

Meeting	OLC Board	Agenda Item No.	15
		Paper No:	107.10
Date of meeting	28 September 2020	Time required	5 minutes

Title	Recommended Changes to Scheme of Financial Delegations
Sponsor	Michael Letters – Head of Finance
Status	OFFICIAL
To be communicated to:	Members and those in attendance

Executive summary
Recommendation/action required
Board is asked to APPROVE the changes. Following approval the updated scheme of delegation will be adopted and published.

Background

The current delegations are set at very low levels, and don't recognise the delegation of budgets to budget holders. The requirement to have purchase orders signed by the Head of Finance over £5,000, and the Chief Ombudsman (or previously Director of Corporate Resources) above £20,000 places an un-necessary burden on these posts.

The impending time without a permanent Chief Ombudsman or Chief Operating Officer makes this a bigger issue in the immediate future.

There is an element of custom and practice in the procedures which are not reflected in the delegation documentation – for example payroll and purchase ledger payment runs being authorised by the DCS and latterly the CO although not required by the delegation document.

Consultation

MOJ have been consulted on this (Bill Loft), and there were no issues or concerns with LeO changing sign off levels.

Our internal auditor (Chris Davies, GIAA) has also been consulted on this, and he agreed that the existing levels were very low, and commented that he felt the signs offs by finance / senior management were not allowing the budget holders to manage the budgets that are delegated to them. As a result Chris agreed that increasing the level of authority given to budget holders would be appropriate.

As an auditor, Chris advised that any increase in levels should be considered against

- i. Risk of fraud
- ii. Spend becomes a risk to the organisation
- iii. Reputational Risk

The increases in the levels proposed materially change these risks.

Recommended Changes

There are a number of recommended changes listed below, but they mainly involve replacing the Chief Ombudsman approval with the approval of two members of the Executive team.

1. Purchase Order and Invoice authorisation and payment process

a. Purchase Order approval

This is approval of revenue expenditure under contracts that fall within the budget holder's budget.

- A. "junior" budget holders. Up to £5,000
- B. Head of HR (Head of OD and People Strategy) / OD / Head of IT. Up to £20,000
- C. **Executive team**
Authorised to approve POs within their delegated budget to a total of **£20,000 (from £5,000)** including second signature on A. and B.
- D. Expenditure from £20,001 to £106,000 / new limit recommended below to be authorised by two members of the executive team
- E. £106,000 and above to be approved by board and then MOJ. This level should be reviewed as follows:

The £106,000 comes from the OJEU financial thresholds (Official Journal European Union) for public sector organisations.

This rate is from January 2016 to December 2017;

Source: <https://blog.tendersdirect.co.uk/2015/12/29/new-public-procurement-thresholds-20162017/>

The current threshold for central government bodies is £122,976. These thresholds are net of VAT, so with VAT applied this would increase to £147,571.

In line with this, it is recommended that board / MOJ approval is increased to £123,000 excluding VAT / £148,000 including VAT.

b. Invoice approval (against purchase order)

Currently cost centre managers approve these against Purchase Order (irrespective of amount). This is an appropriate approach since this is in effect confirming that the goods / services have been received. Additionally finance staff check that the invoice matches the purchase order before seeking authorisation

c. Invoice Payment

The payment run is prepared by the purchase ledger officer, and checked by the Management Accountant, before being checked and authorised by the Head of Finance. Checks are undertaken that invoices are approved, and are against approved purchase orders.

The Head of Finance can authorise a payment run of up to £150,000; above this it would go to the CO. In order to maintain business continuity, and to cover absences

I recommend that above £150,000 is authorised by two members of the executive team.

Authorisation of payments:	
Payment to an individual Supplier of up to £50,000	Head of Finance
Payment to an individual Supplier in excess of £50,000	CO or DCS
Total Supplier payments totalling up to £150,000	Head of Finance
Total Supplier payments totalling in excess of £150,000	CO or DCS

2. Payroll Approval

This currently requires signoff by 2 from 4 signatures (this includes positions which are now redundant);

CO / DCS / Head of Finance / Head of HR.

It is recommended that this is 2 from 4 of a larger cohort:

Head of OD and People Strategy / Executive Team member

Ordinarily it is expected that this defaults to the Head of OD and People Strategy and Head of Finance.

3. Write off of case fees

These are recommended and approved by the Head of Finance on the basis of this being a bad debt. The controls are very tight here, and could be considered further in the future.

The reference to DCS should be removed.

Write offs of Bad debts and losses	
Invoices up to £400	Head of Finance or DCS
Invoices above £400	MoJ
Abandoned claims for the recovery of legal costs	CO or DCS