

# **STANDING FINANCIAL INSTRUCTIONS**

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Director of Finance

# 1 **INTRODUCTION**

## 1.1 **GENERAL**

- 1.1.1 These Standing Financial Instructions (SFI) are issued by the Finance Committee of the Organisation , with the approval of the Council, and they are addressed to Managers and Budget Holders within the Organisation.
- 1.1.2 These SFI are issued to provide financial direction throughout the Organisation and the Organisation's Trading Company Limited. They are to be the basis of all financial matters within the organisation. Reference to the Organisation shall include the Trading Company.
- 1.1.3 These SFI detail the financial policies and procedures to be adopted by the Organisation. They are designed to ensure that its financial transactions are carried out with probity, accuracy and economy and in accordance with the law.
- 1.1.4 Should any difficulties arise regarding the interpretation or application of any of the SFI then the advice of the Director of Finance or Chief Executive MUST BE SOUGHT BEFORE YOU ACT.
- 1.1.5 **FAILURE TO COMPLY WITH SFI IS A DISCIPLINARY MATTER WHICH COULD RESULT IN DISMISSAL.**

## 1.2 **TERMINOLOGY**

- 1.2.1 The Organisation is governed by its Memorandum and Articles of Association and by the Charities Act and within these documents the following terminology is identified:
  - (a) "Council" means the Board of Trustees who are responsible for all functions, strategies and direction of the Organisation and its trading company;
  - (b) "Finance Committee" means members of Council chosen from amongst their own number to ensure financial probity accuracy economy and efficiency is carried out through delegated responsibility to the Chief Executive;
  - (c) "Honorary Treasurer" means an individual member of Council elected by Council as Chairman of the Finance Committee and responsible for the financial well being of the Organisation;
  - (d) "Budget" means a resource, expressed in financial terms, proposed by the Organisation for the purpose of carrying out, for a specific period, any or all of the functions of the Organisation;
  - (e) "Chief Executive" means the chief officer of the Organisation;
  - (f) "Director of Finance" means the Chief Financial Officer of the Organisation;
  - (g) "Budget Holder" means an employee with delegated authority to manage finances (Income and Expenditure) for a specific area of the organisation;

- (h) “Manager” is an individual who has delegated responsibility for managing an area of resources, and will have a designated budget code as a line manager.

1.2.2 Wherever the term “employee” is used it shall be deemed to include employees of third parties contracted to the Organisation when acting on behalf of the Organisation.

### 1.3 **DELEGATION OF AUTHORITY AND RESPONSIBILITY**

1.3.1 The Council will delegate responsibility for the day to day financial performance of the Organisation to the Chief Executive and Honorary Treasurer who shall act under the supervision of the Finance Committee.

1.3.2 The Finance Committee shall exercise financial supervision and control by:

- (a) Authorising the financial strategy;
- (b) Requiring the submission and approval of budgets within approved allocations/overall income;
- (c) Defining and approving essential features in respect of important procedures and financial systems (including the need to obtain value for money);

1.3.3 The Chief Executive:

- a) Shall be ultimately accountable to the Council for ensuring that the Council meets its obligation to perform its functions within the available financial resources,
- b) Shall have overall executive responsibility for Organisation activities and shall be responsible to Council for ensuring that its financial obligations and targets are met.

1.3.4 The Chief Executive and Director of Finance shall, as far as appropriate, delegate their detailed responsibilities but they remain accountable for financial control.

1.3.5 It is a duty of the Chief Executive to ensure that all senior managers and employees and all new appointees are notified of and understand their responsibilities within these instructions.

1.3.6 The Director of Finance shall be responsible for:

- (a) Implementing the Organisation’s financial policies and for co-ordinating any corrective action necessary to further these policies;
- (b) 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;
- (c) Ensuring that sufficient records are maintained to show and explain the Organisation’s transactions, in order to disclose accurately, the financial position of the Organisation at any time

and, without prejudice to any other functions of management and employees of the Organisation, the duties of the Director of Finance shall include:

- (d) The provision of financial advice to the Chief Executive.
- (e) The preparation and maintenance of such accounts, certificates, estimates, records and reports as the Organisation may require for the purpose of carrying out its statutory duties.

1.3.7 All employees, individually and collectively, are responsible for:

- (a) The security of the buildings and property therein;
- (b) Avoiding loss of equipment and property belonging to the Organisation;
- (c) Exercising economy and efficiency in the use of resources;
- (d) Conforming to the requirements of SFI and Financial Procedures as detailed in the procedural files of the Organisation.

1.3.8 For all employees who carry out a financial function, the form in which financial records are kept and the manner in which employees discharge their duties must be to the satisfaction of the Director of Finance.

## 2 **AUDIT**

### 2.1 **FINANCE COMMITTEE**

2.1.1 The Honorary Treasurer and the Finance Committee shall be responsible for establishing audit regulations that will provide an independent and objective view of internal control by:

- (a) Overseeing internal and external audit services;
- (b) Reviewing financial systems;
- (c) Ensuring compliance with Standing Financial Instructions;
- (d) Reviewing schedules of losses and compensations and making recommendations to the Council.

2.1.2 Where the Finance Committee considers that there is evidence of ultra vires transactions, or of improper acts, or if there are other important matters that the committee wish to raise, the chairman of the Finance Committee should raise the matter at a full meeting of Council.

### 2.2 **DIRECTOR OF FINANCE**

2.2.1 The Director of Finance is responsible for:

- (a) Ensuring there are arrangements to review, evaluate and report on the effectiveness of internal financial control by the establishment of an internal audit function;
- (b) Ensuring that the internal audit is adequate and meets mandatory audit standards;
- (c) Informing the Chief Executive and the Honorary Treasurer of any cases of suspected fraud, misappropriation, and other irregularities;
- (d) Ensuring that an annual audit report is prepared for the consideration of the Auditor and Council. The report must cover:
  - (i) Progress against plan over the previous year,
  - (ii) Major internal financial control weaknesses discovered,
  - (iii) Progress on the implementation of internal audit recommendations,
  - (iv) Strategic audit plan covering the coming three years,
  - (v) A detailed plan for the coming year.

2.2.2 The Director of Finance or designated auditors shall be entitled without giving prior notice to require and receive:

- (a) Access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature;
- (b) Access at all reasonable times to any land, premises or employee of the Organisation;
- (c) The production of any cash, stores or other property of the Organisation under an employee's control;
- (d) Explanations concerning any matter under investigation.

## 2.3 **ROLE OF THE AUDIT COMMITTEE**

2.3.1 The Audit Committee will ensure that the internal audit will review, appraise and report upon;

- (a) To identify the major risks to which the Organisation is exposed and to ensure systems are in place to mitigate those risks.
- (b) The extent of compliance with, and the financial effect of, relevant established policies, plans and procedures;
- (d) The adequacy and application of financial and other related management controls;
- (e) The suitability of financial and other related management data;
- (e) The extent to which the Organisation's assets and interests are accounted for and safeguarded from loss of any kind arising from:

- (i) Strategic risk (government policy, competition, image and reputation)
- (ii) Operational risks (health and safety, sickness, absence, fundraising risks)
- (iii) Financial risks (investment risk, statutory funding, fraud, financial security)
- (iv) Hazard risks (fire, flood, aircraft, mining)
- (v) Waste, extravagance or inefficient administration
- (vi) Poor value for money or other causes

2.3.2 External Audit - The Finance Committee shall ensure the provision of a cost-effective service.

### **3 BUSINESS PLANNING AND BUDGETARY CONTROL**

#### **3.1 PREPARATION AND APPROVAL OF BUSINESS PLANS AND BUDGETS**

3.1.1 The Chief Executive will compile and submit to the Council, at its annual general meeting, an annual business plan which takes into account financial targets and forecast limits of available resources. The annual business plan will contain:

- (a) A statement of the significant assumptions on which the plan is based;
- (b) Details of workload, delivery of services and resources required to achieve the plan.

3.1.2 Prior to the start of the financial year the Director of Finance will, on behalf of the Chief Executive, prepare and submit budgets for approval by the Council. Such budgets will:

- (a) Be in accordance with the aims and objectives set out in the Annual Business Plan;
- (b) Accord with workload and manpower plans;
- (c) Be produced following discussion with appropriate budget holders;
- (d) Be prepared within the limits of available funds;
- (e) Identify potential risks.

3.1.3 The Director of Finance shall monitor financial performance against budget and business plan, periodically review them and report to the Council.

3.1.4 All budget holders must provide information as required by the Director of Finance to enable budgets to be compiled.

3.1.5 The Director of Finance shall ensure that adequate training is delivered on an on-going basis to budget holders to help them manage successfully.

#### **3.2 BUDGETARY DELEGATION**

3.2.1 The Chief Executive may delegate the management of a budget to permit the performance of a defined range of activities. This delegation must be in writing and be accompanied by a clear definition of:

- (a) The amount of the budget;
- (b) The purpose(s) of each budget heading;
- (c) Individual and group responsibilities;
- (d) Authority to exercise virement;
- (e) Achievement of planned levels of service;
- (f) The provision of regular reports.

3.2.2 Non recurring budgets shall not be used to finance recurring expenditure without the authority in writing of the Chief Executive.

### 3.3 BUDGETARY CONTROL AND REPORTING

3.3.1 The Director of Finance will devise and maintain systems of budgetary control. These will include:

- (a) Monthly financial reports to the Honorary Treasurer in a form approved by the Chief Executive showing:
  - (i) Income and expenditure to date showing trends and forecast year end position;
  - (ii) Movements in working capital;
  - (iii) Capital project spending and projected out turn against plan;
  - (iv) Explanations of any material variances from plan;
  - (v) Details of any corrective action where necessary and the Chief Executive's and/or Director of Finances view of whether such actions are sufficient to correct the situation;
- (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.

3.3.2 The Director of Finance shall keep the Chief Executive, Honorary Treasurer and the Finance Committee 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.

3.3.3 Each Budget Holder is responsible for ensuring that:

- (a) Any likely overspending or reduction of income that cannot be met by virement is not incurred without the prior consent of the Chief Executive;
- (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 in the budgeted establishment as approved by the Council.

### **3.4 CAPITAL EXPENDITURE**

- 3.4.1 The general rules applying to delegation and reporting shall also apply to capital expenditure. (The particular applications relating to capital are contained in Section 11).

## **4 ANNUAL REPORT AND ACCOUNTS**

- 4.1 The Director of Finance will:

- (a) Prepare financial returns in accordance with the guidance given by the Statement of recommended practice (SORP 2), Organisation accounting policies, and generally accepted accounting principles;
- (b) Prepare, certify and submit annual financial reports to the Council.

- 4.2 The Organisation's Audited Annual Accounts must be presented to an Annual General Meeting of Members of the Association.

- 4.3 The Organisation will publish an Annual Report. The document will include:
  - (a) The Annual Accounts of the Organisation and group accounts,
  - (b) Details of current Trustees,

- 4.4 The Chief Executive shall ensure that the contents of the Annual Report is approved by the Organisation external auditor prior to publication and that summary financial, activity or other data is appropriately certified as correct.

## **5 BANK ACCOUNT**

### **5.1 GENERAL**

- 5.1.1 The Director of Finance is responsible for managing the Organisation's banking arrangements and for advising the Honorary Treasurer on the provision of banking services and operation of accounts.



5.1.2 The Finance Committee shall approve the banking arrangements.

5.1.3 The Director of Finance is responsible for:

- (a) Bank accounts;
- (b) Establishing separate bank accounts for the Trading Company;
- (c) Ensuring payments made from a bank account do not exceed the amount credited to the account except where arrangements have been made;
- (d) Seeking guidance from the Honorary Treasurer on overdraft facilities and reporting to the Finance Committee all arrangements made with the Organisation's bankers for accounts to be overdrawn.

5.1.4 No officer other than the Director of Finance shall open any bank account in the name of the Organisation.

## **5.2 BANKING PROCEDURES**

The Director of Finance will prepare instructions on the operation of bank accounts as detailed in Appendix 1.

## **6 INCOME, FEES AND CHARGES AND SECURITY OF CASH, CHEQUES AND OTHER NEGOTIABLE INSTRUMENTS**

### **6.1 INCOME SYSTEMS**

6.1.1 The Director of Finance is responsible for :-

- a) Designing, maintaining and ensuring compliance with systems for the proper recording, invoicing, collection and coding of all monies due.
- b) The prompt banking of all monies received.

### **6.2 FEES AND CHARGES**

6.2.1 The Director of Finance is responsible for approving and regularly reviewing the level of all fees and charges other than those determined by the NHS Executive or by Statute. Independent professional advice on matters of valuation e.g. property, buildings, vehicles, etc., shall be taken when necessary.

6.2.2. All employees must inform the Director of Finance promptly of money due arising from transactions which they initiate/deal with, including all contracts, leases, tenancy agreements, and other transactions. All money due shall be collected in the name of the Organisation through the official invoicing system unless the specific written approval of the Director of Finance has been given.

### **6.3 DEBT RECOVERY**

- 6.3.1 The Director of Finance is responsible for the appropriate recovery action on all outstanding debts.
- 6.3.2 Overpayments should be detected (or preferably prevented) and recovery initiated.

#### **6.4 SECURITY OF CASH, CHEQUES AND OTHER NEGOTIABLE INSTRUMENTS**

- 6.4.1 The Director of Finance is responsible for ensuring that the procedures laid out in Appendix 2 are followed.

### **7 CONTRACTING FOR PROVISION OF SERVICES**

- 7.1 The Chief Executive is responsible for negotiating contracts for the provision of services to patients in accordance with the Business Plan and for establishing the arrangements for providing extra contractual services (e.g. patients and services outside of the normal contracting process). In carrying out these functions, the Chief Executive should take into account the advice of the Director of Finance regarding:
  - (a) Costing and pricing of services;
  - (b) Payment terms and conditions;
  - (c) Amendments to contracts and extra contractual arrangements.
- 7.2 Contracts should be so devised as to minimise risk whilst maximising the Organisation's opportunity to generate income.
- 7.3 The Director of Finance shall produce regular reports to the Chief Executive detailing actual and forecast contract income with a detailed assessment of the impact of the variable elements of income.

### **8 TERMS OF SERVICE AND PAYMENT OF EMPLOYEES**

#### **8.1 FUNDED ESTABLISHMENT**

- 8.1.1 The manpower plans incorporated within the annual budget will form the funded establishment.
- 8.1.2 The funded establishment of any department may not be varied without the approval of the Chief Executive.

#### **8.2 STAFF APPOINTMENTS**

- 8.2.1 No senior manager or employee may engage, re-engage, or re-grade employees, either on a permanent or temporary basis, or hire agency staff, or agree to changes in any aspect of remuneration unless:
- (a) Authorised to do so by the Chief Executive; and
  - (b) Within the limit of his\her approved budget and funded establishment.
- 8.2.2 The Chief Executive will present to Council the procedures for determining pay rates, conditions of service, etc, of employees for its approval.

### **8.3 PROCESSING OF PAYROLL**

- 8.3.1 The Director of Finance shall ensure that adequate internal controls are implemented and the final determination of pay, including the verification that rate of pay and relevant conditions of service are in accordance with approved agreements, the proper compilation of the payroll and for payments made. Procedures are contained in Appendix 3.

### **8.4 CONTRACT OF EMPLOYMENT**

- 8.4.1 The Council shall be entitled to delegate responsibility to the Chief Executive:
- (a) Ensuring that all employees are issued with a Contract of Employment in a form approved by the Council and which complies with employment legislation;
  - (b) Dealing with variations, or termination of, contracts of employment;

### **8.5 REIMBURSEMENT OF EXPENSES**

- 8.5.1 Travel Expenses will be paid to employees for work undertaken on behalf of the Organisation and will be paid from the Organisation to destination and return. Procedures are set out in Appendix 4.

## **9 NON-PAY EXPENDITURE**

### **9.1 DELEGATION OF AUTHORITY**

- 9.1.1 The Finance Committee will approve the level of non-pay expenditure on an annual basis and the Chief Executive will determine the level of delegation to budget managers.
- 9.1.2 Budget Managers are required to authorise all requisitions for the supply of goods and services.
- 9.1.3 The maximum level for each requisition is £200.
- 9.1.4 Amounts in excess of this level should be authorised by the Director of Finance/Chief Executive.

### **9.2 CHOICE, REQUISITIONING, ORDERING, RECEIPT AND PAYMENT FOR GOODS AND SERVICES**

- 9.2.1 The Chief Executive shall establish written procedures on the seeking of professional advice regarding the supply of goods and services.
- 9.2.2 The Director of Finance will ensure that all supplies of goods and services are obtained at the best possible price and paid for each month following the procedures in Appendix 5.

## **10 EXTERNAL BORROWING AND INVESTMENTS**

### **10.1 EXTERNAL BORROWING**

- 10.1.1 The Director of Finance shall prepare any necessary documentation and papers should external financing be sought as detailed in Appendix 6.

### **10.2 INVESTMENTS**

- 10.2.1 All investments shall be carried out in conformity with the Organisation Investment Policy as approved by the Finance Committee.

## **11 CAPITAL INVESTMENT, PRIVATE FINANCING, FIXED ASSET REGISTERS AND SECURITY OF ASSETS**

### **11.1 CAPITAL INVESTMENT**

#### **11.1.1 The Chief Executive:**

- (a) Shall ensure that there is an adequate appraisal and approval process in place for determining capital expenditure priorities and the effect of each proposal upon business plans;
- (b) Is responsible for the management of all stages of capital schemes and for ensuring that schemes are delivered on time and to cost;
- (c) Shall ensure that the capital investment is not undertaken without confirmation of purchaser(s) support and the availability of resources to finance all revenue consequences.

#### **11.1.2 For every capital expenditure proposal the Chief Executive shall ensure:**

- (a) That a business case is produced setting out:
  - (j) the benefits of the project that ensures value for money;
  - (ii) appropriate project management and control arrangements;
- (b) That the Director of Finance has established the costs and revenue consequences detailed in the business case.

11.1.3 The approval of a capital programme shall not constitute approval for expenditure on any scheme.

11.1.4 The Chief Executive shall issue to the manager responsible for any scheme:

- (a) Specific authority to commit expenditure;
- (b) Authority to proceed to tender;
- (c) Approval to accept a successful tender.

11.1.5 The Chief Executive will issue a scheme of delegation for capital investment management once approval is given by Council.

11.1.6 The Director of Finance will ensure that procedures governing the financial management, including variations to contract, of capital investment projects and valuation for accounting purposes as detailed in Appendix 7 are adhered to.

## **11.2 PRIVATE FINANCE**

11.2.1 When the Organisation proposes to use finance that is to be provided other than through its own resources, the following procedures shall apply:

- (a) The Director of Finance shall demonstrate that the use of private finance represents value for money and genuinely transfers risk to the private sector.
- (b) The proposal must be specifically agreed by Council.

## **11.3 ASSET REGISTERS**

11.3.1 The Chief Executive is responsible for the maintenance of asset registers, taking account of the advice of the Director of Finance concerning the form of any register and the method of updating, and arranging for a physical check of assets against the asset register to be conducted once a year following procedures as per Appendix 8.

## **11.4 SECURITY OF ASSETS**

11.4.1 The overall control of fixed assets is the responsibility of the Chief Executive and procedures for establishing the security of assets as set out in Appendix 9.

## **12. DISPOSALS AND CONDEMNATIONS, LOSSES AND SPECIAL PAYMENTS**

### **12.1 DISPOSALS AND CONDEMNATIONS**

- 12.1.1 The Director of Finance is responsible for the recording of and accounting for the disposal of assets, including condemnations, losses and special payments, as set out in Appendix 10.

### **13. INFORMATION TECHNOLOGY**

The Director of Finance is responsible for the accuracy and security of the computerised financial data of the Organisation, as set out in the I.T. Strategy.

### **14. X'S PROPERTY**

- 14.1 The Organisation has a responsibility to provide safe custody for money and other personal property handed in by X.

- 14.2 The Chief Executive is responsible for ensuring that X or their guardians, as appropriate, are informed before or at admission by:

- notices and information booklets,
- admission documentation and property records,
- the oral advice of administrative and relevant staff responsible for admissions,

and that the Organisation will not accept responsibility or liability for X's property brought into its premises, unless it is handed in for safe custody and a copy of an official X's property record is obtained as a receipt.

- 14.3 The Director of Finance must ensure that all staff follow the detailed written instructions on the collection, custody, investment, recording, safekeeping and disposal of X's property as detailed in Appendix 11.
- 14.4 Staff should be informed, on appointment, by the appropriate departmental or senior manager of their responsibilities and duties for the administration of the property of X.

Director of Finance  
August 2002

