



*Business Services Authority*

# **STANDING FINANCIAL INSTRUCTIONS**

Agreed and approved by the  
NHSBSA Board on July 2011

Due for review in July 2012

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## 1. INTRODUCTION

### 1.1 General

- 1.1.1 These Standing Financial Instructions (SFIs) are issued in accordance with the Financial Directions issued by the Secretary of State for Health under the provisions of Section 99 (3), 97 (A) (4) and (7) and 97 (AA) of the National Health Service Act 1977 for the regulation of the conduct of the Authority in relation to all financial matters. They shall have effect as if incorporated in the Standing Orders (SOs) of the Authority. These SFIs refer to the financial transactions of the NHS Business Services Authority (NHSBSA) only.
- 1.1.2 In accordance with HSG (96)12, these Standing Financial Instructions detail the financial responsibilities, policies and procedures adopted by the Authority. They are designed to ensure that the Authority's financial transactions are carried out in accordance with the law and Government policy in order to achieve probity, accuracy, economy, efficiency and effectiveness. They should be used in conjunction with the Scheme of Delegation which includes the Reservation of Powers to the Authority.
- 1.1.3 These Standing Financial Instructions identify the financial responsibilities that apply to everyone working for the Authority. They do not provide detailed procedural advice and should be read in conjunction with the detailed departmental and financial procedure notes. The user of these Standing Financial Instructions must also take into account relevant prevailing Department of Health and/or Treasury instructions. The Director of Finance must approve all financial procedures.
- 1.1.4 Should any difficulties arise regarding the interpretation or application of any of the Standing Financial Instructions, the advice of the Director of Finance **must be sought before acting**. The user of these Standing Financial Instructions should also be familiar with and comply with the Authority's Standing Orders.
- 1.1.5 **Failure to comply with Standing Financial Instructions and Standing Orders can in certain circumstances be regarded as a disciplinary matter that could result in dismissal.**
- 1.1.6 If for any reason these Standing Financial Instructions are not complied with, full details of the non-compliance and any justification for non-compliance shall be reported to the next formal meeting of the Audit and Risk Management Committee for referring action or ratification. All members of the Board, and all staff, have a duty to disclose any non-compliance with these Standing Financial Instructions to the Director of Finance as soon as possible.
- 1.1.7 Wherever the title Chief Executive, Director of Finance, or other nominated officer is used in these instructions, it shall be deemed to include such other

directors or employees who have been duly authorised to represent them, except in respect of Banking Arrangements (See Section 4).

1.1.8 Any expression to which a meaning is given in the Health Service Act or in the Financial Directions made under the Act shall have the same meaning in these instructions; and

- i) "Authority" means the NHS Business Services Authority
- ii) "Budget" means an amount of resources expressed in financial terms proposed by the Authority for the purpose of carrying out over a specific period all or part of the functions of the Authority.
- iii) "Budget Holder" means the Executive Director or Divisional Managing Director with delegated authority to manage finances (Income & Expenditure) for a specific area of the organisation.
- iv) "Budget Manager" refers to those officers who are required to manage budgets on behalf of the respective Budget Holder
- v) "Chief Executive" means the Chief Officer of the Authority (who is directly accountable to the Authority).
- vi) "Accounting Officer" means the NHS officer responsible and accountable for funds entrusted to the Authority. He/she shall be responsible for ensuring the proper stewardship of public funds and assets. The Accounting Officer for the NHS Business Services Authority is the Chief Executive.
- vii) "Director of Finance" means the chief financial officer of the Authority.
- viii) "Board" means the Chair, Non Executive Directors and Executive Directors of the NHS Business Services Authority collectively as a body.
- ix) "Leadership Team" is the senior management team comprising the Chief Executive and Executive Directors of the NHSBSA.
- x) "Officer" means employee of the Authority or any other person holding a paid appointment or office with the Authority.

## **1.2 Responsibilities and delegation**

### **1.2.1 The Board**

1.2.1.1 The Board exercises financial supervision and control by:

- (i) formulating the financial strategy

- (ii) requiring the submission and approval of budgets within allocations;
  - (iii) defining and approving essential features of financial arrangements in respect of important procedures and financial systems, including the need to obtain value for money
  - (iv) defining specific responsibilities placed on members of the Board and officers as indicated in the Scheme of Delegation document
- 1.2.1.2 The Authority has resolved that certain powers and decisions may only be exercised by the Board. These are set out in the Scheme of Delegation.
- 1.2.1.3 The Board shall delegate executive responsibility for the performance of its functions to the Chief Executive who shall retain overall responsibility for all its activities.

## **1.2.2 The Chief Executive**

- 1.2.2.1 Within the Instructions it is acknowledged that the Chief Executive, as Accounting Officer, will have ultimate responsibility for ensuring that the Authority meets its obligation to perform its functions within the financial resources made available to it. The Chief Executive has overall executive responsibility for the Authority's activities and is responsible to the Board for ensuring that it stays within its resource and cash limits.
- 1.2.2.2 The Chief Executive will delegate detailed responsibility for financial activities and controls to the Director of Finance but retain overall accountability. The extent of such delegation will be determined in the Authority's Scheme of Delegation and should be kept under review by the Board.
- 1.2.2.3 The Chief Executive, through the Director of Finance, shall be responsible for the implementation of the Authority's financial policies and for co-ordinating any corrective action necessary to further these policies.
- 1.2.2.4 It shall be the responsibility of the Chief Executive through the Director of Human Resources to ensure that existing staff and all new employees are notified of their responsibilities within these instructions. In particular the current policy in relation to potential corruption, the acceptance of gifts and hospitality and staff relations with contractors, as set out in Appendix A to these SFIs is incorporated in the Staff Handbook. All staff will be required to sign a document to the effect that they have received, read and understood the current staff handbook.

- 1.2.2.5 In addition to the above, Budget Holders, Budget Managers and those staff who are involved in dealing directly with contractors/suppliers are also required to sign a document confirming that they have read and understood the Standing Financial Instructions and Standing Orders. The Director of Human Resources shall be responsible for the issue and return of the signed documentation, which shall also encompass relevant new appointees.

### **1.2.3 The Director of Finance**

1.2.3.1 The Director of Finance is responsible for:

- (i) Implementing the Authority's financial policies and for co-ordinating any corrective action necessary to further these policies;
- (ii) Maintaining an effective system of financial control including ensuring that detailed financial procedures and systems incorporating the principles of separation of duties and internal checks are prepared, documented and maintained to supplement these instructions;
- (iii) Ensuring that sufficient records are maintained to show and explain the Authority's transactions, in order to disclose, with reasonable accuracy, the financial position of the Authority at any time; and

1.2.3.2 Without prejudice to any other functions of the Authority, and employees of the Authority, the duties of Director of Finance shall include:

- (i) The provision of financial advice to the Authority and its employees;
- (ii) The design, implementation and supervision of systems of internal financial control; and
- (iii) The preparation and maintenance of such accounts, certificates, estimates, records and reports as the Authority may require for the purpose of carrying out its statutory duties.

1.2.3.3 The Director of Finance shall require, in relation to any officer who carries out a financial function, that the form in which the records are kept and the manner in which the officers discharge their duties shall be to his/her satisfaction.

1.2.3.4 The Director of Finance will ensure money drawn from the Department of Health against cash limited and non cash limited

funds is required for approved expenditure only, and is drawn only at the time of need.

#### **1.2.4 Board Members, Members and Employees**

All members of the Board, Leadership Team and employees, severally and collectively, are responsible for:

- (i) The security of the property of the Authority;
- (ii) Avoiding loss;
- (iii) Exercising economy and efficiency in the use of resources;
- (iv) Conforming with the requirements of Standing Orders, Standing Financial Instructions, Scheme of Delegation and Financial Procedures. It shall be the duty of any officer having evidence of, or reason to, suspect financial or other irregularities or impropriety in relation to these regulations to report these suspicions to the Director of Finance. The Director of Finance will consider the suspicions to determine if the case should be referred to the Local Counter Fraud Specialist. A detailed investigation should not be conducted as this may compromise any investigation by the Local Counter Fraud Specialist.

#### **1.2.5 Contracts, Contractors and their employees**

- 1.2.5.1 Directors responsible for arranging contracts for the provision of items and/or services shall ensure that those contracts are correctly monitored and governed within the contract's terms and conditions.
- 1.2.5.2 Any contractor or employee of a contractor who is empowered by the Authority to commit the Authority to expenditure or who is authorised to obtain income shall be covered by these instructions. It is the responsibility of the Chief Executive to ensure that such persons are made aware of this.

#### **1.2.6 Audit and Risk Management Committee**

- 1.2.6.1 In accordance with Standing Orders (and as set out in guidance issued by the Department of Health under EL(94) 40), the Authority shall establish an Audit and Risk Management Committee. The terms of reference of the Audit and Risk Management Committee shall be drawn up and approved by the Board, and are incorporated in the Standing Orders. The Audit and Risk Management Committee will provide an independent and objective view of internal control by overseeing internal and external audit services; reviewing financial systems, ensuring compliance with Standing Orders and Standing Financial

Instructions; reviewing schedules of losses and compensations and making recommendations to the Board.

- 1.2.6.2 Where the Audit and Risk Management Committee considers there is evidence of ultra vires transactions, evidence of improper acts, or if there are other important matters that the Committee wish to raise, the Chairman of the Audit and Risk Management Committee should raise the matter in the first instance with the Director of Finance and the Chief Executive. If the matter has still not been resolved to the Audit and Risk Management Committee's satisfaction, then the matter will be raised at a full meeting of the Board.

## **2. PREPARATION, APPROVAL & CONTROL OF THE BUSINESS PLAN, BUDGETS & ESTIMATES**

- 2.1 The Authority has a responsibility to prepare and submit financial plans in accordance with the requirements of the Department of Health or appropriate body. It shall perform its functions within the total of funds allocated or approved by the Secretary of State for Health allowing for any planned changes in working balances during the year. All plans, financial approvals and control systems shall be designed to meet this obligation.
- 2.2 The Director of Finance shall ensure that the financial details contained within the service agreements of contracts entered into by the Authority are consistent with the requirement to balance income and expenditure; and he shall ensure that adequate statistical and financial systems are in place to facilitate the compilation of estimates, forecasts and investigations as may be required from time to time.
- 2.3 The Chief Executive will compile and submit to the Authority an annual business plan which takes into account financial targets and forecast limits of available resources. The annual business plan will contain a statement of the significant assumptions on which the plan is based and details of major changes in workload, delivery of services or resources required to achieve the plan.
- 2.4 The Director of Finance shall, in consultation with Budget Holders and Budget Managers, compile such financial estimates and forecasts, on both revenue and capital accounts, as may be required from time to time by the Authority.
- 2.5 The Director of Finance will ensure that money drawn from the Department of Health against the resource and cash limit is required for approved expenditure only, and is drawn only at the time of need in line with the Department of Health's timetable.
- 2.6 The Director of Finance shall, on behalf of the Chief Executive, prepare and submit budgets within the limits of available funds to the Authority for its approval prior to the commencement of each financial year.

- 2.7 The Director of Finance must review the basis and assumptions used to prepare the budget and advise the Authority that, to the best of the Director of Finance's knowledge and understanding, they are realistic. As a consequence the Director of Finance shall have right of access to all Budget Holders on budgetary related matters. Such budgets should relate to income and expenditure in that year and shall have supporting statements in order to explain any matter material to the understanding of those budgets, covering all revenue and capital items. Alterations to budgets may be requested in line with guidance issued by the Director of Finance.
- 2.8 The Director of Finance shall monitor financial performance against budgets and business plans, periodically review them and report to the Authority on the Authority's position against these targets. All budget holders and managers must provide information as required by the Director of Finance to enable budgets to be compiled and monitoring reports to be prepared.
- 2.9 The Director of Finance shall be responsible for ensuring that an adequate system of monitoring financial performance is in place to enable the Authority to fulfil its statutory responsibility to meet its Annual Revenue and Capital Resource Limits.
- 2.10 The Director of Finance will devise and maintain systems of budgetary control. These will include:
- a) regular financial reports to the Board in a form approved by the Board;
  - b) the issue of timely, accurate and comprehensible advice and financial reports to each budget holder, covering the areas for which they are responsible;
  - c) investigation and reporting of variances from financial, workload and manpower budgets;
  - d) monitoring of management action to correct variances;
  - e) arrangements for the authorisation of budget transfers.
- 2.11 The Director of Finance shall devise and maintain adequate systems to ensure that the Authority can identify, implement and monitor opportunities for inclusion within Cost Improvements and Income Generation Programmes.
- 2.12 The Chief Executive may, in line with the Scheme of Delegation, delegate responsibility for a budget or a part of a budget to operational managers to permit the performance of defined activities. The terms of delegation shall include a clear definition of individual and group responsibilities for control of expenditure, exercise of virement, achievement of planned levels of service and the provision of regular reports upon the discharge of these delegated functions to the Chief Executive.

- 2.13 Each Budget Holder is responsible for ensuring that:
- a) any likely overspending or reduction of income which cannot be met by virement is not incurred without the prior consent of the Board;
  - b) the amount provided in the approved budget is not used in whole or in part for any purpose other than that specifically authorised subject to the rules of virement;
  - c) no permanent employees are appointed without the approval of the Chief Executive other than those provided for within the available resources and manpower establishment as approved by the Board.
- 2.14 Except where otherwise approved by the Chief Executive, taking account of advice from the Director of Finance, budgets shall be used only for the purpose for which they were provided and any budgeted funds not required for their designated purposes shall revert to the immediate control of the Chief Executive.
- 2.15 Expenditure for which no provision has been made in an approved budget shall be incurred only after authorisation by the Chief Executive or the Authority.
- 2.16 The Director of Finance shall keep the Chief Executive, informed of the financial consequences of changes in policy, pay awards and other events and trends affecting budgets and shall advise on the financial and economic aspects of future plans and projects.
- 2.17 By virtue of subsection 7(a) of Section 97A of the Act any sums received on behalf of the Secretary of State for Health in respect of:
- 2.17.1 charges payable by or under any enactment (other than those arising under part II of the Act); and
  - 2.17.2 any other income, including rents and profits from land and from sales of land,
- are specified for the purposes of this section as sums received by an Authority under the Act in the appropriate financial year.
- 2.18 The Chief Executive is responsible for ensuring that the appropriate financial monitoring forms are submitted to the requisite monitoring organisation.

### **3. ANNUAL REPORT AND ACCOUNTS**

- 3.1 The Director of Finance, on behalf of the Chief Executive and the Authority, shall prepare, and submit the Annual Report and accounts, certified by the Accounting Officer, to the Secretary of State for Health in respect of each financial year in such a form as the Secretary of State for Health may with the approval of the Treasury direct (NHS Act 2006).
- 3.2 The annual report and accounts and financial returns shall be prepared in accordance with the guidance given by the Department of Health, the Treasury, and the Authority's accounting policies. The annual report and accounts shall be laid before parliament, in accordance with the Accounts Directions and the timetable prescribed by the Department of Health.

### **4. BANKING ARRANGEMENTS**

- 4.1 The Director of Finance is responsible for managing the Authority's banking arrangements and for advising the Board on the provision of banking services and operation of accounts. This advice will take into account guidance issued by DH and Managing Public Money published by HM Treasury. This guidance recommends only using commercial accounts where the required services are not provided by the Government Banking Service (GBS) or where better value for money for the Exchequer overall can be demonstrated.
- 4.2 The Board shall approve the banking arrangements.
- 4.3 The Director of Finance is responsible for:
- a) commercial and GBS accounts;
  - b) establishing separate bank accounts for non-discretionary funds;
  - c) ensuring payments made from commercial and GBS accounts do not exceed the amount credited to the account except where arrangements have been made; and
  - d) monitoring compliance with DH guidance on the level of cleared funds in commercial accounts
- 4.4 The Director of Finance will prepare detailed instructions on the operation of commercial bank and GBS accounts which must include:
- a) the conditions under which each account is operated;
  - b) those allowed to authorise both manual and electronic banking transactions and instructions;
- 4.5 The Director of Finance must advise the Authority's bankers in writing of the conditions under which each account will be operated.
- 4.6 The Director of Finance should review the banking needs of the Authority at regular intervals to ensure that they reflect current business patterns and represent best value for money. Following such reviews, the Director of

Finance shall determine whether or not a tender exercise for services is necessary.

- 4.7 Tender exercises should be undertaken when demanded by changed circumstances, or at intervals normally not exceeding five years from a previous tender exercise. The Director of Finance shall report the outcome of the tendering exercise to the Authority.

## **5. CAPITAL INVESTMENT, ASSET REGISTER AND SECURITY OF ASSETS**

### **5.1 Capital Investment**

- 5.1.1 The Chief Executive shall ensure that there is an adequate appraisal process in place for determining capital expenditure priorities and the effect of each proposal on strategic plans. He is responsible for the management of all stages of capital schemes and for ensuring that schemes are delivered on time and to cost. The Chief Executive shall ensure that capital investment is not undertaken without confirmation of the availability of resources to finance both the capital spend and any revenue consequences including capital charges.
- 5.1.2 For all capital expenditure proposals the Chief Executive shall ensure that a business case is produced in line with guidance issued by the Director of Finance, setting out an option appraisal of potential benefits compared with known costs to determine the option with the highest ratio of benefits to cost and appropriate project management and control arrangements. The Director of Finance shall certify the costs and revenue consequences of each business case.
- 5.1.3 The Chief Executive will ensure that all business cases for capital expenditure are approved in line with the DH delegated limits.
- 5.1.4 The approval of a capital scheme shall not constitute approval for expenditure on any scheme. Procurement procedures as contained elsewhere in these SFIs shall be followed for all capital expenditure.
- 5.1.5 The Director of Finance shall issue procedures for the regular reporting of expenditure and commitment against authorised expenditure.
- 5.1.6 The Chief Executive is responsible for the issue to an officer of the Authority specific authority to commit expenditure, authority to proceed to a tender and approval to accept a successful tender.
- 5.1.7 The Director of Finance shall issue procedures governing the financial management, including variations to contract, of capital investment projects and valuation for accounting purposes.

## **5.2 Asset Registers**

- 5.2.1 The Chief Executive is responsible for the maintenance of both the Register of Assets and the Register of Inventory Items, taking account of the advice of the Director of Finance concerning the form and the method of updating the registers.
- 5.2.2 Each employee has a responsibility to exercise a duty of care over the assets of the Authority and it shall be the responsibility of senior staff in all disciplines to apply appropriate routine security practices in relation to NHS assets. A substantial or persistent breach of agreed security practices shall be reported to the Corporate Secretary, who shall then refer the matter to the Director of Finance, who will determine the necessary action, including reference to the Local Security Management Specialist for investigation
- 5.2.3 The Chief Executive shall define the items of equipment which shall be recorded on either the Capital Asset Register or the Inventory Register. The Capital Accounting Manual, as issued by the Department of Health, will be considered when determining the minimum data set for the Capital Asset Register.
- 5.2.4 Additions to the fixed Asset Register must be clearly identified to an appropriate Budget Holder and be validated by reference to properly authorised and approved agreements, architects' certificates, suppliers' invoices and other documentary evidence in respect of purchases from third parties; requisitions and wages records for own materials and labour including appropriate overheads.
- 5.2.5 Where capital assets are sold, scrapped, lost or otherwise disposed of, their value must be removed from the accounting records and each disposal must be validated by reference to authorisation documents and invoices.
- 5.2.6 The Director of Finance shall approve procedures for reconciling balances on fixed asset accounts in ledgers against balances on fixed Asset Registers.
- 5.2.7 Land and buildings shall be held at current values with a full professional valuation carried out at least every five years. Other assets will be held at depreciated/amortised historical cost as a proxy for current value. This is in accordance with the Authority's accounting policies which comply with the Financial Reporting Manual (FReM) issued by HM Treasury.
- 5.2.8 The value of each asset shall be depreciated using methods and rates as specified in the Authority's accounting policies which comply with the FReM. Estimated useful lives and depreciation rates of assets will be reviewed on an annual basis.
- 5.2.9 The Director of Finance shall calculate and account for capital charges as specified in the FReM.

- 5.2.10 Budget Holders will ensure that the respective Asset Register for their areas will be physically checked annually.
- 5.2.11 The Asset Register and the Inventory Register shall also record items which are transferred from one part of the Authority to another. It is the responsibility of the Budget Managers to inform the Director of Finance of these changes.
- 5.2.12 The Director of Finance shall maintain an up to date register of properties owned or leased by the Authority in accordance with the NHS Manual of Property Transactions. This should include details of location, tenancy (where appropriate), and custody of the deeds and lease documents.

### **5.3 Security of Assets**

- 5.3.1 Asset control procedures (including fixed assets, cash, cheques and negotiable instruments, and also including donated assets) must be approved by the Director of Finance. This procedure shall make provision for:
- a) recording managerial responsibility for each asset;
  - b) identification of additions and disposals;
  - c) identification of all repairs and maintenance expenses;
  - d) physical security of assets;
  - e) periodic verification of the existence of, condition of, and title to, assets recorded;
  - f) identification and reporting of all costs associated with the retention of an asset;
  - g) reporting, recording and safekeeping of cash, cheques, and negotiable instruments.
- 5.3.2 All discrepancies revealed by verification of physical assets to fixed asset register shall be notified to the Director of Finance.
- 5.3.3 Whilst each employee and officer has a responsibility for the security of property of the Authority, it is the responsibility of Board members and senior employees in all disciplines to apply such appropriate routine security practices in relation to NHS property as may be determined by the Board. Any breach of agreed security practices must be reported in accordance with agreed procedures.
- 5.3.4 Any damage to the Authority's premises, vehicles and equipment or any loss of equipment or supplies shall be reported by staff in accordance with the agreed procedure for reporting losses.

5.3.5 Where practical, assets should be marked as NHS Business Services Authority property.

## **6. SECURITY OF CASH, CHEQUES AND OTHER NEGOTIABLE INSTRUMENTS**

6.1 All receipt books, tickets, agreement forms, or other means of officially acknowledging or recording amounts received or receivable, shall be in a form approved by the Director of Finance. Such stationery shall be ordered and controlled by the Director of Finance and subject to the same precautions as are applied to cash.

6.2 All officers whose duty it is to collect or hold cash shall be provided with a lockable cash box which will normally be deposited in a safe. The officer concerned shall hold only one key and all duplicates shall be lodged with the Authority's bankers or such other officer authorised by the Director of Finance, and suitable receipts obtained. The loss of any key shall be reported immediately to the Director of Finance. The Director of Finance shall, on receipt of a satisfactory explanation, authorise the release of the duplicate key. All new safe keys will be despatched directly to the Director of Finance from the manufacturers. The Director of Finance shall be responsible for maintaining a register of authorised holders of safe keys.

6.3 All cash, cheques, postal orders and other forms of payment received by an officer shall be entered immediately in an approved form of register. All cheques and postal orders shall be crossed immediately "Not negotiable - A/c NHS Business Services Authority". The remittances shall be passed to the cashier from whom a signature shall be obtained.

6.4 The opening of coin operated machines (including telephones) and the counting and recording of the takings shall be undertaken by two officers together, except as may be authorised in writing by the Director of Finance, and the coin box keys shall be held by a nominated officer.

6.5 The Director of Finance shall prescribe the system for the transporting of cash and where practicable a specialist security company employed.

6.6 Official money shall not under any circumstances be used for the encashment of private cheques.

6.7 The holders of safe keys shall not accept unofficial funds for depositing in their safes unless such deposits are in special sealed envelopes or locked containers. It shall be made clear to the depositors that the Authority is not to be held liable for any loss, and written indemnities must be obtained from the organisation or individuals absolving the Authority from responsibility for any loss.

6.8 During the absence (eg on holiday) of the holder of a safe or cash box key, the acting officer shall be subject to the same controls as the normal holder of the key. There shall be written discharge for the safe and/or cash box

contents on the transfer of responsibilities and the discharge document must be retained for inspection.

- 6.9 All unused cheques and other orders shall be subject to the same security precautions as are applied to cash; bulk stocks of cheques shall normally be retained by the Authority's bankers and released by them only against a requisition signed by the Director of Finance.
- 6.10 A Cheque Register shall be kept in which all cheque stocks ordered, received and issued shall be recorded and signed for by nominated officer(s). A separate register is to be kept of payable orders.
- 6.11 The use of a cheque-signing machine shall be subject to such special security precautions as may be required from time to time by the Director of Finance.
- 6.12 The Director of Finance shall ensure that all relevant staff are informed in writing on appointment, of their responsibilities and duties for the collection, handling or disbursement of cash, cheques and other monies.
- 6.13 Any loss or shortfall of cash, cheques, or other negotiable instruments, however occasioned, shall be reported immediately in accordance with the agreed procedure for reporting losses. (See Section 17 - Losses and Special Payments).

## **7. PAYMENT OF STAFF**

### **7.1 Funded Establishment**

- 7.1.1 The workforce plans incorporated within the annual budget will form the funded establishment. The funded establishment of any budget holder may not be varied without the approval of the Chief Executive.

### **7.2 Staff appointments**

- 7.2.1 No Director or employee may engage, re-engage or re-grade employees, either on a permanent or temporary nature, or hire agency staff, or agree to changes in any aspect of remuneration unless:
  - a) authorised to do so by the Chief Executive; and is
  - b) within the limit of the Director's approved budget, funded establishment, and agreed staffing numbers.
- 7.2.2 The Authority will approve procedures presented by the Chief Executive for the determination of commencing pay rates, conditions of service etc. for employees.

## **7.3 Processing Payroll**

7.3.1 The Director of Finance is responsible for:

- a) specifying timetables for submission of properly authorised time records and other notifications
- b) final determination of pay
- c) making payment on agreed dates
- d) agreeing methods of payment

7.3.2 The Director of Finance will issue instructions regarding:

- a) verification and documentation of data
- b) timetable for receipt and preparation of payroll data and the payment of employees
- c) maintenance of subsidiary records for superannuation, income tax, social security and other authorised deductions from pay
- d) security and confidentiality of payroll information
- e) checks to be applied to completed payroll before and after payment
- f) authority to release payroll data under the provisions of the Data Protection Act
- g) methods of payments available to various categories of employees and officers
- h) procedures for payment by cheque or bank credit
- i) procedures for the recall of cheques and bank credits
- j) pay advances and their recovery
- k) maintenance of regular and independent reconciliation of pay control accounts
- l) separation of duties of preparing records and inputs and verifying outputs and payments
- m) system to ensure the recovery from leavers of sums of money and property due by them to the Authority

7.3.3 Appropriately nominated managers have delegated responsibility for:

- a) submitting time records, and other notifications in accordance with agreed timetables
- b) completing time records and other notifications in accordance with the Director of Finance's instructions and in the form prescribed by the Director of Finance
- c) submitting termination forms in the prescribed form immediately upon knowing the effective date of an employee's resignation, termination or retirement. Where an employee fails to report for duty in circumstances that suggest they have left without notice, the Director of Finance must be informed immediately.

7.3.4 Regardless of the arrangements for providing the payroll service, the Director of Finance shall ensure that the chosen method is supported by appropriate (contracted) terms and conditions, adequate internal controls and audit and review procedures, and that suitable arrangements are made

for the collection of payroll deductions and payment of these to appropriate bodies.

- 7.3.5 All employees shall be paid by bank credit transfer, unless otherwise agreed by the Director of Finance.

#### **7.4 Contracts of Employment**

- 7.4.1 The Authority shall delegate responsibility to the Director of Human Resources for ensuring that all employees are issued with a Contract of Employment in a form approved by the Authority and which complies with employment legislation and dealing with variations to or termination of contracts of employment.

### **8. PAYMENT OF ACCOUNTS**

- 8.1 The Director of Finance shall be responsible for the prompt payment of accounts and claims. The term "payment" includes any arrangements established to settle payments upon a non-cash basis. Payment of contract invoices shall be in accordance with contract terms. All payments shall comply with the Government's policy on prompt payment.

- 8.2 All authorised officers shall inform the Director of Finance promptly of all money payable by the Authority arising from transactions which they initiate, including contracts, leases, tenancy agreements and other transactions. To assist financial control, the Director of Finance will maintain a register of regular payments.

- 8.3 The Director of Finance shall be responsible for maintaining a system for the verification, recording and payment of all accounts payable by the Authority. This system will incorporate an approved officers' signatory list of the Budget Holders, Budget Managers and their deputies who are authorised to certify the following:

- 8.3.1 Goods have been duly received, examined, are in accordance with specification and order, are satisfactory and that the prices are correct (see exception 8.3.7).

- 8.3.2 Work done or services rendered have been satisfactorily carried out in accordance with the order; that, where applicable, the materials used were of the requisite standard and that the charges are correct.

- 8.3.3 In the case of contracts based on the measurement of time, materials or expenses, the time charged is in accordance with the time sheets, that the rates of labour are in accordance with appropriate rates, that the materials have been checked with regard to quantity, quality and price and that the charges for the use of vehicles, plant and machinery have been examined.

- 8.3.4 Where appropriate, the expenditure is in accordance with regulations and that all necessary authorisations have been obtained.

- 8.3.5 The account is arithmetically correct; and
- 8.3.6 The account is in order for payment.
- 8.3.7 Appropriate prepayments will be permitted for instances relating to payments for rent, maintenance contracts and in those instances, where, as standard business practice demands, nominal prepayments are required (ie training, publications).

Prepayments which fall outside the above categories are only permitted where exceptional circumstances apply. In such instances:

- a) the appropriate Director must provide, in the form of a written report, a case setting out all relevant circumstances of the purchase. The report must set out the effects on the Authority if the supplier is at some time during the course of the prepayment agreement unable to meet their commitments;
  - b) the Director of Finance will need to be satisfied with the proposed arrangements before contractual arrangements proceed; and
  - c) the Budget Holder is responsible for ensuring that all items due under a prepayment contract are received and must immediately inform the appropriate Director or Chief Executive if problems are encountered.
- 8.4 Where an officer certifying accounts relies upon other officers to do preliminary checking, wherever possible, will ensure that those who check delivery or execution of work, act independently of those who have placed orders and negotiated prices and terms.
- 8.5 In the case of contracts which require payment to be made on account, during progress of the works, the Director of Finance shall make payment on receipt of a certificate from the appropriate qualified officer or outside consultant. Without prejudice to the responsibility of any Consultant, a contractor's account shall be subjected to such financial examination by the Director of Finance and such general examination by appropriately qualified officers as may be considered necessary, before the person responsible to the Authority for the contract, issues the final certificate.
- 8.6 The Director of Finance may authorise advances on the imprest system for petty cash and other purposes as required. Individual payments must be restricted to the amounts authorised by the Director of Finance.
- 8.7 The Director of Finance shall ensure that payment for goods and services is made only when the goods and services have been properly received.
- 8.8 The Director of Finance will be responsible for the prompt payment of dispensing contractors, dentists and NHS pensioners in accordance with the Directions and with the appropriate approval from third parties as may be necessary eg PCTs for local contractor payments.

## **9. INCOME**

### **9.1 Income Systems**

- 9.1.1 The Director of Finance shall be responsible for designing and maintaining systems for the proper recording, invoicing and collection of all monies due which shall incorporate the principles of internal checking and separation of duties.
- 9.1.2 The Director of Finance is responsible for the prompt banking of all monies received.
- 9.1.3 All officers shall inform the Director of Finance of money due to the Authority arising from transactions which they initiate.

### **9.2 Fees and Charges**

- 9.2.1 The Director of Finance is responsible for approving and regularly reviewing the level of all fees and charges other than those determined by the Department of Health or statute. Where sponsorship income (including items in kind such as subsidised goods or loans of equipment) is considered the guidance contained in the Department of Health's Commercial Sponsorship – Ethical Standards in the NHS shall be followed.
- 9.2.2 The Director of Finance will be responsible for arranging the level of rentals for newly acquired property and for reviewing rental and other charges.
- 9.2.3 In respect of pricing the Authority's goods and services, margins will be determined according to national guidelines approved by the Chief Executive on the advice of the Director of Finance.

### **9.3 Debt Recovery**

- 9.3.1 The Director of Finance shall ensure that appropriate systems exist for the recovery of outstanding debts.
- 9.3.2 Income not recovered shall be dealt with in accordance with Section 18 (Losses and Special Payments).

## **10. DISPOSAL OF ASSETS/INVENTORY ITEMS**

- 10.1 The Director of Finance shall prepare detailed procedures for the disposal of assets and inventory items.
- 10.2 Disposal of all land and/or buildings must be authorised by the Secretary of State for Health. Delegated limits for recommending disposal of such assets to the Secretary of State for Health are:
  - 10.2.1 The Leadership Team for land and/or building assets up to **£1,000,000**.

- 10.2.2 The Board for land and/or building assets over **£1,000,000**.
- 10.3 Disposal of all other assets shall be authorised as follows:
- 10.3.1 Budget Holders shall authorise the disposal of assets up to **£250,000**.
- 10.3.2 The Chief Executive shall authorise the disposal of assets over **£250,000** up to **£500,000**.
- 10.3.3 The Leadership Team shall authorise the disposal of assets over **£500,000** up to the value of **£1,000,000**.
- 10.3.4 The Board shall authorise the disposal of assets over **£1,000,000**.
- 10.4 All assets and inventory items which are considered to be surplus to the Authority's requirements or are considered to be beyond economical repair, should be disposed of in line with the appropriate procedures and should be listed on the appropriate documentation, authorised by the Budget Holder and forwarded to the Director of Finance who will update the Authority's Asset Register where appropriate.
- 10.5 All unserviceable articles shall be condemned or otherwise disposed of by an employee authorised for that purpose by the Director of Finance. A record in a form approved by the Director of Finance shall be kept of all articles submitted for condemnation and the condemning officer shall indicate whether the articles are to be converted, destroyed or otherwise disposed of. All entries shall be confirmed by the counter-signature of a second officer authorised for the purpose by the Director of Finance.
- 10.6 The Condemning Officer shall satisfy himself as to whether or not there is evidence of negligence in use and shall report any such evidence to the Director of Finance.
- 10.7 The Director of Finance will determine whether such condemned items should be recorded in the Losses and Special Payments Register, as set out in Section 17 of these Standing Financial Instructions.

## **11. STOCK CONTROL**

- 11.1 Stocks are those goods normally utilised in day to day or trading activity but which, at any point in time, have not yet been consumed or sold (excluding capital assets).
- 11.2 The overall control of stock shall be the responsibility of the Director of Finance working with the Budget Holders of the various divisions. The designated manager shall be responsible for ensuring that stocks are kept at a minimum, consistent with good working practices. The Director of Finance shall be responsible for the design, documentation and supervision of local stock control procedures within the national requirements.

- 11.3 The responsibility for security arrangements and the custody of keys for all stock locations shall be clearly defined in writing by the designated officer and agreed with the Director of Finance. Wherever practicable stocks shall be marked as health service property.
- 11.4 All stock records shall be in such form and shall comply with such systems of control as the Director of Finance may require.
- 11.5 A Finance Manual shall be issued to staff covering the procedures to be followed on receipt of goods. All goods received shall be checked with regard to quantity and/or weight and inspected as to quality and specification.
- 11.6 All goods received shall be entered onto an appropriate goods received/stock record (whether a computer or manual system) on the day of receipt. If goods received are unsatisfactory, the records shall be marked accordingly. Further, where goods received are seen to be unsatisfactory, or short on delivery, they shall be accepted only on the authority of the designated officer and the supplier shall be notified immediately.
- 11.7 The issue of stocks shall be in accordance with the relevant sections of the Finance Manual.
- 11.8 All transfers and returns shall be recorded on forms/systems provided for the purpose and approved by the Director of Finance.
- 11.9 Breakages and other losses of goods in stock shall be recorded as they occur and shall be presented to the Director of Finance at regular intervals. (See also Section 17, Losses and Special Payments).
- 11.10 Stocktaking arrangements shall be agreed with the Director of Finance and there shall be a physical check covering all items in stock at least once a year or by an approved perpetual inventory checking system. The physical check shall involve at least one officer, other than the budget manager responsible for the stock. The stocktaking records shall be numerically controlled and signed by the officers undertaking the check. Any surplus deficiencies revealed on stocktaking shall be reported to the Director of Finance immediately.
- 11.11 Where a complete system of stock control is not justified, alternative arrangements shall require the approval of the Director of Finance.
- 11.12 Stock shall be valued at the lower of cost or net realisable value. For this purpose cost shall be ascertained on either the basis of being used on the principle of first in, first out (FIFO), or on the basis of average purchase price. The cost of stock, with the exception of finished stock arising from manufacturing, shall be the purchase price including VAT, without any margins.

- 11.13 Stock which has deteriorated, or is not usable for any other reason for its intended purposes, or may become obsolete, shall be written-down to its net realisable value. The procedure for identification and approval of the write-down shall be approved by the Director of Finance and recorded.

## **12. TENDERING AND QUOTATIONS**

### **12.1 Introduction**

- 12.1.1 Directives by the Council of the European Union prescribing procedures and UK rules on public procurement for the awarding of contracts for building and engineering works and for the supply of goods, materials and manufactured articles and services shall have effect as if incorporated in these Standing Financial Instructions.
- 12.1.2 These tendering rules cover the procedures to be used when the Authority obtains goods, services or works from a third party external to the Authority. Detailed procurement procedures and guidance on procurement best practice will be issued by the Authority's Commercial Director.
- 12.1.3 The purpose of the tendering rules is to ensure that best value arrangements are secured for the Authority, to ensure that statutory provision is applied and to protect the Authority from allegations of unfair practice or fraud.
- 12.1.4 EU and UK public procurement policy require that the Authority promotes fair competition amongst potential suppliers and is open and transparent in dealings with suppliers and potential suppliers.
- 12.1.5 The Standing Financial Instructions should be read in their entirety. For initial guidance on spend within the following thresholds please refer to:

£0 – 50,000	12.3.5 12.8.1
£50,000 – EU threshold	12.3.4 12.9.1
Above EU threshold	12.5.1

### **12.2 Professional Services (including Consultancy)**

- 12.2.1 Any requirement for professional services, including extensions and renewals of existing arrangements, must be deemed as an 'operational necessity' and have Chief Executive and Department of Health approval.
- 12.2.2 Department of Health approval is required for all professional services spend, irrespective of value. Where the whole life spend may exceed £20,000, Ministerial approval is also required.

- 12.2.3 Procurements for professional services must follow the process detailed in Section 5 of the Department of Health Controls and Transparency pack on the NHSBSA intranet.

### **12.3 Route to Market**

- 12.3.1 The Authority will refer to suppliers who are included in a relevant framework agreement which the Authority is allowed to access.
- 12.3.2 The Commercial Director shall ensure in obtaining both tenders and quotations suppliers included in a relevant framework agreement are referred to, with the exception of instances where the contract is to be advertised in accordance with the EU Procurement Directives where reference to approved suppliers is not permissible.
- 12.3.3 If in the opinion of the Chief Executive or the Commercial Director it is impractical to refer to suppliers included in a relevant framework agreement (for example where specialist services or skills are required and there are insufficient suitable potential suppliers), the Chief Executive or the Commercial Director shall ensure that appropriate checks are carried out as to the technical and financial capability of companies invited to tender or quote.
- 12.3.4 Prior to the commencement of any procurement with a value above **£50,000**, the Commercial Director must be consulted and will provide advice on the procurement process to be applied. The Commercial Director may also review the process applied and amend where necessary.
- 12.3.5 Prior to the commencement of any procurement with a value below **£50,000**, the Commercial Director may be consulted for advice on the procurement process to be applied. The Commercial Director may also review the process applied and amend where necessary.

### **12.4 Aggregation**

- 12.4.1 Under EU law, the value of a contract must be estimated by reference to the contractually committed spend over the life of the contract. This is the annual value of the contract multiplied by the number of years in the contract, including all extensions, options, variations and start up costs.
- 12.4.2 Where the duration of the contract is not determined, its value must be calculated as the estimated annual value of the contract multiplied by four.
- 12.4.3 The Authority must package a contract with regard to similar contracts which may be required in order to aggregate requirements.
- 12.4.4 A proposed contract may not be divided into smaller contracts in order to avoid the provisions of these procurement rules or of EU law.

## **12.5 EU Legislation**

- 12.5.1 Procurements must comply with EU directives on public procurement and follow the prescribed procedures and spend thresholds for procurement. Detailed guidance on the EU spend thresholds will be issued by the Authority's Commercial Director.

## **12.6 Compliance**

- 12.6.1 The Commercial Director is responsible for ensuring that employees, agency workers, consultants and agents of the Authority comply with these tendering rules.
- 12.6.2 The Commercial Director shall be notified prior to the award of all tenders and non competitive offers above **£50,000**.
- 12.6.3 In cases where change control clauses under existing contracts are being invoked, this will be dealt with as a non-competitive offer, and the approval limits detailed in 12.12.1 to 12.12.5 will apply.

## **12.7 E-sourcing**

- 12.7.1 Wherever possible, invitations to tender and requests for quotations must be issued via the Authority's e-sourcing system.

## **12.8 Competitive Quotations**

- 12.8.1 Where the estimated value of the item/service to be purchased is more than **£1,000** but less than **£50,000** (excluding VAT), to ensure fair and adequate competition, no less than three written quotes are normally required (Quotes can be submitted by paper or electronic means). Utilisation of a relevant framework agreement which the Authority is allowed to access can be considered following consultation with the Authority's Commercial Director.
- 12.8.2 Budget Holders will compile a list of the officers, with respective thresholds, who are authorised to sanction acceptance of the cheapest quotes on behalf of their Division. The Director of Finance will be made aware of all updates to this list as, and when, they occur.

## **12.9 Authorisation of Tenders**

- 12.9.1 Where the estimated value of the item/service to be purchased is over **£50,000** (excluding VAT), to ensure fair and adequate competition, no less than three written tenders are normally required. Utilisation of a relevant framework agreement which the Authority is allowed to access can be considered following consultation with the Authority's Commercial Director.
- 12.9.2 Acceptance of tenders shall be authorised as follows:

- 12.9.2.1 Budget Holders shall authorise competitive tenders over **£50,000** up to **£250,000** (excluding VAT). The Budget Holder shall also approve (and maintain a register of) instances where the cheapest tender is not to be accepted.
- 12.9.2.2 The Chief Executive shall authorise competitive tenders over **£250,000** up to **£1,000,000** (excluding VAT). The Chief Executive shall also approve (and maintain a register of) instances where the cheapest tender is not to be accepted.
- 12.9.2.3 The Board shall authorise competitive tenders over **£1,000,000** (excluding VAT). The Board shall also authorise (and maintain a register of) acceptance in instances where the cheapest tender is not to be accepted.
- 12.9.2.4 In exceptional circumstances of an urgent nature, the Chair may authorise acceptance of any tender or quotation with subsequent notice to the Board.

## **12.10 Tenders**

- 12.10.1 In obtaining either a tender or a competitive quotation an official specification must be provided to all suppliers as part of a request for quotation or tender pack. If at any stage the specification requires amendment, then all suppliers should be required to re-tender/re-quote on the revised specification.
- 12.10.2 Tenders must be issued and submitted by means of a secure electronic system.
- 12.10.3 Each tender must contain all information necessary for its evaluation;
- 12.10.4 The confidentiality of tenders must be maintained pending their evaluation;
- 12.10.5 Any electronic issue and/or submission of tenders must be subject to a full audit trail.
- 12.10.6 In exceptional circumstances where it is necessary to issue a paper based tender, guidance issued by the Commercial Director must be followed.
- 12.10.7 The Corporate Secretary will ensure that appropriate arrangements are in place for the issuing of all tender documentation and will have access to any electronic system for audit and review purposes.
- 12.10.8 Every electronic tender received shall be opened by the officer responsible for the procurement only after the deadline for their submission has expired.
- 12.10.9 If the number of tenders received is insufficient to provide adequate competition or tenders are late, amended, incomplete, qualified or otherwise not strictly competitive, they shall, where necessary or

appropriate, be dealt with in accordance with Departmental guidance current or obtained for the purpose of a particular case.

- 12.10.10 All invitations to tender and quote in respect of building construction repairs and maintenance and engineering contracts will be handled in accordance with tendering procedures, including appropriate liaison with the Commercial Director.
- 12.10.11 Any tenders not submitted in accordance with the submission instructions (for example, after the submission deadline has passed) may be rejected. Acceptance of tenders not submitted in accordance with the submission instructions is subject to approval by the Commercial Director and the Chief Executive.
- 12.10.12 Incomplete tenders (ie those from which information necessary for the adjudication of the tender is missing) and amended tenders (ie those amended by the tenderer upon their own initiative either orally or in writing after the due time for receipt) should be dealt with in the same way as tenders not submitted in accordance with the submission instructions.
- 12.10.13 Necessary discussion with a tenderer of the contents of their tender in order to elucidate technical or other points before the award of a contract need not disqualify the tender. Any variation by either party shall be confirmed in writing, and copied to the Corporate Secretary or designated officer.
- 12.10.14 Where decisions as to the admissibility of late, incomplete or amended tenders are under consideration and while re-tenders are being obtained, the tender documents shall be kept confidential and held in safe custody.
- 12.10.15 Every contract which is subject to tender or quotation shall be embodied in a formal contract document. This formal contract document should reflect any change in the terms and conditions of contract agreed following receipt of tenders.

## **12.11 Authorisation of Non Competitive Offers**

- 12.11.1 Subject to the spend limit at which EU procurement regulations are invoked, the following authorisation limits apply to non-competitive offers, contract change controls (including contract extensions and increases in scope, term and / or value of the contract)
- 12.11.2 Prior to a non-competitive offer being accepted approval must be obtained from the commercial Director.
- 12.11.3 Non-competitive offers up to **£50,000** (excl VAT) should be authorised by the respective Budget Holder where, in their opinion, competition would not be practical, taking into account all the circumstances, or where the item/service is required urgently and is not obtainable under existing arrangements.

12.11.4 The Chief Executive shall authorise non-competitive offers between **£50,000** and **£500,000** (excl VAT). The Chief Executive will maintain a register of such instances.

12.11.5 The Board shall authorise non-competitive tenders with a value of more than **£500,000** (excl VAT).

12.11.6 In exceptional circumstances of an urgent nature, the Chair may authorise acceptance of any non-competitive offer with subsequent notice to the Board.

## **12.12 Authorisation of Change Control Clauses in Relation to Existing Contracts**

12.12.1 The following authorisation limits apply to a change to an existing contract awarded under a competitive process by means of a change control process.

12.12.2 Prior to a contract change control being actioned, approval must be obtained from the Commercial Director.

12.12.3 Budget Holders shall authorise change control clauses up to **£250,000** (excluding VAT).

12.12.4 The Chief Executive shall authorise change control clauses over **£250,000** up to **£1,000,000** (excluding VAT).

12.12.5 The Board shall authorise change control clauses over **£1,000,000** (excluding VAT).

12.12.6 In exceptional circumstances of an urgent nature, the Chair may authorise acceptance of any change control clauses with subsequent notice to the Board.

## **13. CONTRACTING AND PURCHASING**

13.1 All goods and services, or works shall be ordered on an official order except works and services executed in accordance with a contract and purchases from petty cash.

13.2 Official orders shall be consecutively numbered, in a form approved by the Director of Finance and shall include such information concerning prices or costs as required. The order shall incorporate an obligation on the supplier/contractor to comply with the Authority's or other relevant Terms and Conditions of Purchase (such as Buying Solutions).

13.3 Requisitions shall be approved only by officers authorised by the Chief Executive. The list of authorised officers shall be maintained for management control purposes by the Director of Finance.

- 13.4 Details of all orders placed should be available to the Director of Finance either in paper form or accessible through a computerised purchase ledger system.
- 13.5 The Director of Finance should ensure that appropriate delegation arrangements are in existence to ensure that no order is issued for any item for which there is no budget provision. In exceptional circumstances, senior officers, acting only on the express approval of the Chief Executive, may issue an order where there is no budget provision.
- 13.6 Orders shall not be placed in a manner devised to avoid the financial limits specified by the Authority.
- 13.7 No order shall be issued for any item or items for which an offer of gifts, reward or benefit has been made to staff in the circumstances defined in Appendix A - Standards of Business Conduct. All gifts and hospitality shall be recorded in a register of Gifts and Hospitality. The Director of HR should ensure that arrangements are in place for the maintenance of the register.
- 13.8 Goods are not to be taken on trial or loan in circumstances that could commit the Authority to a future uncompetitive price.

#### **14. HOSTED SERVICES**

- 14.1 The Secretary of State for Health has directed the NHSBSA to provide a range of Human Resource and Financial Services to named health organisations in order to assist the Secretary of State in the exercise of his functions.
- 14.2 The Chief Executive is responsible for ensuring that appropriate arrangements are in place to govern the relationship with hosted service organisations.

#### **15. INFORMATION TECHNOLOGY**

##### **15.1 General**

- 15.1.1 In order to ensure compatibility and compliance with the Authority's Computing Strategy, no computer hardware, software or facility will be procured without the authorisation of an officer specifically appointed by the Chief Executive.

##### **15.2 Finance**

- 15.2.1 The Director of Finance shall ensure that adequate controls exist such that the finance computer operation is separated from development, maintenance and amendment.

- 15.2.2 The Director of Finance and an officer specifically appointed by the Chief Executive shall ensure that an adequate management (audit) trail exists through the computerised finance system.
- 15.2.3 The Director of Finance shall satisfy himself that new financial systems and amendments to current financial systems are developed in a controlled manner and thoroughly tested prior to implementation.

## **16 INFORMATION GOVERNANCE**

- 16.1 The Chief Executive shall be responsible for ensuring that the Authority has notified with the Information Commissioner's Office for compliance with the Data Protection Act 1998 and shall ensure that information is published and maintained in accordance with the model publication scheme for the NHS as per the requirements of the Freedom of Information Act 2000 (FOI).
- 16.2 The Director of Finance shall be primarily responsible for the accuracy and security of the computerised financial data of the Authority in accordance with security retention and Data Protection policies as defined by the officer designated for this purpose by the Chief Executive.
- 16.3 An officer specifically appointed by the Chief Executive shall devise and implement any necessary procedures to ensure adequate protection of the Authority's manual and computer data, programs and hardware for which the Chief Executive is responsible, from accidental or intentional disclosure to unauthorised persons, deletion or modification, theft or damage, having due regard for the Data Protection Acts and any defined NHS-wide security requirements.
- 16.4 An officer specifically appointed by the Chief Executive shall ensure that adequate controls exist over data entry, processing, storage, transmission and output to ensure security, privacy, accuracy, completeness, and timeliness of all Authority financial systems and data as well as the efficient and effective operation of the system.
- 16.5 The Director of Finance shall ensure that contracts for computing services for financial applications with another agency shall clearly define the responsibility of all parties for the security, privacy, accuracy, completeness, and timeliness of data during processing transmission and storage. The contract should also ensure rights of access for audit purposes.
- 16.6 Where another agency provides a computer service for financial applications, the Director of Finance shall periodically seek assurances that adequate controls as outlined in 16.3, 16.4 and 16.5 above are in operation.
- 16.7 The Director of Finance and an officer specifically appointed by the Chief Executive shall ensure that adequate controls exist to maintain the security, privacy, accuracy and completeness of financial data sent over transmission networks.

## **17. INTERNAL AUDIT**

- 17.1 The Chief Executive shall be responsible for ensuring that there are arrangements to measure, evaluate and report on the adequacy and effectiveness of internal control and efficient use of resources by the establishment of an adequate Internal Audit Service headed by the Director of Finance. The service shall be provided either by staff employed by the Authority and/or through a service procured from an outside agency. Any staffing within the Internal Audit Service or agencies employed shall be of sufficient quality and quantity to achieve the NHS mandatory audit standards. Any third party contracts will be awarded after a tender process as per the Contracting and Purchasing rules contained within these SFIs.
- 17.2 The Authority shall appoint a Head of Internal Audit who will have overall responsibility for the internal audit function whether provided directly by NHSBSA or procured through other organisations.
- 17.3 The terms of reference of the Internal Audit Service are to review, appraise and report to management upon:
- 17.3.1 the soundness, adequacy and application of financial and other management controls.
  - 17.3.2 the extent of compliance with, relevance and financial effect of, established policies, plans and procedures.
  - 17.3.3 the extent to which the Authority's assets and interests are accounted for and safeguarded from losses of all kinds arising from:
    - a) Criminal offences
    - b) Waste, extravagance and inefficient administration, poor value for money or other cause.
  - 17.3.4 the suitability and reliability of financial and other management data developed within the organisation
  - 17.3.5 the adequacy of follow-up action to Audit reports.
- 17.4 Management's responsibility is to establish systems of internal control for all operations, both computerised and manual, for which it is responsible to ensure that these are properly run.
- 17.5 Internal Audit's basic objective is, therefore, to assist the various levels of management in discharging their duties and responsibilities by carrying out appraisals and making the necessary appropriate recommendations to management for operations under its control.
- 17.6 The Head of Internal Audit shall prepare and submit to the Audit and Risk Management Committee Strategic Audit Plans to indicate the extent of audit

cover proposed and to demonstrate the ability of the anticipated audit resource to address the Authority's internal audit need.

- 17.7 The Head of Internal Audit shall report annually to the Audit and Risk Management Committee on the extent of audit cover achieved, providing a summary of audit activity during the report period, detailing the degree of achievement of the approved plan, a clear opinion on the effectiveness of internal control in accordance with current assurance framework guidance and details of any major internal control weaknesses discovered.
- 17.8 Internal Audit shall be entitled, without necessarily giving prior notice, to require and receive:
  - 17.8.1 access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature (in which case, the Director of Finance shall have a duty to safeguard the confidentiality),
  - 17.8.2 access at all reasonable times to any land, premises or employee of the Authority,
  - 17.8.3 the production or identification by any employee of any Authority cash, stores or other property under the employee's control,
  - 17.8.4 explanations concerning any matter under investigation or review.
- 17.9 Where a matter arises which involves, or is thought to involve, irregularities concerning cash, stores or other property of the Authority, or any suspected irregularity in the exercise of any function of a pecuniary nature, the Director of Finance shall be notified immediately.
- 17.10 The Director of Finance via Internal Audit and the appointed Local Counter Fraud Specialist, shall investigate cases within the Authority of misappropriation or other irregularities in conjunction, where necessary, with relevant Managers and in consultation with the Police where appropriate.
- 17.11 The Director of Finance shall report directly to the Chief Executive and shall refer audit reports to the appropriate designated officers. Failure to take remedial action within a reasonable period shall be reported to the responsible Manager. Where, in exceptional circumstances, the use of normal reporting channels could be seen as a possible limitation on the objectivity of the audit, Internal Audit shall have access to report directly to the Chief Executive, the Chair of the Authority or the Chair of the Audit and Risk Management Committee.

## **18. LOSSES AND SPECIAL PAYMENTS**

- 18.1 The Director of Finance shall prepare procedural instructions on the recording of and accounting for losses and special payments.

- 18.2 Any employee discovering or suspecting a loss of any kind must immediately inform their respective Director, who must immediately inform the Chief Executive and the Director of Finance. Where a criminal offence is suspected, the Director of Finance must immediately inform the police. In cases of fraud and corruption or of anomalies which may indicate fraud or corruption, the Director of Finance must inform the relevant LCFS and both Internal and External Auditors. The Director of Finance will provide the Treasury with details of all novel or unusual frauds or attempted frauds.
- 18.3 For losses apparently caused by theft, arson, neglect of duty or gross carelessness, except those which are of a trivial nature the Chief Executive will immediately notify:
- a) The Board.
  - b) The External Auditor.
- 18.4 Within the limits delegated to it by the Department of Health, the Authority shall delegate its responsibility to approve losses and authorise special payments to the Chief Executive and Director of Finance acting jointly.
- 18.5 No losses or special payments exceeding the delegated limits shall be made without prior Department of Health approval.
- 18.6 The Director of Finance shall be authorised to take any necessary steps to safeguard the Authority's interest in bankruptcies and company liquidations.
- 18.7 For any loss, the Director of Finance should consider whether any insurance claim can be made.
- 18.8 The Director of Finance shall maintain a losses and special payments register in which write off action is recorded.
- 18.9 All losses and special payments must be reported to the Audit and Risk Management Committee on a regular basis.

## **19. COUNTER FRAUD INVESTIGATION AND SECURITY MANAGEMENT**

### **19.1 Counter Fraud Investigation**

- 19.1.1 In line with the responsibilities as set out in the Secretary of State's Directions on Fraud and Corruption, the Authority's Chief Executive and Director of Finance shall monitor and ensure compliance with:
- a) the requirement to have in place a Local Counter Fraud Specialist (LCFS), reporting to an officer delegated by the Chief Executive and working with staff in the Counter Fraud and Security Management Service in accordance with the NHS Counter Fraud and Corruption Manual.

- b) the protocol governing the Authority's assistance to the Counter Fraud and Security Management Service.

19.1.2 The Local Counter Fraud Specialist will provide a written report, at least annually, on counter fraud work within the Authority.

## **19.2 Security Management**

19.2.1 In line with their responsibilities, the Chief Executive will monitor and ensure compliance with Directions issued by the Secretary of State for Health on NHS security management.

19.2.2 The Authority shall nominate a suitable person to carry out the duties of the Local Security Management Specialist (LSMS) as specified by the Secretary of State for Health guidance on NHS security management.

19.2.3 The Authority shall nominate a Non-Executive Director to be responsible to the Board for NHS security management.

19.2.4 The Chief Executive has overall responsibility for controlling and coordinating security. However, key tasks are delegated to the Security Management Director (SMD) and the appointed Local Security Management Specialist (LSMS).

## **20. EXTERNAL AUDIT**

20.1 The external audit of the NHSBSA is undertaken by the National Audit Office, whose powers are conferred under the National Health Service Act 1977.

20.2 The National Audit Office's powers to obtain documents and information were consolidated in the NAO Act 1983. This legislation provides that the Comptroller and Auditor General shall have a right of access at all reasonable times to all such documents as he may reasonably require for carrying out examination and shall be entitled to require from any person holding or accountable for any such document such information and explanation as are reasonably necessary for that purpose.

20.3 These rights of access extend to the annual audit of all systems, establishments and processes associated with the NHSBSA's functions.

## **21. RISK MANAGEMENT**

21.1 The Chief Executive shall ensure that the Authority has a programme of risk management, in accordance with current Department of Health assurance framework requirements, which shall be approved and monitored by the Audit and Risk Management Committee.

- 21.2 The programme of risk management shall include:
- 21.2.1 A process for identifying and quantifying risks and potential liabilities;
  - 21.2.2 Engendering among all levels of staff a positive attitude towards the control of risk;
  - 21.2.3 Management processes to ensure that all significant risks and potential liabilities are addressed including effective systems of internal control and decisions on the acceptable level of retained risk;
  - 21.2.4 Contingency plans to offset the impact of adverse events;
  - 21.2.5 Audit arrangements including internal audit and health and safety reviews
  - 21.2.6 Arrangements to review the risk management programme.
- 21.3 The existence, integration and evaluation of the above elements will assist in providing a basis to make a statement on the effectiveness of internal control within the Annual Report and Accounts as required by the Department of Health.
- 21.4 The Director of Finance shall ensure that insurance arrangements exist in accordance with the risk management programme and shall demonstrate value for money for any insurance obtained.

## **22. RETENTION OF DOCUMENTS**

- 22.1 The Chief Executive shall be responsible for maintaining archives for all documents required to be retained in accordance with Department of Health guidelines.
- 22.2 The documents held in archive shall be capable of retrieval by persons authorised by the Director of Finance.
- 22.3 Documents held in accordance with Department of Health guidance shall only be destroyed at the express instigation of the Chief Executive. Records shall be maintained of all documents so destroyed.