

## Financial Policies

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# 1 Introduction

- 1.1 **Responsibility of Every Staff Member.** Each member of staff has the responsibility to be aware of the Financial Policies and to adhere to them. Due to the size of the organisation it is not always possible to ensure that full internal check procedures are in place. The basis of these procedures is to ensure that as far as practical there are appropriate controls and checks in operation to safeguard the organisation and staff in the conduct of its financial management.
- 1.2 **Interpretation.** In the event that clarification of any part of these Financial Policies is required the Financial Accountant will arrange for appropriate advice to be given. If necessary he is to consult with appropriate persons to obtain a definitive response.
- 1.3 **Changes to the Policies.** Any amendments required are to be forwarded to the Audit & Risk Assurance Committee for its consideration. Changes cannot be made until ratified by that Committee. In the event of an urgent and unforeseen variation being required the Accounting Officer can authorise such a change following consultation with the Chair of the Audit & Risk Assurance Committee. Any such action is to be reported to the next Audit & Risk Assurance Committee meeting. This document is to be reviewed every two years and a report submitted to the Audit & Risk Assurance Committee stating that the review has been carried out together with a report on any amendments that are considered appropriate.
- 1.4 **Financial Procedures.** Any detailed Financial Procedures issued are to be interpreted in accordance with these Policies. They are to be issued or amended under the authority of the Accounting Officer who will obtain whatever advice he considers appropriate prior to their release.

## 2 Specific Responsibilities

### 2.1 Accounting Officer

- 2.1.1 As set out in Schedule 1, paragraph 18 of the Public Services Ombudsman (Wales) Act 2005 the Public Services Ombudsman for Wales is the Accounting Officer. The Ombudsman has personal responsibility for the overall organisation, management and staffing of the Office and its procedures in relation to financial and other matters. He must ensure that there is a high standard of financial management in the Office; the financial systems and procedures promote the efficient and economical conduct of business and safeguard financial propriety and regularity; and that financial considerations are fully taken into account in decisions on policy proposals. Where the Accounting Officer would normally take a decision or action but is unavailable, the Chief

Operating Officer/Director of Investigations may act on his behalf, where this is appropriate in the light of the timescales involved.

2.1.2 The essence of the Accounting Officer's role is a personal responsibility for the propriety and regularity of the public finances for which he is answerable; for the keeping of proper records; for prudent and economical administration; for the efficient and effective use of all available resources.

2.1.3 As Accounting Officer, he must:

- a) sign the accounts required under Paragraph 16 of Schedule 1 to the 2005 Act and, in doing so, accept personal responsibility for their proper presentation as prescribed in legislation or by the Treasury;
- b) ensure that proper financial procedures are followed and that accounting records are maintained in a form suited to manage the finances of the organisation as well as in the form prescribed for published accounts;
- c) ensure that the public funds for which he is responsible are properly and well managed and safeguarded, with independent and effective checks of cash balances in the hands of any official;
- d) ensure that assets for which he is responsible such as land, buildings or other property, including stores and equipment are controlled and safeguarded with checks as appropriate;
- e) ensure that in considering proposals relating to the expenditure or income for which he is responsible, all relevant financial considerations, are taken into account, and full regard is had to any issues of propriety, regularity; and
- f) sign the governance statement

2.1.4 As the Accounting Officer he should ensure that a sound system of internal control is maintained to support the achievement of the organisation's policies, aims and objectives, and should regularly review the effectiveness of that system.

2.1.5 In addition, he should ensure that managers at all levels in the office:

- a) have a clear view of the organisation's objectives, and the means to assess and, wherever possible, measure outputs or performance in relation to those objectives;
- b) are assigned well-defined responsibilities for making the best use of resources, including a critical scrutiny of output and value for money; and

- c) have the information (particularly about costs), training and access to the expert advice, which they need to exercise their responsibilities effectively.

## **2.2 Audit & Risk Assurance Committee**

**2.2.1 Terms of Reference for an Audit & Risk Assurance Committee.** The Ombudsman has established an Advisory Panel whose main role is to provide support and advice to him in providing leadership and good governance of the office. The Audit & Risk Assurance Committee is a sub-committee of the Advisory Panel, with a specific role to support the Ombudsman in his responsibilities for issues of risk control and governance by reviewing the comprehensiveness of assurances in meeting his Accounting Officer's assurance needs and reviewing the reliability and integrity of these assurances.

**2.2.2 Membership.** The members of the Audit & Risk Assurance Committee are:

- an independent external Chair
- two independent external members
- with the Chief Operating Officer/Director of Investigations acting as Secretary to the Committee and the Ombudsman in attendance.

### **2.2.3 Reporting**

- Each Audit & Risk Assurance Committee shall be recorded in minutes that will be approved at the next meeting.
- The Audit & Risk Assurance Committee will provide the Accounting Officer with an Annual Report, timed to support finalisation of the accounts and the Statement on Internal Control, summarising its conclusions from the work it has done during the year.

**2.2.4 Responsibilities.** The Audit & Risk Assurance Committee will advise the Accounting Officer on:

- the strategic processes for risk, control and governance and the Statement on Internal Control;
- the draft Strategic and Business plans from a compliance, economy, efficiency and effectiveness basis in recognition of the requirement with the annual audit to account for the use of funds.
- the accounting policies, the accounts, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;
- the planned activity and results of both internal and external audit;
- adequacy of management response to issues identified by audit activity, including external audit's management letter;
- assurances relating to the corporate governance requirements for the organisation;

- (where appropriate) proposals for tendering for either Internal or External Audit services or for purchase of non-audit services from contractors who provide audit services;
- anti-fraud policies, whistle-blowing processes, and arrangements for special investigations;
- the Audit & Risk Assurance Committee will also periodically review its own effectiveness.

2.2.5 **Rights.** The Audit & Risk Assurance Committee may:

- co-opt additional members for a period not exceeding a year to provide specialist skills, knowledge and experience;
- procure specialist ad-hoc advice subject to being within budget.

2.2.6 **Access.** The representative of Internal Audit and the representative of External Audit will have free and confidential access to the Chair of the Audit & Risk Assurance Committee.

### 2.2.7 Meetings

- The Audit & Risk Assurance Committee will meet at least four times a year. The Chair of the Audit & Risk Assurance Committee may convene additional meetings, as they deem necessary.
- A minimum of two members of the Audit & Risk Assurance Committee will be present for the meeting to be deemed quorate.
- In the event of the Chair of the Audit & Risk Assurance Committee being unable to attend a meeting, one of the independent members will take the chair.
- Audit & Risk Assurance Committee meetings will normally be attended by the Ombudsman, Chief Operating Officer / Director of Investigations, the Corporate Services Manager, the Financial Accountant, the representatives from Internal Audit, and representatives of External Audit.
- The Audit & Risk Assurance Committee may ask any other officials of the office to attend to assist it with its discussions on any particular matter.
- The Audit & Risk Assurance Committee may invite other persons or bodies to attend meetings to provide professional advice or information on any matters that the Committee deems relevant to the proper discharge of its functions.
- The Audit & Risk Assurance Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters.

2.2.8 **Information Requirements.** For each meeting the Audit & Risk Assurance Committee will be provided with:

- a report summarising any significant changes to the organisation's Risk Register, together with a list of High and Medium risk items;
- a budget monitoring report
- a progress report from Internal Audit representative summarising:
  - work performed (and a comparison with work planned);
  - key issues emerging from Internal Audit work;
  - management response to audit recommendations;
  - changes to the Periodic Plan;
  - any resourcing issues affecting the delivery of Internal Audit objectives;
- a progress report from the External Audit representative summarising work done and emerging findings;
- a report or reports on any significant breaches of the organisation's control framework, frauds, losses, disposal of assets, write-offs, procurement outside of the normal arrangements and any other matters that the Committee ask to be reported to it at each of its meetings.

As and when appropriate the Committee will also be provided with:

- proposals for the Terms of Reference of Internal Audit;
- the Internal Audit Strategy;
- a copy of all internal audit reports issued;
- Internal Audit's Annual Opinion and Report;
- quality assurance reports on the Internal and External Audit functions;
- the draft accounts of the organisation;
- the draft Annual Governance Statement;
- a report on any changes to accounting policies;
- External Audit's ISA 260 report and associated management letter;
- a (verbal) report on co-operation between Internal and External Audit;
- proposals for tendering for either Internal or External Audit services or for purchase of non-audit services from contractors who provide audit services;
- any changes to anti-fraud policies, whistle-blowing processes, and arrangements for special investigations;
- proposals for any significant changes to any elements of the control framework;
- the Audit Committee will also periodically review its own effectiveness and submit a report to the Advisory Panel.

### **3 Strategic Planning**

- 3.1 **Strategic Plan.** To plan for the delivery and development of the Public Services Ombudsman for Wales a Strategic Plan covering at least three years will be produced. An indication of the revenue and capital funding required for its implementation should be produced in

conjunction with the Strategic Plan and this should form the basis for the Annual Budget.

- 3.2 **Budgets and Budgetary Control.** The Public Services Ombudsman (Wales) Act 2005 requires that a budget proposal is submitted each year to the National Assembly for Wales five months prior to the start of the new financial year. The proposal has to be prepared to take account of all known financial obligations that could arise in the forthcoming financial year. It is the responsibility of the Chief Operating Officer/Director of Investigations and the Financial Accountant to prepare and submit that budget in accordance with the Act and in the format determined by the National Assembly for Wales. The Public Services Ombudsman for Wales must have given his consent to the budget before its formal submission to the National Assembly for Wales.

The Assistant Manager, Corporate Services is responsible for producing monthly management reports setting out performance against that budget for consideration by the Management Team in accordance with an agreed timetable.

The Accounting Officer is to inform the National Assembly of Wales if there is a possibility of overspending by the year end.

## **4 Internal Controls**

- 4.1 Internal control refers to the systems that operate to ensure that:
- a) the organisation's objectives are achieved; and
  - b) there is economical, efficient and effective use of resources; and, assets are safeguarded.
- 4.2 The system of internal controls should provide:
- a) efficient and effective operational procedures;
  - b) reliable financial information and reporting;
  - c) compliance with laws and regulations; and
  - d) risk management processes.
- Such systems should be subject to regular review by an effective internal audit function that is properly resourced.

## **5 Internal Audit**

- 5.1 This is an assurance function that primarily provides independent advice to the organisation on the internal controls that operate. The Head of Internal Audit has direct access to the Accounting Officer and/or the Chairman of the Audit and Risk Assurance Committee where necessary. Internal Audit is required to comply

with the Public Sector Internal Audit Standards, (a copy is held by the Financial Accountant), and other appropriate advice issued by the Institute of Internal Auditors.

- 5.2 The Head of Internal Audit shall submit an annual report to the Audit and Risk Assurance Committee setting out the results of the previous year's audit and the proposed programme for the forthcoming year.

## **6 Accounting**

- 6.1 It is a requirement under the Public Services Ombudsman (Wales) Act 2005 to prepare accounts each financial year in accordance with the Accounts Directions issued by the Treasury as to their form and content and to maintain proper records in relation to those accounts. It is the responsibility of the Corporate Services Manager to maintain such records that are appropriate to fulfil this obligation, and it is the responsibility of the Financial Accountant to prepare these accounts

## **7 External Audit**

- 7.1 The PSOW's annual accounts are audited by the Auditor General for Wales as laid down in the Public Services Ombudsman (Wales) Act 2005. The Act requires a set of accounts must be provided to the Auditor General for Wales by 30 November each year. The aim is to complete the audit process and lay the accounts before summer recess of the National Assembly for Wales. It is the responsibility of the Financial Accountant to ensure compliance with the accounts timetable as laid down by the Accounting Officer following consultation with the Audit and Risk Assurance Committee.
- 7.2 The audit is undertaken as laid down under the Public Audit Wales Act 2004 and any protocols issued by the Auditor General for Wales to ensure that the Annual Accounts show a true and fair view of the organisation's state of affairs.

## **8 Banking Arrangements**

- 8.1 No bank account can be opened unless specifically approved by the Public Services Ombudsman for Wales. The signatories to any account must be authorised by the Public Services Ombudsman for Wales. The operation of any accounts by those authorised signatories must be in accordance with its mandate.

## **9 Cash Floats**

- 9.1 The holding of such floats is to be maintained at as low a level as appropriate to their effective management. Any such floats should be held and safeguarded in accordance with appropriate procedures prepared by the Assistant Manager, Corporate Services and approved by the Accounting Officer.

## **10 Asset Management**

- 10.1 It is the responsibility of all staff to ensure that any assets are protected and maintained in an appropriate manner. The Financial Accountant is to ensure that appropriate policies and procedures are in place to provide guidance on those responsibilities and these are contained within the Asset Management Strategy and Asset Register procedures.

## **11 Inventories**

- 11.1 Schedules of fixed and intangible assets are to be maintained in the most appropriate format. These schedules are to be periodically verified and checked against the assets. The Assistant Manager, Corporate Services is responsible for the preparation and maintenance of those schedules.

## **12 Losses**

- 12.1 Any losses are to be reported to the Assistant Manager, Corporate Services in writing setting out the circumstances under which the loss occurred.

## **13 Disposal of Assets**

- 13.1 Assets that have been determined as surplus to requirements must be disposed by the Assistant Manager, Corporate Services in the most appropriate method after considering environmental, information security, costs of disposal, and sale receipt income considerations. This must only be done following consultation with the Financial Accountant.

## **14 Income**

- 14.1 Any sums due must be notified promptly to the Assistant Manager, Corporate Services who will arrange for their prompt collection. The amount due should take account of the costs incurred.
- 14.2 In the event of non-recovery any cases must be referred to the Director of Policy, Legal and Governance for advice on the most

appropriate action to be taken having regard to the costs of recovery.

## **15 Insurance**

- 15.1 Insurance must be purchased when required by statute and may be obtained to cover other identified risks that could materially affect the office's ability to discharge its functions. When considering insurance requirements, it is necessary to evaluate the cost against the risks to be covered and taking account of the guidance given to public sector bodies that losses would normally be met from the public purse.

## **16 Procurement of Goods and Services**

- 16.1 All purchases of goods and services must be covered by an appropriate contract, purchase order or a periodic payment record. The procedures to be followed and the authorisation levels are set out in the financial instructions on procurement (i.e. the PSOW Procurement policy)
- 16.2 Goods and services procured must be used only for the purposes of the Public Services Ombudsman. The aim is to obtain value for money. In addition, all relevant EU or other international procurement rules must be followed.

## **17 Salaries and Pensions**

- 17.1 Before an appointment can be made including the filling of a previously occupied post there must be an evaluation of the need for the position. Payment of salary and any related expenditure must be in accordance with terms and conditions of employment. All payments must be made through the payroll although expenses may exceptionally be made by BACS. Any such case a written explanation must be prepared setting out the reasons for the action.
- 17.2 In the case of pensions to former ombudsman all payments due must be made through the payroll.

## **18 Gifts and Hospitality**

- 18.1 The offer or receipts of gifts and any invitations of hospitality must be recorded in a register for this purpose. In determining whether or not to accept gifts or hospitality the Ombudsman and any member of staff should consider whether it is appropriate to accept and whether there could be any actual or perceived conflict of interest. Acceptance of gifts or hospitality must be approved by the relevant line manager. No entry in the register is required in respect of light refreshments provided at business meetings or gifts of standard value pens, calendars and diaries.

## **19 Declarations of Interest**

- 19.1 The Ombudsman or any member of staff with a material interest in any financial matter including procurement shall declare that interest to the Chief Operating Officer / Director of Investigations or Financial Accountant. If necessary the Standards of Conduct policy document should be consulted. In the event that further clarification is required the subject should be raised with the Director of Policy, Legal and Governance

## **20 Fraud and Bribery**

- 20.1 All members of staff must be vigilant in preventing fraud and reporting any matter of bribery that comes to their attention. It is important that if fraud, bribery or suspicious circumstances are suspected that the procedures set out in the Confidential Reporting policy are followed.

## **21. Authority levels**

- 21.1 Senior staff will be designated a level 1 or level 2 signatory and some may have access to on-line Corporate Banking. (Appendices A & B set out details of signatories and are included for completeness. They do not form part of this policy and may be updated and amended from time to time as determined by the Ombudsman.) Specific actions will require different authority levels as follows:
- Purchase orders for under £500 must be authorised by any signatory.
  - Purchase orders for £500 and over must be authorised by two signatories, one of whom must be a level 2 signatory.
  - Instructions to the bank to set up standing orders for under £500 per annum must be authorised by a Level 2 signatory.
  - Instructions to the bank to set up standing orders for £500 per annum and over must be authorised by two signatories, one of whom must be a level 2 signatory.
  - Instructions to the bank for payment by cheque or debit card for under £500 must be authorised by a level 2 signatory. For £500 and over it must be authorised by two signatories, one of whom must be a level 2 signatory.
  - Instructions to the bank for electronic payments by BACS, including payroll, must be authorised by two Corporate Banking authorisers.
  - Electronic transfers between PSOW bank accounts require authorisation by any two Corporate Banking authorisers or one on-line business banking user.