

# Section E

## Standing Financial Instructions

This section explains how staff will control the financial affairs of NHS Ayrshire & Arran and ensure proper standards of financial conduct.

## Contents

- Item 1: Introduction
- Item 2: Seven Principles of Public Life
- Item 3: Roles and Responsibilities
- Item 4: Code of Conduct and Accountability
- Item 5: Responsibilities of the Chief Executive as Accountable Officer
- Item 6: Financial Planning and Control
- Item 7: Commissioning Patient Services
- Item 8: Annual Accounts and Reports
- Item 9: Internal Audits
- Item 10: Budgets
- Item 11: Capital Investments and Fixed Assets
- Item 12: Security of Assets, Cash, Cheques and other Negotiable Instruments
- Item 13: Insurance Arrangements
- Item 14: Banking Arrangements
- Item 15: Payment of Staff
- Item 16: Payment of Accounts and Expenses
- Item 17: Family Health Service Payments
- Item 18: Income
- Item 19: Procurement
- Item 20: Stores
- Item 21: Patient's Property
- Item 22: Losses, Condemnations and Special Payments
- Item 23: Information Technology
- Item 24: Endowment Funds

## Item 1: Introduction

- 1.1 These Standing Financial Instructions detail the financial responsibilities, policies and procedures to be adopted by NHS Ayrshire & Arran Board. They are designed to ensure that the Board 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 also be used in conjunction with the Scheme of Delegation. There is reference made to internal website links throughout this section of the Code and a copy of any detailed information can be provided by contacting the Head of Corporate Governance using the contact details provided within the introduction on Page 11.
- 1.2 These standing financial transactions identify the financial responsibilities which apply to everyone working for the Board and its constituent parts. They do not provide detailed procedural advice. These statements should therefore be read in conjunction with the detailed departmental and financial operating procedures. The Director of Finance must approve all financial operating procedures.
- 1.3 Statutory Instrument (1974) No 468 requires Directors of Finance to design, implement and supervise systems of financial control and NHS circular 1974 (GEN) 88 requires the Director of Finance to:
  - approve the financial systems
  - approve the duties of officers operating these systems
  - maintain a written description of such approved financial systems including a list of specific duties
- 1.4 Should any difficulties arise regarding the interpretation or application of any of the standing financial instructions then the advice of the Director of Finance must be sought before you act. The user of these standing financial instructions should also be familiar with them and comply with the provisions of the Board's Standing Orders ([click link](#)).
- 1.5 Failure to comply with standing financial instructions is a disciplinary matter, which could result in dismissal.
- 1.6 These Standing Financial Instructions (SFIs) are issued for the regulation of the conduct of the Board, its committee Members and officers, in relation to financial matters. They shall have effect as if incorporated in the Standing Orders of the Board.

This document is underpinned by the following principles:

## Item 2: Seven Principles of Public Life

### 2.1 Selflessness

Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family or friends.

## 2.2 Integrity

Holders of public office should not place themselves under any financial obligation to outside individuals or organisations that might influence them in the performance of their official duties.

## 2.3 Objectivity

In carrying out public business, including making public appointments, awarding contracts or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

## 2.4 Accountability

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

## 2.5 Openness

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

## 2.6 Honesty

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

## 2.7 Leadership

Holders of public office should promote and support these principles by leadership and example.

### **Item 3: Roles and Responsibilities**

3.1 Any expression to which a meaning is given in the Health Service Acts or in the financial regulations made under the Acts shall have the same meaning in these instructions; and

- 'Board' means NHS Ayrshire & Arran.
- 'Budget' means an allocation of resources by the Director of Finance, or officer with delegated authority, expressed in financial terms, for the purpose of carrying out, over a specific period, a function or group of functions of the Board.
- 'Chief Executive' means the Chief Officer of the Board (who is directly accountable to the Board).
- 'Director of Finance' means the Chief Financial Officer of the Board.

- 'Budget Holder' or 'Delegated Officer' means the Chief Executive or employee with delegated authority to manage finances (income and expenditure) for a specific area of the organisation.
- All references in these Instructions to the masculine gender shall be read as equally applicable to the feminine gender and vice versa.
- The Chief Executive shall be responsible for the implementation of the Board's financial policies after taking account of advice on all such matters given by the Director of Finance who will be responsible for supervising the implementation and co-ordination of any corrective or other actions required to further these policies.

3.2 The Board will exercise financial supervision and control by:

- Formulating the financial strategy
- Requiring the submission and approval of annual budgets within approved allocations
- Defining and approving essential features of financial arrangements in respect of important procedures and financial systems (including the need to obtain value for money)
- Defining specific responsibilities placed on directors and employees as indicated in the Scheme of Delegation.
- All directors and employees have a general responsibility for the security of the property of the Board, for avoiding loss, for economy and efficiency in the use of resources and for conforming with the requirements of these instructions. Should any difficulty arise regarding their interpretation then the advice of the Director of Finance must be sought before action is taken. The user of these SFIs should also be familiar with the provisions of the Board's Standing Orders, and these should be used in conjunction with the Scheme of Delegation.
- These SFIs do not provide detailed procedural advice. These statements should therefore be read in conjunction with the detailed departmental and financial operating procedure notes. The Director of Finance must approve all financial operating procedures.
- It will be the duty of the Director of Finance to ensure that existing staff and all new appointees are informed of their responsibilities within these instructions.
- Within these SFIs it is acknowledged that the Chief Executive is ultimately accountable to the Board for ensuring that the Board meets its obligations to perform its functions within the available financial resources. The Chief Executive has overall responsibility for the Board's activities and is responsible to the Board for ensuring that its financial obligations and targets are met.

- The Chief Executive and Director of Finance will, as far as possible, delegate their detailed responsibilities but they will remain accountable to the Board for financial control. The Chief Executive is the Accountable Officer for the Board's Finances, as set out in the Memorandum to National Health Service Accountable Officers by the SGHSCD in accordance with the Public Finance and Accountability (Scotland) Act 2000.

3.3 Without prejudice to the functioning of any other officer of the Board, the Director of Finance is responsible for:

- The preparation, documentation, implementation and maintenance of the Board's financial policies, procedures and systems in support of a comprehensive control environment
- Co-ordinating any corrective action necessary to further these policies, procedures and systems
- The design, implementation and supervision of systems of financial control including the adoption of Standing Financial Instructions and ensuring that detailed operating procedures and systems incorporating the principles of segregation of duties are prepared and maintained
- The maintenance of effective internal audit arrangements
- Implementing the Board's accounting policies consistent with SGHSCD and Treasury guidance and generally accepted accounting practice
- The preparation and maintenance of such accounts, certificates, estimates, records and reports for the purposes of carrying out the Board's duties and establishing with reasonable accuracy the Board's financial position
- The provision of financial advice to the Board and its officers
- The accurate and timely submission to the SGHSCD of Annual Accounts and such other reports, returns and monitoring information as may be required to allow the SGHSCD to discharge its responsibilities
- Where an employee carries out a finance function, even if that employee is employed outwith Finance, the Director of Finance will specify the form in which the records will be kept and procedures which will be followed to fulfil that function
- Wherever the title of Chief Executive is used in these instructions, it will be deemed to include such other directors or employees who have been duly authorised to represent them.
- Whenever the term "employee" is used it shall be deemed to include directors or employees of third parties contracted to the Board when acting on behalf of the Board.

- 3.4 All staff, severally and collectively, are responsible for the security of the property of NHS Ayrshire & Arran, for avoiding loss, for economy and efficiency in the use of resources and for the conformity with the requirements of Standing Orders, including Standing Financial Instructions. Failure to comply with these requirements may result in disciplinary procedures in accordance with NHS Ayrshire & Arran's policy on discipline.
- 3.5 Where a fundamental organisational change, such as the creation of a new operational unit occurs, the Director of Finance will instigate a review of the relevant Standing Financial Instructions to ensure that if any amendments are required these are implemented as soon as possible.
- 3.6 It will be the duty of the Chief Executive to ensure that existing staff and all new employees are notified of their responsibilities within these instructions:
- Where an amount of money is indicated in these instructions, the amount to be applied is the amount quoted or such amount as may be subsequently authorised by, or on behalf of, the Board.
  - Failure to comply with Standing Orders and Standing Financial Instructions is a disciplinary matter, which could result in dismissal.

#### **Item 4: Code of Conduct and Accountability**

##### 4.1 Introduction

The principles underlying the Code of Conduct and the Code of Accountability for NHS Boards are reflected in these Standing Financial Instructions and should be read in conjunction with "The Seven Principles of Public Life" (Section 2).

##### 4.2 Code of Conduct for NHS Boards

###### 4.2.1 There are three crucial public service values which must underpin the work of the Health Service:

Accountability	Everything done by those who work in the NHS must be able to stand the test of parliamentary scrutiny, public judgements on propriety and professional codes of conduct.
Probity	There should be an absolute standard of honesty in dealing with the assets of the NHS; integrity should be the hallmark of all personal conduct in decisions affecting patients, staff and suppliers, and in the use of information acquired in the course of NHS duties.
Openness	There should be sufficient transparency about NHS activities to promote confidence between the Board and its staff, patients and the public.

- 4.2.2 Public Service values matter in the NHS and those who work in it have a duty to conduct NHS business with probity. They have a responsibility to respond to staff, patients and suppliers impartially, to achieve value for money from the public funds with which they are entrusted and to demonstrate high ethical standards of personal conduct.
- 4.2.3 The success of this Code depends on a vigorous and visible example from NHS Boards and the consequential influence on the behaviour of all those who work within the organisation. NHS Boards have a clear responsibility for corporate standards of conduct and compliance with the Code should inform and govern the decisions and conduct of all NHS Board members.
- 4.3 Compliance with the Bribery Act 2010
- 4.3.1 The Board and all those who work in it have a duty to follow the good practice procedures set out in the Bribery Act, 2010. Specifically the Board operates a zero tolerance policy of bribery. The Bribery Act 2010 has brought further obligations on the Board and its staff.
- 4.3.2 The Board does not tolerate any form of bribery, whether direct or indirect, by, or of, its staff, agents or external consultants or any persons or entities acting for it or on its behalf.
- 4.3.3 The Board is committed to implementing and enforcing effective systems to prevent, monitor and eliminate bribery, in accordance with the Bribery Act 2010.
- 4.3.4 The Board will not conduct business with service providers, agents or representatives that do not support its anti-bribery statement. We reserve the right to terminate its contractual arrangements with any third parties acting for, or on behalf of, the Board with immediate effect where there is evidence that they have committed acts of bribery.
- 4.3.5 The success of the Boards anti-bribery measures depends on all employees and those acting for the Board, playing their part in helping to detect and eradicate bribery. Therefore, all employees and others acting for or on behalf of the Board are encouraged to report any suspected bribery in accordance with the Code of Corporate Governance and the Fraud Action and Response Plan.
- 4.4 Code of Accountability for NHS Boards
- 4.4.1 This Code of Practice is the basis on which NHSS organisations should seek to fulfil the duties and responsibilities conferred on them by the Cabinet Secretary for Health and Well Being.
- 4.4.2 All NHS Board members are required, on appointment, to subscribe to the Codes of Conduct and Accountability.
- 4.4.3 All staff should subscribe to the principles in the Code of Conduct and Chairs, Directors and their staff should be judged upon the way the Code is observed.



## Item 5: Responsibilities of the Chief Executive as Accountable Officer

5.1 The Chief Executive of NHS Ayrshire & Arran is responsible and accountable for funds allocated to the NHS Board by the Scottish Government Health and Social Care Directorates. In discharging these responsibilities the Chief Executive will ensure that the NHS Board carries out its recognised functions in a way which ensures the proper stewardship of public funds and assets.

The functions of the NHS Board are:

- to improve and protect the health of local people;
  - to improve health services for local people;
  - to focus clearly on health outcomes and people's experience of their local NHS system;
  - to promote integrated health and community planning by working closely with other local organisations; and
  - to provide a single focus of accountability for the performance of the local NHS system.
- These will be addressed through:
    - strategy development - to develop a single Board Annual Plan for NHS Ayrshire & Arran, which addresses the health priorities and health care needs of the resident population, and within which all aspects of NHS activity in relation to health improvement, acute services and primary care will be specified;
    - resource allocation to address local priorities – funds will flow to the NHS Board, which will be responsible for deciding how these resources are deployed locally to meet its strategic objectives;
    - implementation of the Board Annual Plan; and
    - performance management of the local NHS system, including risk management.

5.2 The Chief Executive, in the role as Accountable Officer, has a personal responsibility for the propriety and regularity of the public finances of NHS Ayrshire & Arran for prudent and economical administration; for the avoidance of waste and extravagance; and for the efficient and effective use of all the resources of the NHS Board. The Director of Finance has a special responsibility to support the Chief Executive in the role as Accountable Officer.

5.3 The Chief Executive has a dual responsibility to the NHS Board and also through the Chief Executive of NHS in Scotland to Parliament for the stewardship of resources provided to the Board.

5.4 The Chief Executive is responsible for ensuring that the Annual Accounts, which are presented to the NHS Board for approval, are prepared under principles and in a format directed by the Scottish Government Health and Social Care Directorates with the approval of the Treasury. The accounts must give a true and fair view of the income and expenditure and the state of the affairs of NHS Ayrshire & Arran and the Chief Executive will sign the accounts (along with the Director of Finance and the Board Chair) on behalf of the NHS Board. In addition, and reflecting the role as Accountable Officer, the Chief Executive will sign a statement in the

accounts outlining their responsibilities and that of Board Members in respect of the system of internal financial control.

- 5.5 The Chief Executive will ensure that NHS Ayrshire & Arran has in place effective and sound financial systems, which safeguard public funds and should assist the Board Chair to implement the requirements of corporate governance.
- 5.6 The Chief Executive will advise the NHS Board, as appropriate, on all matters of financial probity and regularity, on prudent and economical administration; efficiency and effectiveness and, in particular, for ensuring that expenditure by NHS Ayrshire & Arran complies with Parliamentary requirements. In meeting these requirements, the Chief Executive must:
- Not exceed the revenue resource limit (taking one year with another).
  - Draw the attention of Parliament to losses or payments by appropriate notation of the statutory accounts.
  - Obtain approval from the Scottish Government Health and Social Care Directorates for any expenditure, which exceeds the limit delegated to the NHS Board.
  - Ensure that all items of expenditure, including payments to staff, fall within the legal powers of the NHS Board, are exercised responsibly and with due regard to probity and value for money.
  - Comply with guidance issued by the Scottish Government Health and Social Care Directorates on classes of payment and authorise personally, such payments as termination payments to other senior members of staff.
- 5.7 The Common Seal of the NHS Board will be held by the Chief Executive, in a suitable and secure place and that individual will be responsible for its safe custody and use. Any document requiring authentication under seal will be executed for, and on behalf of, the NHS Board by the affixation of the Common Seal and with the agreement of the Chief Executive or his/her deputy.
- 5.8 The Common Seal will not be affixed to any document except with the approval of the NHS Board. In exceptional circumstances, the Board Chair may give approval for its use.

## **Item 6: Financial Planning and Control**

- 6.1 NHS Ayrshire & Arran has a responsibility to prepare and submit financial plans in accordance with the requirements of the Scottish Government Health and Social Care Directorates and to ensure that such plans are reconcilable to NHS Ayrshire & Arran's budget. It will perform its functions within the total of funds allocated by the Scottish Government Health and Social Care Directorates and in accordance with the financial framework contained within NHS Ayrshire & Arran's Financial Plans. All plans, financial approvals and control systems will be designed to meet these obligations.
- 6.2 The Director of Finance will, on behalf of the Chief Executive, prepare and submit to the NHS Board for its approval a financial strategy, in line with guidance from

Scottish Government Health and Social Care Directorates, which will be prepared to accompany the Board Annual Plan.

- 6.3 The Director of Finance will review the bases and assumptions used to prepare the financial plan and advise the NHS Board whether they are realistic. As a consequence, the Director of Finance will have right of access to all relevant parties associated with the plan and its implementation.
- 6.4 Such financial plans should relate to income and expenditure in that year and will have supporting statements which explain any matter material to the understanding of the financial plans covering:
- commissioning of healthcare provision
  - activities relating to “ring-fenced” allocations
  - revenue and capital items
- 6.5 Alterations to financial plans may be made as long as they are contained within that year’s revenue and capital resource limits, consistent with NHS Board policy and approved by the Chief Executive.
- 6.6 Financial plans and budgets will be produced following discussion with the Executive Team and appropriate budget holders.
- 6.7 The Chief Executive will delegate the management of budgets as far as possible to officers. The terms of delegation shall include a clear definition of individual responsibilities for control of expenditure, exercise of virement and the provision of regular reports. Officers delegated a budget shall strictly observe any budgetary limits and other restrictions. The budget for each officer shall be the limit of that officer’s authority to commit the Board to expenditure.
- 6.8 Except where otherwise approved by the Chief Executive, taking account of advice of 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 purpose shall revert to the immediate control of the Chief Executive, unless covered by delegated powers of virement.
- 6.9 The Director of Finance, on behalf of the Chief Executive, shall monitor the use of delegated budgets in conjunction with the officers to whom budgets were delegated to ensure that financial control is maintained and that the Board’s financial plans and policies are implemented.
- 6.10 The Director of Finance shall ensure that:
- The system of internal financial controls is sufficient and adequate to ensure the achievement of Board objectives and compliance with standards and regulations.
  - Adequate statistical and financial systems are in place to monitor and control all delegated budgets.
  - Adequate arrangements are in place for the investigation of variances from budget.

- Senior officers provide all financial, statistical and other relevant information as necessary for the compilation of estimates and forecasts.
- The Chief Executive and the Board are informed of the financial consequences of changes in policy, or other events affecting budgets or projections, and shall advise on the financial and economic aspects of these changes.
- Expenditure for which no provision has been made in an approved budget shall only be incurred after authorisation by the Chief Executive or the Director of Finance acting on their behalf.
- The Director of Finance shall provide the Board with regular reports giving details of the current financial position and a forecast of the Board's expected outturn at the end of the financial year.
- The Director of Finance has a responsibility to ensure that adequate training is delivered on an ongoing basis to budget holders to help them manage their delegated budgets effectively.

6.11 The Director of Finance will provide the NHS Board at regular intervals, but no less than quarterly, with reports showing:

- NHS Ayrshire & Arran's overall performance against its notified Revenue Resource limit on the basis of income and expenditure for the period under review including a forecast of the expected position at 31 March.
- Any other financial reports required by the NHS Board in the performance of its functions.

6.12 A detailed financial operating procedure covering "Financial Planning and Budget Setting Arrangements (FOP02 is available in the Finance Operating Procedures on Athena

## **Item 7: Commissioning Patient Services**

7.1 The Chief Executive, in conjunction with the Director of Finance will be responsible for ensuring that all services required outwith NHS Ayrshire & Arran are covered by a series of Service Level Agreements or, if not, that adequate funds are retained to pay for services obtained outwith approved agreements.

7.2 The relevant Health Care Directors will be responsible for agreeing to the financial details contained in those NHS Service Level Agreements, with appropriate support from the Finance Department and Policy, Planning and Performance.

7.3 The Director of Finance will be responsible for establishing arrangements for the payment for unplanned activity. These arrangements should be simple to operate, financially robust and in accordance with national guidance

7.4 The Director of Finance will be responsible for maintaining a system for the payment in line with Service Level Agreement in accordance with agreed terms, or otherwise in accordance with national guidance.

7.5 The Caldicott Guardian will be responsible for ensuring that all systems are compatible with the need to maintain confidentiality of patient information.

## Item 8: Annual Accounts and Reports

- 8.1 Annual Accounts, Notes, Scottish Financial Returns (SFRs) and other financial returns will be prepared in accordance with the guidance and the timetables contained within the NHS Scotland Health Board Accounts Manual as updated annually by the Scottish Government Health and Social Care Directorates.
- 8.2 The Accounts should give a true and fair view of income and expenditure, balance sheet and cash flow statement and be presented in accordance with accounting standards and accounting policies for approval by the NHS Board.
- 8.3 The Director of Finance, on behalf of the NHS Board, will prepare and submit Annual Accounts to the NHS Board's Appointed Auditor by the due date in respect of each financial year in such a form as directed by the Scottish Government Health and Social Care Directorates with the approval of the Treasury. As well as the above Primary Financial Statements, the Accounts will include the following:
- The Performance Report
    - Overview
    - Performance Analysis
  - The Accountability Report
    - Corporate Governance Report
    - Remuneration and Staff Report
    - Audit Report
- 8.4 When the Appointed Auditor completes the review of the annual accounts, with no outstanding audit issues, and the Audit and Risk Committee has been advised of the proposed opinion (including the nature of any qualification), the NHS Board should thereafter formally adopt the Accounts. The Chief Executive as accountable officer will sign the Performance Report and the Accountability Report. The Chief Executive and Director of Finance will also sign the Balance Sheet. The Appointed Auditor will then complete the Audit Certificate.
- 8.5 The Director of Finance will prepare extracts of financial information, which will form part of the NHS Ayrshire & Arran's overall Annual Report and in accordance with current guidelines on local accountability and provide such other financial data as may be specified from time-to-time by the Scottish Government Health and Social Care Directorates.

## Item 9: Internal Audit

- 9.1 The Director of Finance will be responsible for ensuring that there are arrangements to measure, evaluate and report on the effectiveness of internal control and efficient use of resources within NHS Ayrshire & Arran.
- 9.2 To do this, the Director of Finance will ensure that an adequate Internal Audit function is established headed by a Chief Internal Auditor with appropriate status and qualifications. The foregoing applies regardless of whether the Internal Audit

function is provided by an in-house team or by means of external contract or consortium arrangements.

- 9.3 Internal Audit shall adopt the Public Sector Internal Audit Standards which are mandatory and shall follow good practice guidance as set out in the NHS Internal Audit Manual.
- 9.4 The role and objectives of internal audit within the NHS are to review, appraise and report to management upon:
- the soundness, adequacy and financial effect of established policies, plans and procedures,
  - the extent of compliance with, relevance and financial effect of, established policies, plans and procedures,
  - the extent to which NHS Ayrshire & Arran's assets and interest are accounted for and safeguarded from losses of all kinds arising from fraud and other offences (where malpractice is suspected, the Director of Finance will be notified immediately).
  - waste, extravagance and inefficient administration, poor value for money or other cause,
  - the efficient use of resources,
  - the suitability and reliability of financial and other related management data developed within NHS Ayrshire & Arran,
  - the Board's risk management arrangements,
  - the adequacy of follow-up action to audit reports.
- 9.5 It is the responsibility of Directors and Managers of NHS Ayrshire & Arran to establish, maintain and operate sufficient internal controls to run the organisation. Internal Audit's function is to appraise these arrangements and controls and report thereon as a service to management in discharging their duties.
- 9.6 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.
- 9.7 The Chief Internal Auditor will prepare and submit a Strategic Audit Plan to the Audit and Risk Committee and the NHS Board and will submit an annual report of the Internal Audit function to the Audit and Risk Committee indicating the extent of audit cover achieved and providing a summary of audit activity during the year.
- 9.8 The Internal Auditor shall report regularly to the Audit and Risk committee on the extent of audit cover achieved, providing a summary of audit activity during the report period, and detailing the degree of achievement of the approved plan.
- 9.9 The NHS Board will establish an Audit and Risk Committee with the following responsibilities:
- Reviewing NHS Ayrshire & Arran's Statutory Annual Accounts
  - Liaising with External Audit and reviewing their findings

- Reviewing the effectiveness of internal audit and its reports and approving plans prepared by the Chief Internal Auditor covering the scope and timing of internal audit work
  - Periodically reviewing the effectiveness of internal control systems
- 9.10 Guidance on the composition of the Audit and Risk Committee is given in the terms of reference, which accompany NHS Ayrshire & Arran's Standing Orders.
- 9.11 Where a matter arises which involves, or is thought to involve, irregularities concerning cash, stores or other property of NHS Ayrshire & Arran or any suspected irregularity in the exercise of any function of a pecuniary nature, the Director of Finance must be notified immediately.
- 9.12 The Director of Finance will investigate cases of fraud, misappropriation or other irregularities, in consultation with NHS Scotland Counter Fraud Services and the Police where appropriate.
- 9.13 The Chief Internal Auditor and staff employed by NHS Scotland Counter Fraud Services shall be entitled without necessarily giving prior notice, to require and receive:
- 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 Chief Internal Auditor will have a duty to safeguard that confidentiality),
  - Access at all reasonable times to any land, premises or employee of NHS Ayrshire & Arran,
  - The production or identification by an employee of NHS Ayrshire & Arran of any cash, stores or other property under that employee's control,
  - Explanations concerning any matter under investigation or review.
- 9.14 The Chief Internal Auditor shall report to the Director of Finance who shall refer audit reports to the appropriate officers designated by the Chief Executive. Failure to take any necessary remedial action within a reasonable period shall be reported to the Audit and Risk Committee as part of regular follow-up reports. Where, in exceptional circumstances, the use of normal reporting channels could be seen as a possible limitation of the objectivity of the audit, the Chief Internal Auditor shall have access to report direct to the Chief Executive or the Board Chair or the Chair of the Audit and Risk Committee.

## **Item 10: Budgets**

- 10.1 The NHS Board is required to perform its function within the total funds available to it. All plans, financial approvals and control systems must be designed to meet this requirement.
- 10.2 The Director of Finance will, on behalf of the Chief Executive, and preferably in advance of the financial year to which they refer, prepare and submit budgets within the forecast limits of available resources and planning policies to the NHS Board for their approval.

- 10.3 The Director of Finance will devise and maintain systems of budgetary control; all officers whom NHS Ayrshire & Arran may empower to engage staff or otherwise incur expenditure or to collect or generate income, shall comply with the requirements of those systems. The systems of budgetary control shall incorporate the reporting of (and investigation into) financial, activity or workforce variances from budget.
- 10.4 A consolidated report on spend against approved budgets will be made to each NHS Board meeting by the Director of Finance. Consolidated financial reporting to the Scottish Government Health and Social Care Directorates will be made in the prescribed format and timescales.
- 10.5 The Chief Executive may delegate management of a budget or a part of a budget to officers to permit the performance of defined activities. The terms of delegation will 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 those delegated functions to the Chief Executive. Responsibility for overall budgetary control remains with the Chief Executive.
- 10.6 In carrying out their duties:
- the Chief Executive will not exceed the budgetary or virement limits set by the NHS Board;
  - officers will not exceed the budgetary limits set for them by the Chief Executive; and
  - the Chief Executive may vary the budgetary limit of an officer within the Chief Executive's own budgetary limit.
- 10.7 Except where otherwise approved by the Chief Executive, taking account of advice of 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 purpose shall revert to the immediate control of the Chief Executive, unless covered by delegated powers of virement.
- 10.8 Expenditure for which no provision has been made in an approved budget and not subject to funding under the delegated powers of virement shall only be incurred after authorisation by the NHS Board.
- 10.9 The Director of Finance will keep the Chief Executive and the NHS Board 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.
- 10.10 This should be read in conjunction with NHS Ayrshire & Arran's Financial Operating Procedure - Financial Planning and Budget Setting (FOP 02 available in the Finance Operating Procedures on Athena).



## Item 11: Capital Investments & Fixed Assets

- 11.1 Capital Planning and Approval Processes were delegated to NHS Boards in 2002 [HDL (2002[40 refers]. These instructions reflect the inherent responsibility of Boards to manage their capital needs from within a single capital resource allocation.
- 11.2 These instructions should be read in conjunction with the Scottish Capital Investment Manual issued by the SGHSCD. For property transactions, the relevant guidance is contained in the NHS Property Transaction Handbook and Guidance from the SGHSCD titled Improved Asset Management and the Location of Public Sector Organisations. The requirements for the preparation of business cases remains contained in the relevant sections of CEL 35 (2010) and CEL 19 (2010).
- 11.3 The Chief Executive will ensure that there is an adequate appraisal and review process in place for determining capital expenditure priorities and the effect of each proposal upon strategic and operational plans.
- 11.4 The Directorates must not be committed to purchasing or constructing fixed assets before a sum for the purpose has been approved and allocated by the NHS Board. Approval levels for authorising capital expenditure are detailed in NHS Ayrshire & Arran's Financial Operating Procedure – Capital Operating and Accounting Procedures (FOP 03 available in the Finance Operating Procedures on Athena).
- 11.5 The Director of Finance will ensure that all capital expenditure proposals meet the process for approval as agreed by the Finance Committee.
- 11.6 In the case of large capital schemes, a system shall be established for progressing the scheme and authorising necessary payments up to completion. Provision should be made for regular reporting of actual expenditure against authorisation of capital expenditure.
- 11.7 Disposals of equipment assets, including donated equipment, will comply with the NHS Ayrshire & Arran's Financial Operating Procedure – Capital Operating and Accounting Procedures (FOP 03 available in the Finance Operating Procedures on Athena).
- 11.8 Disposals of land and property will be conducted in line with Directives from the Scottish Government Health and Social Care Directorates for approving such transactions (Ref MEL(1993)72 & 73) as detailed in the NHSS Property Transaction Handbook, and approval obtained from the Scottish Health Minister where appropriate.
- 11.9 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 (where appropriate).
- 11.10 The overall control of fixed assets shall be the responsibility of the Chief Executive advised by the Director of Finance.
- 11.11 NHS Ayrshire & Arran will maintain an asset register. The minimum data set to be held within the register shall be as specified in the Capital Charges Manual (Section

9) as issued by the Scottish Government Health and Social Care Directorates in Scotland. In addition, operational managers shall maintain records of desirable assets costing less than the current capitalisation limit of £5,000 and ensure that such records are complete and accurate.

11.12 The Director of Finance will issue guidance on the form and content of these records.

11.13 The Director of Finance will produce detailed guidance on the procedures and controls to be operated within the Finance Department. These will be contained in the NHS Ayrshire & Arran's Accounting Procedures Manual.

## **Item 12: Security of Assets, Cash, Cheques and Other Negotiable Instruments**

12.1 The Director of Finance will prepare procedural operating instructions on the security, checking and disposal of assets (cash, cheques and negotiable instruments and donated assets). It will be the responsibility of all Senior Managers to ensure that staff are made aware of these instructions, which must be followed at all times.

12.2 Whilst each employee has a responsibility for the security of the property of NHS Ayrshire & Arran, it shall be the responsibility of senior staff in all disciplines to apply appropriate routine security practices in relation to NHS property. Any breach of agreed security practices will be reported in accordance with instructions included in Financial Operating Procedure (FOP 18) Losses and Compensation Payments. (available in the Finance Operating Procedures on Athena))

## **Item 13: Insurance Arrangements**

13.1 The Director of Finance is responsible for ensuring that NHS Ayrshire & Arran has appropriate insurance cover in accordance with NHS Ayrshire & Arran's Risk Management Policy and the Scottish Government Health and Social Care Directorates guidance on the insurance requirements of Health Boards.

13.2 The following risks must be insured against:

- Vehicles
- Pressurised vessels
- Lift winding gear

13.3 Other risks may be insured against and NHS Ayrshire & Arran will follow advice given by the Scottish Government Health and Social Care Directorates in its Guidance for Finance Managers Manual. Notwithstanding these recommendations, NHS Ayrshire & Arran will ensure that all arrangements represent the best value for money.

13.4 Senior Managers will ensure that any incident which may lead to a claim on NHS Ayrshire & Arran's insurance policies must be reported promptly to the Director of Finance. The Director of Finance will then liaise with the insurance company and, where appropriate, obtain advice from the Central Legal Office.

- 13.5 The Director of Finance will devise and implement any procedures necessary to ensure potential claims from insurance companies are processed swiftly and thoroughly.
- 13.6 In addition to the above, the Board is a member of the Clinical Negligence and Other Risks Indemnity Scheme, as required by the Scottish Government Health and Social Care Directorates. The scheme provides cover for Clinical and Medical Negligence, Public Liability and Employer Liability.

#### **Item 14: Banking Arrangements**

- 14.1 The Director of Finance will determine NHS Ayrshire & Arran banking arrangements and in that determination will have regard to the guidance issued, from time-to-time, by the Scottish Government Health and Social Care Directorates.
- 14.2 The Director of Finance will be responsible for establishing one or more accounts:
- into which all credits or payments by the Scottish Government Health and Social Care Directorates are to be made;
  - into which all payments to or from a Health Board as purchaser or provider under an NHS contract are to be made;
  - to or from which any other credit or payment may be made.
- 14.3 In the operation of such account, the Director of Finance will ensure:
- that payments authorised to be made from such an account do not exceed the amount credited to the account, and
  - the authorisation by the NHS Board, by specific resolution, of a panel of officers including the Director of Finance who are empowered to authorise the issue of Resource Fund Transfers.
- 14.4 The Director of Finance will be responsible for establishing a commercial bank account in line with the Scottish Government Health and Social Care Directorates' directive of April 2010 to consolidate the whole of government banking arrangements. This account is to be used for:
- the receipt of all income other than that paid to the main exchequer bank account,
  - the funding of any subsidiary account.
- 14.5 A subsidiary bank account may be used for making payments other than to NHS bodies where, the NHS Board is satisfied that the use of that bank for such payments provides the best value for money.
- 14.6 The Director of Finance will be responsible for establishing a separate Project Bank Account for all capital building projects where the budget is over £2m. The account will be used solely to process payments to Preferred Supply Chain Partners and sub-contractors. The bank account will receive income from the Health Board for capital projects based on contractual terms and work completed.
- 14.7 The Director of Finance will advise the bankers in writing, including a copy of the NHS Board's resolution, of the conditions under which each account will operate.

All funds will be held in accounts in the name of Ayrshire and Arran Health Board. No officer other than the Director of Finance will open any bank account in the name of the NHS Board.

- 14.8 The Director of Finance will advise the bankers of any alteration in the conditions of operation of accounts that may be required by financial regulations of the Health Service or by resolution of the NHS Board as may be necessary from time-to-time.
- 14.9 The balances of accounts holding public funds will be maintained at the lowest practicable levels. The main account will be permitted to be overdrawn only to the extent of any net credit balance on subsidiary bank accounts maintained at the same branch in the same name and in the same right.
- 14.10 Cheques or other orders drawn upon the main bank account referred to at Paragraph 14.4 above will be signed by officers drawn from a panel of officers authorised by resolution of the NHS Board.
- 14.11 The bank concerned will be advised, in writing, of those officers authorised to instruct payment of money from any subsidiary bank account. Payments drawn on subsidiary bank accounts will be authorised as follows:
- By the use of pre-printed or pre-signed cheques without a handwritten signature where the security procedures have been approved by the Director of Finance,
  - Manually, thereafter, produced cheques will be signed by one authorised officer up to £100,000,
  - Payments over £100,000 shall be supported by more than one authorised signature or initials on the cheque or authority to pay as appropriate and no attempt will be made to bypass this instruction by issuing more than one cheque for a single payment due.
- 14.12 All cheques are to be treated as controlled stationery, in the charge of a duly designated officer controlling their issue.
- 14.13 Subsidiary accounts will be funded by bank transfers drawn on the main account and signed by a member of the authorised signatory panel and in transfers exceeding £100,000 by two members of this panel.
- 14.14 The Director of Finance will review the banking needs of NHS Ayrshire & Arran at regular intervals to ensure that they reflect current business patterns and represent best value for money. Following such reviews, the Director of Finance will determine whether or not re-tendering for services is necessary.
- 14.15 NHS Ayrshire & Arran's Operational Procedures contains detailed instructions on Banking Arrangements for Exchequer and Endowment Accounts and these procedures must be followed at all times.

#### **Item 15: Payment of Staff**

- 15.1 The Director of Finance shall ensure that arrangements established for the payment of staff are in accordance with the Payroll Operating Principles detailed below and

the detailed NHS Ayrshire & Arran's Financial Operating Procedure (FOP 12 available in the Finance Operating Procedures on Athena).

- 15.2 Each employee will be issued with a contract, which will comply with current employment legislation and be in a form approved by the NHS Board.
- 15.3 No officer may engage or re-grade staff, or hire agency staff, outwith the limit of his approved budget and financed establishment, unless with the written approval of the Chief Executive.
- 15.4 A signed copy of the Staff Engagement Form and such other documents as may be required will be sent to the Human Resources Director, immediately upon the employee commencing duty.
- 15.5 A Staff Termination Form and such other documents as may be required will be submitted to the Human Resources Director in the prescribed form immediately upon the effective date of an employee's resignation, retirement or termination being known. Where an employee fails to report for duty in circumstances, which suggest that the employee has left without notice, the Human Resources Director must be informed immediately.
- 15.6 The HR Director will be notified immediately upon the effective date of any change in state of employment or personal circumstances of an employee being known.
- 15.7 All Duty Sheets, and other time and attendance payroll records and notifications shall be in a form approved by the Director of Finance and must be certified and submitted in accordance with NHS Ayrshire & Arran's Financial Operating Procedure – (FOP 12 available in the Finance Operating Procedures on Athena).
- 15.8 The Director of Finance will be responsible for the final determination of pay, including the verification that rate of pay and relevant conditions of service are in accordance with current agreements, the proper compilation of the payroll and for payments made.
- 15.9 NHS Ayrshire & Arran's Operational Procedures contain detailed instructions on the Payment of Staff and these procedures must be followed at all times.

#### **Item 16: Payment of Accounts and Expenses**

- 16.1 The Director of Finance shall be responsible for arranging for systems to be in place which allow for the recording and payment of all amounts due by the Board.
- 16.2 The Director of Finance will be responsible for the proper payment of all accounts and claims.
- 16.3 All officers must inform the Director of Finance promptly of all money payable by NHS Ayrshire & Arran arising from transactions which they initiate, including contracts, leases, tenancy agreements and other transactions.
- 16.4 The Director of Finance will be responsible for designing and maintaining a system for verification, recording and payment of all amounts payable by NHS Ayrshire & Arran.

16.5 The system shall provide for:

- Goods have been duly received, examined, are in accordance with specifications and order, are satisfactory and that the prices are correct.
- 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.
- In the case of contracts based on the measurement of materials or expenses, the time charged is in accordance with the appropriate rates, that the materials have been checked as regards quantity, quality and price, and that the charges for the use of vehicles, plant and machinery have been examined.
- Journeys claimed are reasonable and have been undertaken, courses and conferences attended, and all other services claimed from the Board have been provided.
- The expenditure is in accordance with current, national and local regulations and that all necessary Director or appropriate officer authorisations have been obtained.
- Instruction to staff regarding the handling, checking and payment of accounts and claims within the Finance Department.
- Payments will be made by the most time and cost efficient manner.
- All instructions/requests for payment by the Board must on all occasions be directed to the Finance Department.

16.6 Where an officer certifying accounts or claims relies upon other officers to do preliminary checking, he shall, wherever possible, ensure that those who check delivery or execution of work act independently of those who have placed orders and negotiated prices and terms.

16.7 In the case of contracts for building or engineering works, which require payment to be made on account during the progress of the works, the Director of Finance will make payment on receipt of a certificate from the appropriate technical consultant or officer. Without prejudice to the responsibility of any consultant or works officer appointed to a particular building or engineering contract, a contractor's account shall be subject to such financial examination by the Director of Finance and such general examination by a works officer, as may be considered necessary, before the person responsible to the NHS Board for the contract, issues the final certificate.

16.8 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 and appropriate vouchers must be retained.

16.9 The Director of Finance shall ensure that an up-to-date list of authorised signatories and limits is maintained.

16.10 NHS Ayrshire & Arran's Financial Operating Procedures for Accounts Payable and Invoice Processing (FOP 9 available in the Finance Operating Procedures on Athena) contain detailed instructions on the Payment of Accounts, Expenses and Petty Cash and these procedures must be followed at all times.

### **Item 17: Family Health Service Payments**

- 17.1 All payments on behalf of NHS Ayrshire & Arran, for Family Health Services (FHS), regardless of whether they are non-cash limited or cash limited, shall be included as expenditure in the Annual Accounts of NHS Ayrshire & Arran.
- 17.2 Payments to individual practitioners providing Medical, Dental, Pharmaceutical or Ophthalmic services will be made by the Practitioner Services Division on behalf of NHS Ayrshire & Arran.
- 17.3 The Practitioner Services Division will provide monthly schedules of payments made for all services or fees and these shall be reconciled and agreed in line with procedures devised by the Director of Finance.
- 17.4 Whilst payments are made on behalf of NHS Ayrshire & Arran by the Practitioner Services Division, it shall remain the overall responsibility of the NHS Board and its Directors to prevent and detect fraud in all expenditure.
- 17.5 The Director of Finance will ensure that appropriate entries are made in NHS Ayrshire & Arran financial ledger to record expenditure and corresponding income relating to NHS Ayrshire & Arran.
- 17.6 The Director of Finance will ensure that budgets are prepared annually for Family Health Service payments and that appropriate budgetary control procedures are applied. In the case of non-cash limited payments these budgets will be indicative only.
- 17.7 For General Medical Services cash limited and out-of-hours payments, the Director of Finance will be responsible for calculating, notifying and authorising the Practitioner Services Division of all payments with the exception of services fees.
- 17.8 For Drugs and Prescribing costs, the Director of Finance shall determine which payments require to be authorised in advance of payment by the Practitioner Services Division (PSD).
- 17.9 The Director of Finance, in partnership with PSD, will establish a Post Payment Verification Group, which will examine payment trends across the four Family Health Services. This group will meet quarterly and reports will be provided to the Director of Finance for distribution as appropriate. An annual report will be prepared for the Board's Audit Committee.
- 17.10 The Director of Finance will periodically assess the accuracy with which the Practitioner Services Division makes payments to the Board's independent Medical, Dental, Pharmaceutical and Ophthalmic practitioners and report this to appropriate managers within NHS Ayrshire & Arran and/or Scottish Government Health and Social Care Directorates.
- 17.11 NHS Ayrshire & Arran has detailed instructions on Family Health Service Payments and these procedures must be followed at all time

### **Item 18: Income**

- 18.1 The Director of Finance will ensure that appropriate systems exist for the collection and management of income and are operating within the principles detailed below.
- 18.2 The Director of Finance will be responsible for approving systems designed and maintained for the proper recording, invoicing, collection and banking of all monies due, including the creation of a register for regular income, which will incorporate the principles of internal check and separation of duties.
- 18.3 All officers will inform the Director of Finance of money due to NHS Ayrshire & Arran arising from transactions, which they initiate involving Ayrshire contracts, leases, tenancy agreements and other transactions. Invoices for sums due to the Board must be arranged through NHS Ayrshire & Arran's Finance Directorate. Unofficial invoices must not be raised by other individuals/ directorates. Responsibility for arranging the level of rentals for newly acquired property and for reviewing rental and other charges regularly will rest upon the Director of Finance who may take into account independent professional advice on matters of valuation. The Director of Finance will be consulted about the pricing of goods and services offered for sale and national negotiated rates will be observed.
- 18.4 The Director of Finance will take appropriate recovery action on all outstanding debts. Income not recovered shall be dealt with in accordance with these Standing Financial Instructions – Section 21 - Condemnations, Losses and Special Payments.
- 18.5 NHS Ayrshire & Arran's Financial Operating Procedures contains detailed instructions on Income and these procedures must be followed at all times. Sales Ledger Invoice Processing (FOP 8 available in the Finance Operating Procedures on Athena)

### **Item 19: Procurement**

- 19.1 The following instructions outline the requirements for purchasing and procurements within the Board. Full processes and procedures are outlined in the Procurement Operating procedures available on Athena.
- 19.2 All purchases and procurements must be procured in accordance with the Procurement Operating Procedures. Directorate and Department managers must work with, either the Procurement department directly or with an Officer with Delegated Purchasing Authority, i.e. a Designated Purchasing Officer. Authorisation of purchase orders or purchase order requisitions must be in line with delegated authorisation limits.
- 19.3 Where supplies, services and works of the type and quantity required are available on (Scottish) National Framework contract, regional or local contracts, the order must be placed with the supplier designated in that contract or selected from suppliers on that contract. Only in exceptional circumstances and with the authority of the Director of Finance and in conjunction with the Head of Procurement or National Procurement, will supplies and services available on a these contracts be ordered out with that contract.



- 19.4 To buy anything, not on (Scottish) National Framework contract, regional or local contracts, of £50,000 or more a Tender exercise must be carried out on [www.Publiccontractsscotland.gov.uk](http://www.Publiccontractsscotland.gov.uk) PCS web portal. Directorate and Department managers must work with, either the Procurement department directly or with an Officer with Delegated Purchasing Authority, i.e. a Designated Purchasing Officer.
- 19.5 To buy anything of a value of £10,000 or more and less than £50,000 a tender or quotation exercise must be carried out using the PCS Quick Quote facility with a minimum of three quotes being sought.
- 19.6 For purchases of a value of £5,000 or more and less than £10,000 a minimum of two quotes must be sought and a record of these maintained within the department. Below £5,000 only one quote is required but as with all expenditure staff have a duty to ensure best value.
- 19.7 The PCS Quick Quote facility may also be used for lower value quotations and should be used to carry out mini competitions when selecting a supplier from a Framework.
- 19.8 Orders shall not be placed in a manner devised to avoid the financial limits specified by the Board.

To ensure best value is sought when procuring goods services or works all staff must ensure that repeated requirements for similar goods services or works over the whole of the Ayrshire and Arran Board area are considered and likely spend consolidated.

- This may involve doing one local tender rather than several quotes.
  - One WTO tender rather than several below threshold tenders.
  - Developing a local Framework agreement.
  - It may just involve moving to existing national or regional Framework agreements rather than procuring solely for NHS Ayrshire & Arran.
- 19.9 In certain circumstances the Director of Finance and the Assistant Director of Finance (Governance & Shared Services) may approve an award of business or purchase without competition but only after they have reviewed evidence submitted in a Tender Waiver Request Form. All tender waivers approved will be reported to the Audit and Risk Committee.

Competitive tenders and Quotations may not be required in the following circumstances:

- Patient-specific procurements  
Unplanned procurements for individual patients due to timescales involved and confidential nature of patient health care.
- Emergencies  
Major incident: When a major incident is declared, given the extreme urgency of the situation, to support taking necessary action

- Sole source  
In a few cases there may only be one supplier of a product that provides a specific functionality e.g. in the case of innovative developments. Robust evidence, independent of the supplier, must be provided to establish sole supplier status.

Where the maintenance and/or repair can only be carried out by the manufacturer or designated contractor.

You have to use a particular supplier because they are the only ones with the specialist knowledge.

- Standardisation  
Medical equipment management governance requires standardisation to help ensure clinical staff competence in equipment use and to facilitate maintenance and the supply of consumables and accessories. Standardisation should, however, not be used to resist change. The standardisation provision only applies where the number of items to be procured is a low proportion of the inventory for those items. It should also take into account life-cycle replacement planning (Medicines Healthcare products Regulatory Authority (MHRA) Device Bulletin DB2006 (5): Managing Medical Devices; Audit Scotland, Better Equipped to Care, (2004).

19.10 Written permission from the Assistant Director of Finance (Corporate & Shared Services) is also required to purchase any NP national contracted goods or services from a non contract supplier and will only be considered if the Head of Procurement confirms that the department wishing to purchase has worked with the Procurement Department and exhausted all possible means by which the contracted supplier could be used.

19.11 Form of Contract, an official Purchase Order or a Letter of Acceptance shall be issued for every Contract resulting from a successful, accepted invitation to tender or quote for the supply of goods and services.

This will include goods or services supplied where a tender waiver was approved.

19.12 All contracts including purchases ordered as a result of a tender or quick quote must be entered into the Corporate Contract Register maintained by the Procurement Department.

19.13 No company should be given any advantage over its competitors, such as advance notice of NHS requirements, which might hinder fair competition between prospective contractors or suppliers.

19.14 Standards of Business Conduct – NHS Staff

- In any circumstances where an officer has an interest, pecuniary or otherwise, in the outcome of a tender or quotation, the officer concerned must declare his/her interest and withdraw from all contracting/procurement arrangements concerning that item.

- Visits by officers at suppliers' expense to inspect equipment must not be undertaken without the prior approval of the Chief Executive or the Director of Finance. See Section C and supporting guidance for detail.
- All staff should be made aware of, and comply with, the requirements of 1989(GEN)32 as re-stated and reinforced by NHS MEL(1994)48 "Standards of Business Conduct for NHS Staff" with regard to acceptance of financial assistance, gifts, hospitality and declaration of interest. See Section C and supporting guidance for detail.

#### 19.15 Receipt and Safe Custody of Tenders and Records

- All tenders will be received electronically using the PCS web portal.
- The mailbox facility will be used for each Tender or Quote in the case of Tenders a minimum of two authorised officers will be assigned as openers.
- Further Instruction on tendering procedures is contained in the Board's. [Procurement Operating Procedure](#) available on the NHS Ayrshire & Arran Intranet.

#### 19.16 Retention of Documents

- Successful – six years after the end of the financial year in which the agreement contract expires.
- Unsuccessful – three years after the financial year to which they relate.

19.17 All goods and services relevant to Ayrshire and Arran Health Board must be processed by utilising an official buying order. The key principles outlined in CEL05 (2012) should be complied with and direct payments without an official buying order is only acceptable if a separately agreed payment mechanism has been pre-arranged and approved by the Director of Finance.

19.18 It should be especially noted that NHS Ayrshire & Arran Staff are prohibited from ordering or obtaining goods for their personal use through NHS Ayrshire & Arran's ordering system or in such a way as to take advantage of NHS Ayrshire & Arran's discounts or other privileged purchasing arrangements. Thus, all goods obtained through the Board's auspices shall be for the official use of NHS Ayrshire & Arran.

19.19 Board procedures must be followed at all times concerning the buying and receipt of goods i.e. a separate officer should order and receive goods.

#### 19.20 Other Controls

- The Assistant Director of Finance (Governance & Shared Services) will be responsible for ensuring that lists are maintained of authorised ordering officers. Limits will vary according to their limit of delegation.
- Details of all orders placed shall be available to the Director of Finance, either in paper form or accessible through a computerised procurement purchasing/ledger system.

- The Director of Finance will ensure that appropriate delegation arrangements are in existence to ensure that all orders comply with the Board's Financial Plan. Orders not complying with the Board's Financial Plan must be authorised by senior officers and approved by the Chief Executive or Director of Finance.
- Contracts shall only be entered into by officers of the Board who are properly designated to do so (Designated Purchasing Officers). All contracts should have appropriate terms and conditions, which limit the Board's liabilities and minimise the risk of any adverse litigation. Where appropriate, standard forms shall be used and where contracts are not of a standard form, the Procurement Department and/or Central Legal Office should be consulted.

19.21 In accepting the most economically advantageous tender which is not the lowest priced tender received, a detailed explanation for accepting the tender must be clearly recorded in the Tender Outcome Report/Reports on Tenders. This must include an explicit detail of why the quality of this tender is advantageous for NHS Ayrshire & Arran compared to the other tenders received.

#### **Item 20: Stores**

- 20.1 Subject to the responsibility of the Director of Finance for the systems of control, the overall control of stores shall be the responsibility of a senior officer delegated by the appropriate Executive Director. Detailed guidance is contained in NHS Circular SHHD/DGM (1990) 82, which is issued to all departments holding stock. The day-to-day management may be delegated to departmental officers and Stores Managers/Keepers, subject to such delegation being entered in a record available to the Director of Finance.
- 20.2 The responsibility for security arrangements and the custody of keys for all stores locations shall be clearly defined in writing by a senior officer delegated by the appropriate Executive Director. Wherever practicable, stock items shall be marked as Health Service property.
- 20.3 All stores records will be in such form and will comply with the system of control as approved by the Director of Finance.
- 20.4 The Director of Finance will prepare detailed procedures to be followed by all finance staff outlining their responsibilities as regards stores and other stock balances not subject to perpetual inventory systems.

#### **Item 21: Patients' Property**

- 21.1 NHS Ayrshire & Arran's has a responsibility to provide safe custody for money and other personal property (hereafter referred to as "property") handed in by patients, in the possession of unconscious or confused patients, or found in the possession of patients dying in hospital or dead on arrival.
- 21.2 The Chief Executive shall be responsible for informing patients, or their guardians as appropriate, before or at admission that NHS Ayrshire & Arran will not accept responsibility or liability for patients' property brought into health service premises,

unless it is handed in for safe custody and a copy of an official patients' property record is obtained as a receipt.

- 21.3 The Director of Finance will provide detailed written operating instructions on the collection, custody, investment, recording, safekeeping, and disposal of patients' property (including instructions on the disposal of the property of deceased patients and patients transferred to other premises) for all staff whose duty is to administer, in any way, the property of patients.
- 21.4 The Director of Finance will ensure the completion of for SFR 19.0 Patients' Private Funds, for inclusion in the Statutory Annual Accounts.
- 21.5 NHS Ayrshire & Arran's Financial Operating Procedure contain detailed instructions on Patients' Property (FOP 06 available in the Finance Operating Procedures on Athena) and these procedures must be followed at all times.

## **Item 22: Losses, Condemnations & Special Payments**

- 22.1 Any officer discovering or suspecting a loss of any kind shall forthwith inform the relevant Head of Department, who shall immediately inform the Director of Finance. Where a criminal offence is suspected, the Director of Finance shall immediately inform the Police and thereafter follow the procedure outlined in Operating Procedure – Losses, Condemnations and Special Payments (Financial Control: Procedure Where Criminal Offences Are Suspected). (FOP 18 available in the Finance Operating Procedures on Athena)
- 22.2 The Director of Finance shall notify the Scottish Government Health and Social Care Directorates the Counter Fraud Services as well as External/Internal Audit of all frauds. The Fraud Action and Response Plan (FOP 07 available in the Finance Operating Procedures on Athena)
- 22.3 Losses are to be divided into seven categories in accordance with Annual Accounts for SFR 18.0:
- Cash losses
  - Claims abandoned
  - Stores losses
  - Losses of furniture & equipment and bedding & linen in circulation
  - Compensation payments (made under legal obligation)
  - Ex-gratia payments
  - Damage to buildings and fixtures
- 22.4 All articles surplus to requirements or unserviceable shall be condemned or otherwise disposed of by an officer authorised for that purpose by the Board Chief Executive.
- 22.5 The condemning officer will 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 who shall take the appropriate action.

- 22.6 The Director of Finance will maintain a losses and compensation register in which details of all losses shall be recorded as they are known. Write-off action shall be recorded against each entry in the register.
- 22.7 Financial limits of NHS Board's delegated powers for write-offs and special payments are detailed in Annual Accounts Form SFR 18.1.
- 22.8 No special payments exceeding the delegated limits laid down and subsequent amendments thereto shall be made without prior Scottish Government Health and Social Care Directorates approval.
- 22.9 The NHS Board shall formally approve the writing-off of losses. The Board shall delegate its day-to-day responsibility for the actioning of write-offs and authorisation of special payments to the Chief Executive and Director of Finance, acting jointly, for such categories or values of losses as the NHS Board may determine. For settlement agreements, the approval of the Scottish Government is required for all such payments, regardless of value.
- 22.10 The Director of Finance will be authorised to take any necessary steps to safeguard the NHS Board's interest in bankruptcies and company liquidations.
- 22.11 NHS Ayrshire & Arran's Operational Procedures contain detailed instructions on Condemnations, Losses and Special Payments and these procedures must be followed at all times.

### **Item 23: Information Technology**

- 23.1 The Director of Finance will be primarily responsible for the accuracy and security of the computerised financial data of the NHS Board and the design, implementation and documentation of effective financial information systems.
- 23.2 The Director of Infrastructure and Support Services will devise and implement any necessary procedures to protect the NHS Board and individuals from inappropriate use, or misuse, of any financial and other information held on computer files, for which the Director of Finance is responsible, after taking account of the Data Protection Act 1984 and the Computer Misuse Act 1990.
- 23.3 The Director of Finance will ensure that adequate data controls exist to provide for security of financial applications during data processing, including the use of any external agency arrangements.
- 23.4 The Director of Finance must be satisfied that such computer installation and application audit checks as may be considered necessary are being carried out.
- 23.5 The Director of Finance will ensure that contracts for computer services for financial applications within an NHS Board, or any other agency, will clearly define the responsibilities for all parties for the security of data during processing and transmission.
- 23.6 It will be the responsibility of line managers to notify NHS Ayrshire & Arran's Data Protection Officers of any changes in the use of personal data processed electronically, or otherwise, in their area of responsibility. It will then be the

responsibility of these officers to notify the Data Protection Registrar of these changes.

- 23.7 The Director of Infrastructure and Support Services will produce and maintain guidelines relating to PC Back Up and Security Procedures which shall be issued and adhered to by all staff. It shall be the responsibility of line managers to ensure that all appropriate staff receive a copy of these guidelines.
- 23.8 The Director of Infrastructure and Support Services will produce a contingency plan to ensure the maintenance of service in the event of a major system breakdown. The Director of Infrastructure and Support Services shall ensure adequate controls exist in relation to access and safeguarding of all hardware and software.
- 23.9 The Director of Finance will ensure that new financial systems and amendments to current financial systems are developed in a controlled manner and thoroughly tested prior to implementation. Where this is undertaken by another NHS Board or any other agency, assurances of adequacy will be obtained from them prior to implementation.
- 23.10 Where computer systems have an impact on corporate financial systems, the Director of Finance in conjunction with the Director of Infrastructure and Support Services will ensure that:
- systems acquisition, development and maintenance are in line with corporate policies such as an Information Technology Strategy;
  - data produced for use with financial systems is adequate, accurate, complete and timely and that a management (audit) trail exists;
  - the Director of Finance staff have access to such data
- 23.11 The Director of Finance will ensure that such computer audit reviews as he may consider necessary are being carried out.

#### **Item 24: Endowment Funds**

- 24.1 Within this section of Standing Financial Instructions Endowment Funds are those gifts, donations and endowments made under the relevant charities legislation and held on trust for purposes relating to the National Health Service. The Endowment Fund is recognised by the Inland Revenue as a Scottish Charity. The charity is administered under the terms of sections 82, 83 and 84a of the National Health Service (Scotland) Act 1978. The members of the Board shall be the Trustees for the charity. The Trustees shall comply with the Charities and Trustee Investment ("Scotland") Act 2005 with respect to any proposed changes to the governance or management of the charity.
- 24.2 The foregoing sections of these Standing Financial Instructions shall apply equally to endowment funds as to other funds except that expenditure from Endowment Funds shall be restricted to the purpose(s) of the Endowment.
- 24.3 The Endowment Fund will be held separately from the Exchequer Funds and will be accounted for separately by the Trustees. The Director of Finance will be responsible for the preparation of Annual Accounts for the Endowment Fund and

those will be subject to audit each year, within the timescale required. The Auditor of the Endowment Fund will be decided on by the Trustees. The Audited Annual Accounts will be prepared and distributed as required (including a copy to the Inland Revenue).

- 24.4 The Director of Finance will maintain such accounts and records as may be necessary to record and protect all transactions and funds of NHS Ayrshire & Arran as Trustees of non-exchequer funds, including an Investments Register.
- 24.5 The Director of Finance will open bank accounts in the name of Ayrshire and Arran Health Board Endowment for the purpose of controlling income and expenditure.
- 24.6 All share and stock certificates and property deeds will be deposited either with the charity fund appointed investment manager or in a safe, or a compartment within a safe, to which only the Director of Finance will have access.
- 24.7 The Director of Finance will prepare a Charter and detailed procedural procedures concerning the receiving, recording, investment and accounting for charity funds. See link to NHS Ayrshire & Arran Endowment Funds Charter and Standing Orders [here](#). The NHS Ayrshire & Arran Endowment Funds Operating Procedure is available on request. More information is available on the Endowment Fund [web page](#)
- 24.8 All gifts accepted will be received and held in the name of NHS Ayrshire & Arran Endowment Fund and administered in accordance with NHS Ayrshire & Arran's policy, subject to the terms of any specific legacies. As NHS Ayrshire & Arran can accept gifts only for all or any purposes relating to the Health Service, officers shall, in cases of doubt, consult the Director of Finance before accepting any gifts.
- 24.9 The Director of Finance will be required to advise the NHS Board on the financial implications of any proposal for fund raising activities, which NHS Ayrshire & Arran may initiate, sponsor or approve.
- 24.10 The Director of Finance will be kept informed of all enquiries regarding legacies and shall keep an appropriate record. After the death of a testator, all correspondence concerning a legacy will be dealt with on behalf of the NHS Board by the Director of Finance who alone will be empowered to give an executor a discharge.
- 24.11 Expenditure of any Endowment funds will be conditional upon the item being within the terms of the appropriate Endowment or Special Fund and the procedures approved by the NHS Board.
- 24.12 Where it becomes necessary for NHS Ayrshire & Arran to obtain Grant of Probate or Confirmation of Estate, if applicable, or to make application for Grant of Letters of Administration, in order to obtain a legacy due to the NHS Board under the terms of a Will, the Director of Finance will be the Trustee's nominee for the purpose.