required to be used.
- 9.3 The Director of Finance shall review the banking needs of OHPA at regular intervals to ensure that they reflect current business patterns and represent best value for money and best practice deemed by HM Treasury. Following such reviews, the Director of Finance shall determine whether or not seeking new competitive offers for services is necessary.
- 9.4 Competitive offer exercises for banking services shall be undertaken when demanded by changed circumstances, or at intervals not exceeding five years from a previous such exercise.
- 9.5 The Director of Finance shall advise bankers in writing, including a copy of the Board's resolution, of the conditions under which each account shall operate. All funds shall be held in accounts in the name of OHPA. No director or employee other than the Director of Finance shall open any bank account in the name of OHPA.
- 9.6 In the operation of all GBS and commercial bank accounts, the Director of Finance shall ensure:
- a) that payments authorised to be made from such accounts do not exceed the amount credited to the account;
  - b) that payments made out of any accounts are authorised by no less than two authorised signatories; and
  - c) that the Board shall approve a panel of directors or employees, which shall include the Director of Finance, who are authorised signatories for payments from such accounts.
- 9.7 All payment instruments shall be treated as controlled stationery, in the charge of a duly designated officer controlling their issue (see paragraph 10).

9.8 The Director of Finance may enter into a formal agreement with the Director of Finance of another organisation for payments to be made on behalf of OHPA to pay legitimate organisational expenses, from bank accounts maintained in the name of that other organisation or by electronic funds transfer (i.e. BACS).

## 10. **SECURITY OF CASH, NEGOTIABLE INSTRUMENTS AND 'CONTROLLED STATIONERY'**

10.1 The Director of Finance is responsible for:

- a) approving the form of all receipt books, agreement forms, or other means of officially acknowledging or recording monies received or receivable;
- b) ordering and securely controlling such stationery;
- c) the provision of adequate facilities and systems for employees whose duties include collecting and holding cash, including the provision of safes or lockable cash boxes, the procedures for keys etc;
- d) prescribing systems and procedures for handling cash and negotiable securities on behalf of OHPA.

## 11. **PURCHASING GOODS AND SERVICES**

***OHPA's Procurement guidelines set out the principles and details of how OHPA shall purchase goods and services. This section outlines the financial principles involved in procurement and the procedures relating to the requisitioning, ordering, receipt and payment for goods and services received insofar as they relate to financial matters and ensure probity through the separation of these duties.***

### **Requisitioning**

11.1 Internal requisitions requesting that an order be placed shall be authorised only by directors and employees so approved by the Chief Executive set out in the Assignment of functions and these officers shall be different from those approved to authorise purchase orders and to receive goods or services. Lists of approved individuals shall be maintained for management control purposes.

### **Purchasing**

11.2 The Chief Executive is responsible for ensuring that contracts for purchasing goods and services are placed with due regard to the need to achieve value for money.

11.3 The Director of Finance shall ensure that the financial details contained in contracts agreed by OHPA are consistent with good practice and financial probity, and that the contracts represent value for money.

### **Ordering**

11.4 Goods, services or works shall be ordered using OHPA's official purchase order process as defined in The Procurement Guidelines where ever possible. Oral purchase orders shall be issued in cases of emergency or urgent necessity or where it is not deemed that official purchase orders are considered appropriate. Any oral orders must be recorded through the financial system within 2 days of being raised.

- 11.5 Official purchase orders, which shall be held securely (both paper and electronic), shall be consecutively numbered, in a form approved by the Director of Finance and shall include such information concerning prices, costs and terms and conditions of purchase as may be required.
- 11.6 Purchase orders shall be authorised only by directors and employees so approved by the Chief Executive and these individuals shall be different from those approved to authorise requisitions and to receive goods and services. Lists of approved individuals shall be maintained for management control purposes and copies supplied to the Director of Finance.
- 11.7 Orders shall not be placed in a manner devised to avoid the financial limits specified by OHPA.

#### **Receipt of goods**

- 11.8 Individuals approved to receive goods or services from suppliers or contractors shall be different from those approved to authorise requisitions or purchase orders.

#### **Approval of invoices**

- 11.9 Each invoice received by OHPA shall be matched against the relevant purchase order and receipt of goods and providing it agrees within agreed tolerances, shall be approved electronically. Otherwise, invoices will be forwarded and approved manually by officers of OHPA in line with the Assignment of Functions and approved by the Board.

### **12. PAYMENT OF ACCOUNTS**

***The overall responsibility for safe and efficient payment arrangements rests with the Director of Finance who shall approve specific arrangements. Where the management of payment of accounts has been contracted to a third party then the Director of Finance must be satisfied that the system is being operated within the principles detailed below. The principles are general in nature and will need to be tailored to meet the requirements of the particular payment systems in operation.***

- 12.1 The Director of Finance shall ensure that payment for goods and services is made only after the goods and services are received, or where a prepayment is considered appropriate (i.e. rent, rates, purchase of licences etc) processes are in place to ensure OHPA receive the goods or services paid for.
- 12.2 The Director of Finance shall be responsible for the prompt payment of accounts and claims. Payment of contract invoices shall be in accordance with the agreed contract terms.
- 12.3 The Director of Finance shall be responsible for approving systems for the verification, recording and payment of all accounts payable whether internal or through an out source supplier.

### **13. PAYMENT OF STAFF**

***The Director of Finance is responsible for the provision of a payroll service whether provided in-house or contracted out. In either case arrangements shall be monitored so that the arrangements established for the payment of staff are in accordance with normally accepted principles.***

13.1 No director or employee may engage, re-engage, or regrade employees, either on a permanent or temporary nature, or hire agency staff, or agree to changes in any aspect of remuneration:

- a) unless that individual has the necessary delegated authority; and
- b) it is within the limit of their approved budget.

The Director of Finance will ensure that there is a system of control and approval of all new starters to ensure that the post is approved and that sufficient funds are available.

13.2 The Director of Finance is responsible for:

- a) Specifying timetables for submission of properly authorised time records and other notifications;
- b) The final determination of pay;
- c) Making payment on agreed dates; and
- d) Agreeing the method of payment.

13.3 The Director of Finance will issue instructions regarding:

- a) Verification and documentation of data;
- b) The timetable for receipt and preparation of payroll data and the payment of employees;
- c) Maintenance of subsidiary records for superannuation, income tax, national insurance and other authorised deductions from pay;
- d) Security and confidentiality of payroll information;
- e) Checks to be applied to completed payroll before and after payment;
- f) The release of payroll data under the provisions of the Data Protection Act;
- g) Procedures for payment by cheque, bank credit to employees;
- h) Procedures for the recall of cheques and bank credits;
- i) Pay advances and their recovery;
- j) A system to ensure the recovery from leavers of sums of money and property due by them to OHPA.

13.4 Appropriately nominated managers have delegated responsibilities for:

- a) Submitting time records and other notifications in accordance in an agreed form and within the predetermined timetable;
- b) Submitting termination forms in the prescribed form immediately upon knowing the effective date of an employee's resignation, termination or retirement. Where an employee fails to report for duty in circumstances that suggest they have left without notice, the HR Business Partner Manager must be informed immediately.

13.5 The Director of Finance will receive on a regular basis as directed from the Head of Finance a summary of all significant payroll movements and statistics as deemed necessary.

## 14. SECURITY AND REGISTER OF ASSETS

- 14.1 Each employee has a responsibility to exercise a duty of care over the property of OHPA and it shall be the responsibility of all staff in all disciplines to apply appropriate routine security practices in relation to OHPA property. Persistent or substantial breach of agreed security practices could result in disciplinary action up to and including dismissal.
- 14.2 Any damage to OHPA's property shall be reported by staff in accordance with the agreed procedure for reporting losses.
- 14.3 The Chief Executive shall ensure that a system is in place for the register and control of assets and, wherever practicable, items of equipment shall be marked as OHPA property.
- 14.4 The form of record and method of updating shall be as required by the Chief Executive as advised by the Director of Finance, and shall make provision for:
- a) recording managerial responsibility for each asset;
  - b) identification of additions and disposals;
  - c) identification of all repairs and maintenance expenses;
  - d) physical security of assets;
  - e) periodic verification of the existence of, condition of and title to assets recorded;
  - f) identification and reporting of all costs associated with the retention of an asset;
  - g) identification separately of equipment on loan from suppliers.
- 14.5 Additions to the fixed asset register must be clearly identified to an appropriate Budget Holder and be validated by reference to:
- a) properly authorised and approved agreements, architect's certificates, supplier's invoices and other documentary evidence in respect of purchases from third parties;
  - b) stores requisitions and wages records for own materials and labour including appropriate overheads;
  - c) lease agreements in respect of assets held under a finance lease and capitalised.
- 14.6 The up to date maintenance of the asset register and annual checking of asset records shall be the responsibility of the Deputy Finance Director.
- 14.7 On the closure of any facility owned, occupied or used by OHPA, an asset check shall be carried out and a designated officer shall certify a list of items held showing eventual disposal.
- 14.8 Where capital assets are sold, scrapped, lost or otherwise disposed of, the appropriate adjustments shall be made in the accounting records and each disposal shall be validated by reference to authorisation documents and invoices (where appropriate).
- 14.9 The Director of Finance shall approve procedures for reconciling balances on fixed asset accounts in ledgers against balances on fixed asset registers.
- 14.10 The value of each asset shall be indexed to current values in accordance with methods specified in the Capital Accounting Manual.
- 14.11 The value of each asset shall be depreciated using methods and rates as specified in the Capital Accounting Manual.

14.12 The Director of Finance shall approve a procedure for the calculation and payment of capital charges as specified in the Capital Accounting Manual.

## 15. **LOSSES, CONDEMNATIONS AND SPECIAL PAYMENTS**

15.1 The Director of Finance must prepare procedural instructions on the recording of and accounting for condemnations, losses and special payments. The Director of Finance must also prepare a fraud response plan that sets out the action to be taken both by persons detecting a suspected fraud and those persons responsible for investigating it.

15.2 Any employee discovering or suspecting a loss [other than a trivial loss occurring in the ordinary course of affairs] must either immediately inform their head of department, who must immediately inform the Director of Finance, or the auditor tasked with managing Counter Fraud issues – see section 4. The informed person will then appropriately notify the Director of Finance. The Director of Finance should immediately inform the police if theft or arson is involved.

15.3 For losses apparently caused by theft, arson, neglect of duty or gross carelessness, except if trivial, the matter will be considered under the disciplinary process and those involved may be suspended, pending investigation. In any event, the Director of Finance must immediately notify:

- a) the Board, and
- b) the External Auditors.
- c) HR Director.

### **Losses**

15.4 Losses fall into four categories:

Category 1 - losses of cash

Category 2 - fruitless payments (including abandoned capital schemes)

Category 3 - bad debts and claims abandoned

Category 4 - damage to buildings, their fittings, furniture and equipment and loss of equipment and property in stores and in use.

15.5 The Director of Finance will investigate and review appropriate procedures arising from all such losses.

### **Condemnations**

15.6 All unserviceable articles shall be condemned or otherwise disposed of by an officer authorised for that purpose by the Chief Executive. A record in a form approved by the Director of Finance shall be kept of all articles submitted for condemnation and the condemning officer shall indicate whether the articles are to be converted, destroyed or otherwise disposed of. All entries shall be confirmed by the counter-signature of a second officer authorised for the purpose by the Chief Executive.

15.7 The condemning officer shall decide whether or not there is evidence of negligence in use and shall report any such evidence to the Director of Finance who shall take appropriate action. Where there are reasonable grounds to suspect that a criminal offence has been committed, action shall proceed as in paragraphs 16.2 and in accordance with

HSC1999/062 – a NHS circular adopted by OHPA as an example of how to deal with circumstances pertaining to criminal offences.

### **Special payments**

- 15.8 Special payments fall into four categories as follows:
- compensation payments made under legal obligation
  - extra contractual payments to contractors
  - ex-gratia payments
  - extra statutory and extra regulatory payments.

The Director of Finance shall report regularly to the Audit Committee full details of ex-gratia payments made to staff (inc. Board members), and full details of write-offs and special payments made.

### **Approval**

- 15.9 The Board shall consider whether to approve the writing-off of losses within the limits delegated to it from time to time by HM Treasury. The Chief Executive has responsibility to approve write-off and authorise special payments, which should be reported to the Board on a timely basis.

### **Register and safeguards**

- 15.10 The Director of Finance shall maintain a losses and special payments register in which details of all losses and special payments shall be recorded as they are notified. Write-off action and special payments approved by the Chief Executive and the Board shall be recorded against entries in the register. The register will be reviewed periodically by the Audit Committee.
- 15.11 The Director of Finance shall be authorised to take any necessary steps to safeguard OHPA's interest in bankruptcies and company liquidations.

## **16. INTERNAL AND EXTERNAL AUDIT**

### **Internal Audit**

- 16.1 The Director of Finance is responsible, with the support of The Audit Committee, for appointing an effective Internal Audit service, either internally or externally which meets the Governmental Internal Audit Standards. The objectives of an Internal audit service are to review, appraise and report to the Audit Committee upon:
- a) the extent of compliance with, and the financial effect of, relevant established policies, plans and procedures;
  - b) the adequacy and application of financial and other related management controls;
  - c) the suitability of financial and other related management data;
  - d) the extent to which OHPA's assets and interests are accounted for and safeguarded from loss of any kind, arising from:
  - e) fraud and other offences
  - f) waste, extravagance, inefficient administration

- g) poor value for money or other causes.
  - h) suggest improvements in internal control.
- 16.2 Management's responsibility is to establish systems of internal control for operations for which it is responsible to ensure that these are properly run. The principal aim for Internal Audit, therefore, is to assist the various levels of management in discharging their duties and responsibilities by carrying out appraisals and making the necessary appropriate recommendations to the Audit Committee.
- 16.3 Internal Audit shall be entitled, without necessarily giving prior notice, to require and receive, within 2 working days:
- a) access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature;
  - b) access at all reasonable times to any land, premises or employees of OHPA;
  - c) the production or identification by any employee of any OHPA cash, stock and other property under the employee's control;
  - d) explanations concerning any matter under investigation or review.
- 16.4 Where a matter arises which involves, or is thought to involve, irregularities concerning cash, stock or other property of OHPA or any suspected irregularity in the exercise of any function of a pecuniary nature, the Director of Finance shall be notified immediately.
- 16.5 The Director of Finance shall investigate cases of suspected fraud, misappropriation or other irregularities in conjunction, where necessary, with the relevant director and in consultation with the police where appropriate in accordance with OHPA's fraud policy and response plan. The HR Director shall be informed of all suspected fraud, misappropriation and irregularities.
- 16.6 The Internal Audit function shall report direct to the Director of Finance. Internal audit reports shall be referred for action to the responsible director as appropriate. Failure to take remedial action within a reasonable period shall be reported to the Director of Finance or Audit Committee as appropriate. Where, in exceptional circumstances, the use of normal reporting channels could be seen as a possible limitation on the objectivity of the audit, Internal Audit shall have access to report direct to the Chairman or any non-executive member of the Board.

### **External Audit**

- 16.7 External Audit is provided by the National Audit Office (NAO), and paid for, by OHPA. The Audit Committee must ensure a cost-efficient service. Any problem shall be raised with External Audit and referred on to the Audit Commission if the issue cannot be resolved.
- 16.8 External audit will report to all Audit Committee meetings, which should be held quarterly.

### **17. RETENTION OF DOCUMENTS**

- 17.1 The Chief Executive shall be responsible for maintaining archives for all documents required to be retained under the direction contained in HSC1999/053 – a health services circular adopted by OHPA as an example of best practice.
- 17.2 The documents held in archives, including the archive known as "The Safe Haven" within Information Governance shall be capable of retrieval by authorised persons.

17.3 Retained documents shall be destroyed only at the express instigation of the Chief Executive. Records shall be maintained of documents so destroyed.

***To be revised 30 April 2010.***