

# Finance Regulations

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## 1. General

- 1.1. As a Non-Departmental Public Body of the Ministry of Justice (MoJ) the LSB is also subject to the requirements as set in the LSB Framework Agreement.
- 1.2. The Chief Executive is designated as the Accounting Officer for LSB by the MoJ Departmental Accounting Officer and is personally responsible and accountable to Parliament for safeguarding the public funds for which he has charge, for ensuring propriety and regularity in the handling of those public funds and for the day to day operations and management of LSB.
- 1.3. This document establishes the financial regulations and control framework set by the LSB Board and is applicable to all colleagues of the LSB to ensure that the Accounting Officer can undertake his duties within the required framework.
- 1.4. This document is part of the suite of financial documents which also includes the Finance Manual. It provides the framework of procedures for all LSB colleagues to follow to ensure that financial transactions are carried out in accordance with the law and Government policy in order to achieve probity, accuracy, economy, efficiency and effectiveness.
- 1.5. Failure to comply with the Financial Regulations could result in disciplinary action under HR disciplinary processes.

## 2. Terminology

- 2.1. **Accounting Officer** means the LSB Chief Executive
- 2.2. **The Act** means the Legal Services Act 2007
- 2.3. **LSB** means the Legal Services Board
- 2.4. **Board** means the Board of the LSB
- 2.5. **Budget** means a resource, expressed in financial terms, allocated by the LSB for the purpose of carrying out, for a specific period, any or all of the functions and operational requirements of the LSB

**2.6. Budget holder** means the Accounting Officer, Director or other colleague who has been delegated responsibility to manage a budget

**2.7. Colleague** means a permanent member of the LSB staff, a person who is on secondment to the LSB or a contracted external consultant or adviser.

### **3. Roles, responsibilities and delegation**

**3.1.** The Accounting Officer exercises financial supervision and control by

- (a)** defining specific responsibilities
- (b)** delegating specific financial responsibilities
- (c)** agreeing the financial strategy
- (d)** requiring the submission and approval of budgets within specified limits
- (e)** defining and approving essential features in respect of financial procedures and systems.

**3.2** The Accounting Officer is personally accountable to Parliament, via the MoJ, for the stewardship of the LSB's funds, for the good management of the organisation, and for ensuring that the LSB meets its obligation to undertake its role and functions within the financial limits set.

**3.3** The Accounting Officer is responsible for signing off the LSB's annual report and accounts including the Statement on Internal Control.

**3.4** The Accounting Officer will, as he deems appropriate, delegate his detailed responsibilities to post holders within an approved scheme of delegation, which must always be in writing.

**3.5** The Accounting Officer must ensure that all of the Board and colleagues are notified of and understand their responsibilities within these financial regulations.

**3.6** The Director of Finance and Services (Corporate Director in his absence) is responsible for:

- a) implementing the LSB's financial policies and for coordinating any corrective action necessary further to these policies
- b) maintaining an effective system of internal control including ensuring that detailed financial procedures and systems are prepared and documented and maintained to supplement these regulations.
- c) ensuring that sufficient records are maintained in order to ensure, with reasonable accuracy, the financial position of the LSB at any time.

- d) ensuring the provision of financial advice to the Accounting Officer, the Board and Directors
- e) the design, implementation and supervision of systems of internal financial control.

3.7 The Director of Finance and Services (Corporate Director in his absence) is responsible for the procurement of goods and services including:

- a) preparation, implementation and review of a Procurement Policy
- b) ensuring goods and services are procured in accordance with best practice at the best levels of value for money and with due regard to the proportionate value of goods and services that are being procured
- c) ensuring that colleagues engaged in procurement are appropriately trained and follow the agreed policies and procedures.

3.8 LSB Directors and all colleagues, severally and collectively are responsible for:

- a) the security of the property of the LSB
- b) avoiding loss
- c) exercising economy and efficiency in the use of resources
- d) conforming with the requirements of these financial regulations, any limitations on delegation of authority to them and financial policies and procedures
- e) ensuring that budget allocations are not overspent and that planned and actual expenditure takes full account of the need to achieve value for money in terms of efficiency, effectiveness and economy
- f) ensuring that potential significant variations from profiled budgets are drawn to the attention of the Chief Executive so that he, and the Board if appropriate, can consider whether the available resources can be used cost-effectively to further the work of the LSB or to determine what additional action needs to be taken.
- g) preventing, reporting and detecting fraud and corruption and ensuring that all LSB colleagues share this responsibility.

## **4. Financial Systems**

- 4.1. The Director of Finance is responsible for the maintenance of appropriate Financial Systems in order to allow the Chief Executive to carry out his financial obligations as Accounting Officer.
- 4.2. The financial systems must be properly described and accompanied by written instructions and procedures which will be kept up to date in line with developments in service provision or changes in techniques and technology.
- 4.3. The Director of Finance will ensure maximisation of separation of duties within systems so that colleagues are, as far as is practicable, protected from exposure to undue influence, unfair criticism or allegation.

- 4.4. The Director of Finance will ensure that suitable back-up arrangements and/or reserve facilities are in place for key financial services and that when required they can be invoked with sufficient speed to ensure that the operation and integrity of the services are maintained.

## **5. Business planning, budgets, budgetary control and monitoring**

- 5.1 The Corporate Director and the Director of Finance and Services, on behalf of the Accounting Officer, will compile and submit to the Board an annual business plan together with a proposed budget to finance the activities in the plan.
- 5.2 All budget holders must provide sufficient information as required by the Director of Finance and Services to enable budgets to be compiled and to be monitored on a monthly basis.
- 5.3 The Accounting Officer may delegate the management of a budget to permit the performance of a defined range of activities. This delegation must be in writing and be accompanied by a clear definition of:
- a) the amount of the budget
  - b) the purpose(s) of each budget
  - c) individual responsibilities
  - d) the provision of regular reports
- 5.4 The Director of Finance and Services will devise and maintain systems of budgetary control, expenditure forecasting and collection of amounts due under the Levy.
- 5.5 Each budget holder is responsible to ensure that expenditure is kept within budget.
- 5.6 Budget holders must not exceed their budgetary total limits set. If budget managers are concerned that budgets might be exceeded they should report this to the relevant Director as soon as possible. If budgets are exceeded then budget holders should report the reasons for this to the relevant Director together with any proposed remedial action.
- 5.7 The Director of Finance and Services should ensure that there are appropriate procedures in place, to comply with the Statutory Instrument *The Legal Services Act 2007 (Levy)(No.2) Rules 2010 and the Amendment) Rules 2014*, for the prompt collections of monies due to the LSB.

## **6. Annual report and accounts**

- 6.1. The Director of Finance and Services will prepare annual accounts in accordance with International Financial Reporting Standards, with the Government's Financial Reporting Manual and with any Accounts Directions received from MoJ.
- 6.2. The financial year for the LSB is the period from 1 April to 31 March each year.
- 6.3. The Board is responsible for preparing and submitting a copy of the annual report and accounts to the Lord Chancellor in accordance with the Act.

## **7. Banking Arrangements**

- 7.1. The Director of Finance and Services is responsible for managing the LSB's banking arrangement within the parameters set by the Government Banking Service.
- 7.2. The LSB is required to use the services of Citi Bank as its main account and to process payments through Nat West.
- 7.3. All funds held by the LSB are in reality used to offset the need for Government borrowing and balances are shown as paper entries only. The LSB is unable to earn any interest on its balances and consequently has no opportunity for treasury management.
- 7.4. All payments for invoices, for the salaries and expenses of colleagues and for the fees and expenses of the Board and the Consumer Panel members should be paid by way of the Banking Automated Clearing Service (BACS), or other electronic means. Payment by BACS will however be the principal method of disbursement. Adequate control mechanisms must be in place with the maximum practicable separation of duties for each payment mechanism.

## **8. Payroll**

- 8.1. The LSB has established a Remuneration and Nominations Committee who are responsible for agreeing, monitoring and reviewing terms and conditions of service (including remuneration, pensions, allowances, gratuities and compensation) of the Chief Executive and such other LSB colleagues as agreed between the Chairman of the Committee and the Chief Executive.

- 8.2. The Committee also monitor and reviewing the process for determining the terms and conditions of employment of all other LSB colleagues providing support and challenge as appropriate.
- 8.3. The Director of Finance and Services is responsible for managing the payroll including making payments on agreed dates.
- 8.4. The Director of Finance and Services must be satisfied that proposed payments are supported by appropriate contractual evidence which have been appropriately authorised before confirming payment of the proposed payroll.
- 8.5. The Director of Finance and Services should carry out such periodic checks to ensure that on-going payments are correct and due and these should be evidenced.
- 8.6. The Director of Finance will ensure that LSB has the facility to make payments to Board and Consumer Panel members and colleagues by way of the Banking Automated Clearing Service (BACS) and other electronic means. Payment by BACS will however be the principal method of disbursement. Adequate control mechanisms must be in place with the maximum practicable separation of duties for each payment mechanism.

## **9. Delegation of authority**

- 9.1. The Accounting Officer will determine the level of financial delegation to budget holders, within the overall scheme of delegation approved by the Board, and he may amend this during the course of the year as necessary. (Shown at Appendix 1)
- 9.2. These are limits in respect of individual transactions within the budget which managers may authorise, e.g. authority to commit expenditure against the budget and to enter into formal contracts. The limits will be reviewed each year and agreed before the start of the year to which they relate. The limits apply to designated roles and therefore any changes to role holders do not require individual re-authorisation of these limits, providing the role holders have appropriate qualifications, experience and competence as evidenced as part of the recruitment process.
- 9.3. Directors may authorise on behalf of the Accounting Officer further delegation of day to day financial responsibilities, e.g. authority to authorise invoices, subject to a formal written record being maintained of the limits of their sign off on individual transactions.
- 9.4. Details of the authorised signatures and delegated expenditure limits as appropriate must be notified in writing (email is acceptable) to the Director of Finance and



Services, who will maintain an up to date record of authorities on behalf of the Accounting Officer

9.5. Certain types of expenditure may require specific MoJ approval before they can be incurred, irrespective of budgetary provision, internal authorisation limits and MoJ procurement delegations (shown in Appendix 2). These include any 'novel, contentious or repercussive' expenditure (as defined in *Managing Public Money*). The process for obtaining this approval will normally be a written request by the Director of Finance and Services to the MoJ sponsor team.

## **10. Procurement**

10.1. The LSB's procurement framework must be complied with at all times.

10.2. The LSB is committed to achieving value for money, in terms of quality and price, for all of its procurement activity. In order to achieve this, the LSB will endeavour to clearly communicate its requirements and evaluation criteria, as an informed purchaser, and to establish levels of competition appropriate to the size and complexity of the purchase. This process is overseen by the Director of Finance and Services with advice and guidance from the Legal Director.

## **11. Payment of invoices**

11.1. The Director of Finance and Services is responsible for designing and maintaining a system of verification, recording and payment of all amounts payable. The system shall provide for certification that the goods or services invoiced were supplied in the time and manner and to the standard ordered before correct payment is made.

11.2. All properly authorised and approved invoices should be routinely paid within supplier terms or 30 days of receipt unless a longer payment term has been agreed or there is a dispute.

11.3. In line with current HMT guidance the LSB should aspire to pay all properly authorised and approved invoices within 10 working days.

11.4. Budget holders are responsible to ensure that invoices received for checking are returned promptly to the Finance and Resources Associate.

- 11.5. The Director of Finance will ensure that LSB has the facility to make payments to creditors by way of the Banking Automated Clearing Service (BACS) and other electronic means. Payment by BACS will however be the principal method of disbursement. Adequate control mechanisms must be in place with the maximum practicable separation of duties for each payment mechanism.

## **12. Management and Disposal of Fixed Assets**

- 12.1. The Director of Finance and Services is responsible for maintaining an asset register of all capital assets leased or owned by the LSB.
- 12.2. In addition the Director of Finance and Services should ensure that an inventory is maintained of all valuable, attractive and/or portable assets that belong to the LSB.

## **13. Governance Statement (GS)**

- 13.1. The Chief Executive, as Accounting Officer, must include a Governance Statement in the annual statutory accounts, commenting on the adequacy and effectiveness of the overall risk and control framework and including details of the sources of assurance he has relied upon in making his assessment.
- 13.2. The GS should comply with the requirements as set out in the FReM, which is updated each year.
- 13.3. To assist with this task, Directors will, at the end of each year, produce a statement of assurance in respect of their business area. The statement should:
- set out the main responsibilities of the relevant Senior Manager;
  - include key elements of the risk and control framework operating in the Senior Manager's operational area;
  - comment on the effectiveness of the system and how this has been assessed;
  - draw attention to any significant internal control problems that the Chief Executive should include in the Governance Statement, together with the action being taken to address the problem.
- 13.4. A problem significant enough to be reported in the Governance Statement includes the following:
- internal audit refer to it in their annual opinion on risk, control and governance in the organisation
  - external audit refer to it in their systems and value for money audits as a significant risk

- the Audit and Risk Committee advise that it is significant taking account of information from other sources, including the Director assurance reports, MoJ and from other reviews
  - It results from significant business weaknesses that expose the LSB to either a financial loss or a business risk
- 13.5. The Governance Statement is subject to audit in the same way as the rest of the statutory accounts and sufficient documentation must be maintained to support the statement.

## **14. Data Security**

- 14.1. All financial information relating to the LSB, except that which is published, should be treated as confidential and access to it restricted to those who need to process it.
- 14.2. The Director of Finance will ensure that all computerised financial systems are secure and comply with legislation such as the requirements of the Data Protection Act 1984 as subsequently amended.
- 14.3. Colleagues will not use systems for unauthorised access, disclose passwords or use passwords allocated to other people, or load or download software which has not been authorised by the Chief Executive or Director of Finance and Services. Any breach of this regulation will be reported to the Data Protection Officer.

## **15. Internal Audit**

- 15.1. The Accounting Officer will ensure the continuous provision of an internal audit service to review, appraise and report on the adequacy of LSB's systems, both financial and non-financial.
- 15.2. The internal audit service may be provided by a contractor outside of LSB via a competitive tender process, where the Accounting Officer considers that this will provide better value for money than an internal service. The Internal audit service should be provided to Government Internal Audit Standards.

- 15.3. The internal auditors will develop a three-year risk-based Strategic Audit Plan and agree a detailed Audit Work Programme annually in consultation with the Accounting Officer. This plan will be submitted to the Audit and Risk Committee for consultation and advice to the Accounting Officer.
- 15.4. The Audit and Risk Committee will monitor the programme on a regular basis.
- 15.5. Subject to available funding both the Accounting Officer and the Audit and Risk Committee will have the right to commission specific internal audit projects from the internal auditors in addition to the agreed Audit Work Plan.
- 15.6. The day to day management of the internal audit service/contract will normally be the responsibility of the Director of Finance.
- 15.7. Staff of the internal audit team (including external contractors- subject to any agreed contractual restrictions) will have the right of access to any document, information, or explanation they require from any colleague or member in order to carry out their duties. This right is not limited to financial information or accounting records.
- 15.8. Notwithstanding this, the Chief Executive may consider that certain information is not suitable for disclosure. Should the internal auditor consider this to be essential for the proper conduct of the audit, then the matter should be reported to the Audit and Risk Committee (or full Board of the LSB as appropriate) who will determine whether to release this information.
- 15.9. In line with any agreed Internal Audit Protocol interim and draft internal audit reports will be submitted to the Senior Manger responsible for the service/systems being audited. The former will respond to the reports in writing, as appropriate, in accordance with the agreed timescale, detailing the action intended to address any recommendations.
- 15.10. Finalised copies of all internal audit reports will be supplied as in 15.9 and to the Accounting Officer and Audit and Risk Committee.
- 15.11. The progress of work under the Internal Audit programme will be reported to each ordinary meeting of the Audit and Risk Committee by the internal auditors. Progress on the implementation of audit recommendations (both internal and external audit) will be co-ordinated by the Director of Finance and reported regularly to the Audit and Risk Committee together with the reasons for any recommendations not accepted for implementation.

## 16. Regularity and Propriety and Fraud

- 16.1. All LSB colleagues have a responsibility for ensuring compliance with Parliamentary requirements on the control of public expenditure and financial regularity and propriety. **Regularity** is the requirement for all spending to accord with the relevant legislation, the relevant delegated authority, and *Managing Public Money*. **Propriety** requires spending to respect Parliament's intentions, conventions and control procedures, including any laid down by the Public Accounts Committee.
- 16.2. In dealing with fraud, corruption or other financial irregularity the Chief Executive, as Accounting Officer, is responsible for ensuring that a robust system of internal control is in place within LSB which includes effective anti-fraud and corruption controls.
- 16.3. All colleagues have responsibility to prevent, report and detect fraud and corruption.
- 16.4. The Accounting Officer has a responsibility to establish a fraud response plan for managers and colleagues to use in the event of fraud or corruption.
- 16.5. Any investigation will be carried out by the Director of Finance unless the matter relates to the Finance function in which case another Director will conduct the investigation.
- 16.6. Any colleague who suspects fraud, corruption or other financial irregularity must immediately report the matter to the Director of Finance or the Accounting Officer, who will notify Internal Audit. In the event that the matter concerns actions by a member of the LSB Board, the report should be made direct to the Chairman of the Board and/or the Chairman of the Audit and Risk Committee. Action will then be taken in the light of the agreed advice from the auditors.
- 16.7. All cases of fraud/corruption must also be reported by the Director of Finance and Services, in confidence, to the MoJ and to the external auditors at the stage when preliminary investigations have revealed that either fraud/corruption has occurred or that an attempt has been made to commit fraud/corruption.

## 17. External Audit

- 17.1. The Comptroller and Auditor General is the statutory external auditor under the Legal Services Act 2007.

- 17.2. Staff of the National Audit Office (NAO) have a statutory right of access to any document, information, or explanation they require from any colleague or member of LSB in order to carry out their duties. This right is not limited to financial information or accounting records and includes access to documents etc. held by third parties, e.g. grant recipients and contractors/sub-contractors, as may be required for value for money audits. The Accounting Officer will also use best endeavours to secure access by the NAO to any other documents held by third parties as necessary.
- 17.3. The NAO will consult with the Director of Finance and the Accounting Officer with regard to the draft Audit Strategy and the Audit Strategy will be presented to the Audit and Risk Committee. The letter of representation, the management letter and any interim reviews will be discussed with the Director of Finance prior to final reports being submitted to the Audit and Risk Committee.
- 17.4. Finalised copies of all reports, including the NAO's Management Letter, will be supplied to the Accounting Officer and Audit and Risk Committee, which will in turn report to the Board.
- 17.5. Progress on the implementation of external audit recommendations will be reported regularly to the Audit and Risk Committee

## **18. Interpretation of these financial regulations**

- 18.1. In case of difficulty or doubt concerning the correct interpretation or application of these Financial Regulations, queries should be referred to the Director of Finance.

## Appendix 1 Scheme of Delegation

TABLE 1: Delegation of Authority to LSB Board and Directors

	Ministry of Justice	LSB Board	Chief Executive	Director of Finance and Services/ Corporate Director	Other Directors
Authority to incur budgeted resource or capital expenditure (enter into a contractual obligation) – per transaction.	subject to ministerial approval	Annual budget	£250k	£100k	£100k
Authority to incur unbudgeted resource expenditure – per transaction.		Annual budget	£250k	£100k	£50k
Authority to incur unbudgeted capital expenditure – per transaction.		Projects approved by MoJ where not in annual plan and require MoJ authority	Approval subject to ratification by board	£20k	£Nil
LSB payroll		£5m	£500k	£300k	N/A
Supplier payments		£1m	£250k	£150k	£20k
Cash transfers		£2m	£500k	£500k	N/A
Other payments		£1m	£100k	£20k	N/A

## Appendix 2 Ministry of Justice Financial Delegations to the LSB

<b>CATEGORY</b>	<b>VALUE</b>
Capital Projects (Land and Buildings)	£100k per contract
Capital Projects (ICT Projects)	£50k per contract
Capital Projects (Other)	£100k
Disposals	£10K
Gifts	Limit as per <i>Managing Public Money</i>
Contingent Liability	Limit as per <i>Managing Public Money</i>
Compensation and Special Payments	£10k
Severance	Nil
Write off and Bad Debt	£10k
Fraud and Abandoned Claim	£10k