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## Financial Policies

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## 1 Introduction

### Responsibility of Every Staff Member

- 1.1 Each member of staff is responsible for making themselves aware of the Financial Policies and adhering to them. Owing 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.

### Interpretation

- 1.2 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.

### Changed to these policies

- 1.3 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, confirming that the review has been carried out together with a report on any amendments that are considered appropriate.

### Financial Procedures

- 1.4 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 Accounting Officer

- 2.1 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; that 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 Improvement may act on his behalf, where this is appropriate in the light of the timescales involved.
- 2.2 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; and for the efficient and effective use of all available resources.
- 2.3 As Accounting Officer, he must:
- a) sign the accounts required under the relevant legislation 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.

2.4 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.

2.5 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.

### 3 Audit & Risk Assurance Committee

#### Terms of Reference for Audit & Risk Assurance Committee

3.1 The Ombudsman has established an Audit & Risk Assurance Committee and an Advisory Panel. They provide support and advice to him in providing leadership and good governance of the office. The Audit & Risk Assurance Committee has 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 in reviewing the reliability and integrity of these assurances.

### Membership

3.2 The members of the Audit & Risk Assurance Committee are:

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

### Reporting

3.3 Each meeting of the 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 Annual Governance Statement, summarising its conclusions from the work it has done during the year.

### Responsibilities

3.4 The Audit & Risk Assurance Committee will advise the Accounting Officer on:

- the strategic processes for risk, control and governance and the Annual Governance Statement;
- 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;

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- 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;
- counter-fraud policies, whistle-blowing processes, and arrangements for special investigations;
- the Audit & Risk Assurance Committee will also periodically review its own effectiveness.

### Rights

3.5 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

### Access

3.6 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.

### Meetings

3.7 The Audit & Risk Assurance Committee will meet at least four times a year. The Chair of the Audit & Risk Assurance Committee or the Ombudsman may convene additional meetings, as they deem necessary.

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- A minimum of three independent 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 Improvement, the IT Manager, the Financial Accountant, 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.

### Information Requirements

3.8 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;
- the latest 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;



- changes to the Periodic Plan;
- any resourcing issues affecting the delivery of Internal Audit objectives;
- management responses to audit recommendations;
- 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.

3.9 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 the risk management policy and strategy
- any changes to counter-fraud policies, whistle-blowing processes, and arrangements for special investigations;
- proposals for any significant changes to any elements of the control framework.

3.10 The Audit & Risk Assurance Committee will also periodically review and report on its own effectiveness.

## 4 Strategic Planning

### Strategic Plan

4.1 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.

### Budgets and Budgetary Control

4.2 Legislation 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 Improvement and the Financial Accountant to prepare and submit that budget in accordance with the legislation 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.

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

### 5 Internal Controls

- 5.1 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.
- 5.2 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.
- 5.3 Such systems should be subject to regular review by an effective internal audit function that is properly resourced.

### 6 Internal Audit

- 6.1 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.

- 6.2 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.

### 7 Accounting

- 7.1 It is a requirement under legislation that accounts are prepared 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 Head of Corporate Services to maintain such records that are appropriate to fulfil this obligation, and it is the responsibility of the Financial Accountant to prepare these accounts. Full details of accounting policies can be found in Appendix A.

### 8 External Audit

- 8.1 The PSOW's Annual Report and Accounts are audited by the Auditor General for Wales as laid down in legislation. This requires that 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 the 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.
- 8.2 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 Report and Accounts show a true and fair view of the organisation's state of affairs.

### 9 Banking Arrangements

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

### 10 Cash Floats

10.1 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 Head of Corporate Services and approved by the Accounting Officer.

### 11 Asset Management

11.1 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.

### 12 Inventories

12.1 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 Head of Corporate Services is responsible for the preparation and maintenance of those schedules.

### 13 Losses

13.1 Any losses are to be reported to the Head of Corporate Services in writing setting out the circumstances under which the loss occurred.

### 14 Disposal of Assets

14.1 Assets that have been determined as surplus to requirements must be disposed by the Head of 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.

### 15 Income

15.1 Any sums due must be notified promptly to the Head of Corporate Services who will arrange for their prompt collection. The amount due should take account of the costs incurred.

15.2 In the event of non-recovery any cases must be referred to the Chief Legal Adviser and Director of Investigations for advice on the most appropriate action to be taken having regard to the costs of recovery.

### 16 Insurance

16.1 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.

### 17 Procurement of Goods and Services

17.1 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).

17.2 Purchase orders are to be raised prior to a purchase being made. Retrospective purchase orders are raised only in exceptional circumstances where there is an urgent need for a service to be provided. A purchase order is not required for rent, rates, utilities and direct debits.

17.3 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.

### 18 Salaries and Pensions

18.1 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. In any such case a written explanation must be prepared setting out the reasons for the action.

18.2 In the case of pensions to former ombudsman all payments due must be made through the payroll.

18.3 Payments made to Advisory Panel and Audit & Risk Assurance Committee members must also be paid through payroll.

### 19 Gifts and Hospitality

19.1 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.

### 20 Declarations of Interest

20.1 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 Improvement 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 Chief Legal Adviser and Director of Investigations.

### 21 Fraud and Bribery

21.1 Senior staff will be designated as level 1 or level 2 signatories and some may have access to on-line Corporate Banking. (Appendices B & C 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;

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- 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.

*(Appendix B and Appendix C are not for publication as they contain bank mandate details)*

Policy Owner	David Meaden
Policy reviewed / approved by <management team / or review group>	15 October 2019
Presented to Audit & Risk Assurance Committee	04 December 2019
Due date of next Review	Quarter 3 2020/21 (2-year review period)
Date of Equality Impact Assessment	13 November 2018
For publication to:	Intranet (Yes / No) YES  PSOW website (Yes / No) YES  <b>NOTE: not to include appendices B and C for external publication</b>



#### Statement of Accounting Policies

PSOW financial statements are prepared in accordance with the Government Financial Reporting Manual (the FReM) issued by HM Treasury annually. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adopted or interpreted for the public sector.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the PSOW for the purpose of giving a true and fair view has been selected. The particular accounting policies adopted by the PSOW are described below. Accounting policies are applied consistently in dealing with items considered material in relation to the accounts.

#### Accounting Convention

Accounts are prepared under the historical cost convention modified to account for any revaluation of fixed assets, where material to their value to the business, by reference to their current costs.

#### Property, Plant and Equipment

Expenditure on property, plant and equipment is capitalised where the purchases are expected to have a useful life extending over more than one year and the cost exceeds £5k. Assets costing less than £5k may be capitalised providing they are capital in nature and are part of a larger scheme that is in total more than £5k. Assets are shown at cost less an allowance for depreciation. On initial recognition, fixed assets are measured at cost, including such costs as installation, which are directly attributable to bringing them into working condition for their intended use. In reviewing the costs of fixed assets previously acquired and the prices paid for new acquisitions during the year there is no material difference between the historic net book value of the assets and their replacement cost less depreciation.

### Depreciation

Assets are depreciated at rates calculated to write them down to zero or, if applicable, estimated residual value on a straight-line basis over their estimated useful life following an initial charge of a full month's depreciation in the month of purchase. Assets in the course of construction are depreciated from the month in which the asset is brought into use. Except where otherwise noted asset lives are assumed to be the following:

- Plant 10 years or the lease term if shorter
- Furniture and fittings 10 years or, where applicable in the case of fittings, the lease term
- Computers and other equipment 3 to 10 years

### Intangible assets

Purchased computer software licences and developed software are capitalised where expenditure of £5k or more is incurred and the useful life is more than one year. Intangible assets costing less than £5k may be capitalised providing they are capital in nature and are part of a larger scheme that is in total more than £5k. Intangible assets are reviewed annually for impairment and are stated at amortised historic cost. Software licences are amortised over the shorter of the term of the licence and the useful economic life of the computer equipment on which they are installed. This would usually be from 3 to 5 years. Developed software is amortised over the estimated useful life. In the year of acquisition, amortisation charges commence when the asset is brought into use.

### Value Added Tax

The PSOW is not registered for VAT. Expenditure is therefore disclosed gross of VAT.

### Pensions

The pension obligations to present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), the Local Government Pension Scheme administered through the Cardiff and Vale of Glamorgan Pension Scheme (the Fund) and by direct payment to previous Commissioners for Local Administration in Wales and any surviving beneficiaries.

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Full details are disclosed in the Pensions Disclosures at the end of the Financial Statements. The costs of providing these pensions are charged through the Statement of Comprehensive Net Expenditure with actuarial gains and losses relating to the Cardiff and Vale of Glamorgan Pension Scheme being recognised in the year in which they occur.

### Early departure costs

Where the PSOW is required to meet the additional cost of benefits beyond the normal benefits payable by the appropriate pension scheme in respect of employees who retire early, these costs are charged to the Statement of Comprehensive Net Expenditure in full when the liability arises.

### Leases

From 01 April 2020 expenditure on leased property and equipment over £5k will be treated as a right of use asset in accordance with IFRS 16 and interest and depreciation charged to operating costs in the resource accounts.

### Staff Costs

In line with IAS 19, short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, as well as non-monetary benefits for current employees, are recognised when an employee has rendered services in exchange for those benefits.

### Provisions

These are sums which are of uncertain timing or amount at the balance sheet date and represent the best estimate of the expenditure required to settle the obligations. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the recommended HM Treasury discount rate.

### Income

All income is recognised in the Statement of Comprehensive Net Expenditure in accordance with IAS 18 and IFRS 15.