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ANNEX 4.1 FINANCE DIRECTORS

It is government policy that all departments should have professional finance directors reporting to the permanent secretary with a seat on the departmental board, at a level equivalent to other board members. It is good practice for all other public sector organisations to do the same, and to operate to the same standards. This annex sets out the main duties and responsibilities of finance directors.

The finance function

A.4.1.1 In line with the *Corporate Governance Code* (www.hm-treasury.gov.uk/public_spending_reporting/governance_risk/psr_governance_corporate.cfm), the finance director of a public sector organisation should:

- be a professional Finance Director¹;
- have board status equivalent to other board members;
- report directly to the permanent head of the organisation;
- be a member of the senior leadership team, the management board and the executive committee (and/or equivalent bodies).

A.4.1.2 This demanding leadership role requires a persuasive and confident communicator with the stature and credibility to command respect and influence at all levels through the organisation. Its main features are described in box A.4.1A. Many of the day-to-day responsibilities may in practice be delegated, but the finance director should maintain oversight and control. In large part these duties consist of ensuring that the financial aspects of the Accounting Officer's responsibilities are carried through to the organisation and its arm's length bodies (ALBs) in depth.

A.4.1.3 The finance function should maintain a firm grasp of the organisation's financial position and performance. The finance director should ensure that there is sufficient expertise in depth, supported by effective systems, to discharge this responsibility and challenge those responsible for the organisation's activities to account for their financial performance. It is important that financial management is taken seriously throughout each public sector organisation.

¹ The term professional finance director in this context means *both* being a qualified member of one of the six bodies comprising the Consultative Committee of Accounting Bodies (CCAB) in the UK and Ireland, ie the Chartered Institute of Public Finance and Accountancy, the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants of Scotland, the Institute of Chartered Accountants in Ireland, the Chartered Institute of Management Accountants, the Association of Chartered Certified Accountants, or having equivalent professional skills and/or qualifications; *and* having relevant prior experience of financial management in either the private or the public sector. Note these are the same professional bodies that the local government sector recognises in the appointment of their finance directors as required under the 1988 Local Government Finance Act.

box A.4.1A the role of the finance director**governance**

- financial leadership, both within the organisation and to its ALBs, at both a strategic and operational level
- ensuring sound and appropriate financial governance and risk management
- leading, motivating and developing the finance function, establishing its full commercial contribution to the business
- planning and delivering the financial framework agreed with the Treasury or sponsoring organisation against the defined strategic and operational criteria
- challenging and supporting decision makers, especially on affordability and value for money, by ensuring policy and operational proposals with a significant financial implication are signed-off by the finance function

internal controls

- co-ordinating the planning and budgeting processes
- applying discipline in financial management, including managing banking, debt and cash flow, with appropriate segregation of duties
- preparation of timely monthly management accounts
- ensuring that delegated financial authorities are respected
- selection, planning and oversight of any capital projects
- ensuring efficiency and value for money in the organisation's activities
- provision of information and advice to the Audit Committee
- leading or promoting change programmes both within the organisation and its ALBs

external links

- preparing Estimates, resource accounts and consolidation data for whole of government accounts
- liaison with the external auditor
- liaison with PAC and the relevant Select Committee(s)

Financial leadership

A4.1.4 The finance director is responsible for leadership of financial responsibilities within the organisation and its ALBs. He or she should ensure that the information on which decisions about the use of resources are based is reliable. Box A.4.2B explains some specific responsibilities of the role.

box A.4.1B financial management leadership

- providing professional advice and meaningful financial analysis enabling decision makers to take timely and informed business decisions
- maintaining a long term financial strategy to underpin the organisation's financial viability within the agreed framework
- developing and maintaining an effective resource allocation model to optimise outputs
- ensuring financial probity, regularity and value for money
- developing and maintaining appropriate asset management and procurement strategies
- reporting accurate and meaningful financial information about the organisation's performance to ONS, Parliament, the Treasury and the general public
- setting the strategic direction for any commercial activities
- acting as head of profession in the organisation

Internal financial discipline

A.4.1.5 The finance director should maintain strong and effective policies to control and manage use of resources in the organisation's activities. This includes improving the financial literacy of budget holders in the organisation. Similarly, he or she should ensure that there are similar disciplines in the organisation's ALBs. These should all draw on best practice in accounting and respect the Treasury's requirements, including, where relevant, accounts directions. These responsibilities are described in box A.4.1C.

box A.4.1C financial control

- enforcing financial compliance across the organisation while guarding against fraud and delivering continuous improvement in financial control
- applying strong internal controls in all areas of financial management, risk management and asset control
- establishing budgets, financial targets and performance indicators to help assess delivery
- reporting performance of both the organisation and its ALBs to the board, the Treasury and other parties as required
- value management of long term commercial contracts
- ensuring that the organisation's capital projects are chosen after appropriate value for money analysis and evaluation using the Green Book

A.4.1.6 Individual finance director posts will of course have duties specific to their organisations and contexts in addition to those delineated in this annex. But all finance director posts should seek to operate to these standards as an essential minimum.