

<b>Meeting:</b>	Shetland NHS Board
<b>Date:</b>	Tuesday 15 <sup>th</sup> December
<b>Report Title:</b>	Corporate Governance Handbook: Section 6 Standing Financial Instructions
<b>Reference Number:</b>	Board Paper 2020/21/51
<b>Author / Executive Lead/ Job Title:</b>	Author: Colin Marsland, Director of Finance

**Decisions / Action required:**

The Board is asked to re-approve the Standing Financial Instructions that forms section 6 of the board's corporate handbook.

**High Level Summary:**

The Standing Financial Instructions should be reviewed annually to ensure that proper controls are in place that reflect the management structure of the organisation, changes in legislation and allow appropriate delegation of financial resources in-line with approved budgets.

The current Standing Financial Instructions were agreed at 10 December 2019 Board Meeting.

**Corporate Priorities and Strategic Aims:**

This report address the Board's performance in addressing the key Board Corporate Objectives:

- To provide best value for resources and deliver financial balance
- To ensure sufficient organizational capacity, capability and resilience

**Key Issues:**

There are no change to the SFI being proposed this year.

The Audit Committee reviewed these proposals at their meeting on 24 November 2020.

<b>Implications</b> : <i>Identify any issues or aspects of the report that have implications under the following headings</i>	
<b>Service Users, Patients and Communities:</b>	No change
<b>Human Resources and Organisational Development:</b>	No change
<b>Equality, Diversity and Human Rights:</b>	No change
<b>Partnership Working</b>	No change
<b>Legal:</b>	No change
<b>Finance:</b>	Ensures the resources of the Board are appropriately controlled and allocated in line with our objectives.
<b>Assets and Property:</b>	No change
<b>Environmental:</b>	No change
<b>Risk Management:</b>	No change

<b>Policy and Delegated Authority:</b>		
<b>Previously considered by:</b>	Audit Committee	24 November 2020

<b>“Exempt / private” item</b>	
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## **NHS Shetland Corporate Governance Handbook**

### **Section 6: Standing Financial Instructions Made in Terms of Standing Order No 7.1**

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# **1 Introduction**

## **1.1 General**

- 1.1.1 These Standing Financial Instructions identify financial responsibilities which apply to Board members and staff. They do not provide detailed procedural advice. These Standing Financial Instructions should therefore be read in conjunction with detailed financial procedure notes. All financial procedures must be approved by the Director of Finance. All Standing Financial Instructions will be available on the intranet.
- 1.1.2 Should any difficulties arise in the interpretation or application of any of these Standing Financial Instructions, the advice of the Director of Finance must be sought.

## **1.2 Responsibilities and Delegation**

- 1.2.1 The Board exercises overall financial control by:
- a) approving financial strategy;
  - b) approving NHS service agreements, revenue budgets and the capital programme;
  - c) defining responsibilities placed on employees as specified in the Scheme of Delegation.
- 1.2.2 The Chief Executive is accountable to the Board for ensuring that the Board meets its obligations within available resources and has overall executive responsibility for the Board's activities.
- 1.2.3 The Chief Executive shall ensure that Board members and staff are notified of and understand their responsibilities within these Instructions.
- 1.2.4 The Director of Finance is responsible for:
- a) ensuring the implementation of the Board's financial decisions;
  - 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 Board's transactions, in order to disclose, with reasonable accuracy, the financial position of the Board at any time;
  - d) the provision of financial advice to the Board and its staff;
  - e) the design, implementation and supervision of systems of financial control; and
  - f) the preparation and maintenance of such accounts, certificates, estimates, records and reports as the Board may require for the purpose of carrying out its statutory duties.

**Includes amendments agreed up to and including the Board Meeting on: 10 December 2019**

**Further review due by: December 2020**

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- 1.2.5 All Board members and staff are responsible for:
- a) the security of the property of the Board;
  - b) avoiding loss; and
  - c) exercising economy and efficiency in the use of resources.
- 1.2.6 Any contractor or employee of a contractor who is empowered by the Board to commit the Board to expenditure or who is authorised to obtain income shall be covered by these instructions. It is the responsibility of the Chief Executive to ensure that such persons are made aware of this.
- 1.2.7 For all staff that carry out a financial function, the form in which financial records are kept and the manner in which staff discharge their duties must be to the satisfaction of the Director of Finance.
- 1.2.8 Wherever the title Chief Executive, Director of Finance or other nominated officer is used in these instructions, it shall be deemed to include such other officers who have been duly authorised to represent them.

## **2 Audit**

### **2.1 Audit Committee**

2.1.1 In accordance with the Scheme for the Constitution, Composition and Functions of Committees, the Board shall establish an Audit Committee.

### **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 Service;
- b) ensuring that the objectives and scope of internal audit shall comply with guidance and directions issued by the Scottish Government;
- c) deciding at what stage to involve the Fraud Liaison Officer and NHS Counter Fraud Services in cases of fraud, misappropriation and other irregularities;
- d) ensuring that an annual audit report is prepared for the consideration of the Audit Committee; and
- e) appointing a Fraud Liaison Officer.

2.2.2 The Director of Finance and Internal Auditors are entitled without necessarily giving prior notice to require and receive:

- a) access to all records, documents and correspondence relating to any financial or other relevant transactions;
- b) access at all reasonable times to any land, premises or employee of the Board;
- c) the production of any cash, stores or other property of the Board under an employee's control; and
- d) explanations concerning any matter under investigation.

### **2.3 Role of Internal Audit**

2.3.1 Internal Audit will review, appraise and report upon:

- a) the extent of compliance with, and the financial effect of, relevant established policies, plans and procedures;
- b) the adequacy and application of financial and other related management controls;
- c) the suitability of financial and other related management data;
- d) the extent to which the Board's assets and interests are accounted for and safeguarded from loss of any kind, arising from:
  - i. fraud and other offences;
  - ii. waste, extravagance, inefficient administration;
  - iii. poor value for money or other causes.
- e) matters concerning corporate governance, financial management and risk management that may influence the Board's statement on internal control.

2.3.2 Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores, or other property or any suspected irregularity in the exercise of any function of a pecuniary nature, the Director of Finance must be notified immediately or the Chief Internal

Auditor, Fraud Liaison Officer or the NHS Scotland Counter Fraud Service, as detailed in sub-section 20 of Section 6 below.

2.3.3 The Chief Internal Auditor will normally attend Audit Committee meetings and has a right of access to Audit Committee Members, the Chairman and Chief Executive.

2.3.4 The aim of Internal Audit reports is to prompt management action leading to improvement in performance and control, to provide a formal record of points arising from the internal audit assignment and, where appropriate, of agreements reached with management. The audit reporting arrangements will be as follows:

- a) At the conclusion of an audit, the Internal Auditor will meet with the managers who have a direct responsibility for the unit or function being audited to confirm the factual accuracy of his findings;
- b) The Internal Auditor will issue draft copies of his report to the senior manager who has a direct responsibility for the unit or function being audited, requesting a written response within three weeks of receipt. The senior manager will have the opportunity to submit a timetable for the implementation of any recommendations;
- c) Six weeks from the date of issue of the Draft Report, the Internal Auditor will issue the Final Audit Report, which will incorporate comments received from the senior manager concerned. The Final Audit Report will be issued to the Chief Executive and the Director of Finance;
- d) Internal Audit Reports are "Management - in confidence" documents and their distribution will be restricted to those managers directly concerned, to the Audit Committee and to the External Auditor.

## 2.4 External Audit

2.4.1 The External Auditor is appointed by Audit Scotland, and Board members and staff will co-operate fully to enable the External Auditor to discharge his responsibilities.

### **3 Cash Limit/Resource Accounting Controls**

- 3.1 The Board is required by statutory provisions not to exceed its Cash Requirement and its Resource Accounting Limits. The Chief Executive is responsible for ensuring that the Board stays within this Requirement.
- 3.2 The Director of Finance will:
- a) provide monthly reports as required by the Health Directorate;
  - b) ensure money drawn from the Health Directorate against the Cash Limit is required for approved expenditure only, and is drawn down only at the time of need; and
  - c) be responsible for ensuring that an adequate system of monitoring financial performance is in place to enable the Board to fulfil its statutory responsibility not to exceed its Annual Revenue Resource Limit, Capital Resource Limit or Cash Requirement.

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**Further review due by: December 2020**

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## **4 Allocations, Budgets, Budgetary Control and Monitoring**

### **4.1 Allocations**

4.1.1 The Director of Finance will:

- a) periodically review the bases and assumptions used for distributing allocations and ensure that these are reasonable and realistic and secure the Board's entitlement to funds;
- b) prior to the start of each financial year submit to the Board, for approval, a report showing the total allocations received and their proposed distribution including any sums to be held in reserve; and
- c) regularly update the Board on significant changes to the initial allocation and the uses of such funds.

### **4.2 Preparation and Approval of Budgets**

4.2.1 Prior to the start of the financial year the Director of Finance will, on behalf of the Chief Executive, prepare a three-year financial plan linked to the Board's Annual Operational Plan, which includes the Board's capital expenditure plans.

4.2.2 The Director of Finance will also prepare an annual financial plan to enable implementation of the Annual Operational Plan, setting out budgets for approval by the Board.

4.2.3 The Director of Finance shall monitor financial performance against budget and report to the Board.

### **4.3 Budgetary Delegation**

4.3.1 In accordance with the Scheme of Delegation, the Chief Executive may delegate responsibility for budgets.

4.3.2 The Chief Executive and delegated budget holders may not exceed budgetary totals.

4.3.3 Any budgeted funds not required for their designated purpose(s) revert to the immediate control of the Chief Executive, subject to any authorised virement.

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

### **4.4 Virement**

4.4.1 All requests for virement must be made in writing to the Head of Finance & Procurement or Senior Management Accountant.

4.4.2 All virement must be formally authorised in writing according to the following scales:

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- Pay items: Directors - up to £100,000 for budgets under their control, subject to the approval of Finance  
Chief Executive – between £100,000 and £250,000  
Executive Management Team (EMT) – Over £250,000
- Non-pay items: Directors - up to £10,000 for budgets under their control, subject to the approval of Finance  
Chief Executive - between £10,000 and £500,000  
Board – unlimited
- Virements above £500,000 will be reported to the Board and notified to the Head of Finance & Procurement.
- The Reserves will be managed by the Director of Finance on behalf of the Executive Management Team, who will have authority to release reserves to budgets as appropriate. Any movement in excess of £500,000 will be reported to the Board at the next available opportunity.

4.4.3 Recurring virement from staff to non-staff budgets must be accompanied by a permanent reduction in staffing establishments.

4.4.4 Where a budget includes both staff and non-staff elements, unplanned under spends caused by staff vacancies must not be used for non-staff purposes without the approval of the Head of Finance & Procurement or Senior Management Accountant.

#### 4.5 **Budgetary Control and Reporting**

4.5.1 The Director of Finance will authorise systems for budgetary control. These will include:

- a) financial reports to every scheduled meeting of the Board;
- b) the issue of timely, accurate and comprehensible advice and financial reports to each budget holder, covering the areas for which they are responsible;
- c) investigation and reporting of variances from financial, and manpower budgets;
- d) monitoring of management action to correct variances; and
- e) arrangements for the authorisation of budget transfers.

4.5.2 Each Budget Holder is responsible for ensuring that:

- a) any likely overspending or reduction of income which cannot be met by virement is not incurred without the prior consent of the Chief Executive or Director;
- 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; and
- c) approved staffing establishments are not exceeded.

#### 4.6 **Capital Expenditure**

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4.6.1 The general rules applying to delegation and reporting shall also apply to capital expenditure.

#### 4.7 **Monitoring Returns to the Health Directorate**

4.7.1 The Director of Finance is responsible for ensuring that appropriate monitoring returns are submitted.

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## **5 Annual Accounts**

- 5.1 The Director of Finance, on behalf of the Board, will:
- a) prepare financial returns in accordance with the guidance given by the Health Directorate;
  - b) prepare and submit certified Annual Accounts to the Scottish Government in accordance with national requirements.
- 5.2 The Board's Annual Accounts must be adopted by the Board at a public meeting, and audited by an auditor appointed by Audit Scotland.

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## **6 Bank and Government Banking Service Accounts**

### **6.1 General**

6.1.1 The Director of Finance is responsible for managing the Board's banking arrangements and for advising the Board on the provision of banking services and operation of accounts. This advice will take into account guidance/ directions issued from time to time by the Health Directorate.

6.1.2 The Board shall approve the banking arrangements.

### **6.2 Bank and Government Banking Service Accounts**

6.2.1 The Director of Finance is responsible for:

- a) bank accounts and Government Banking accounts;
- b) establishing a separate bank account for the Board's non-exchequer funds;
- c) ensuring payments made from bank or Government Banking accounts do not exceed the amount credited to the accounts except where arrangements have been made; and
- d) reporting to the Board all arrangements made with the Board's bankers for accounts to be overdrawn.

6.2.2 The principal bank account, known as the Government Banking Service (GBS) Account, is a NatWest Account. The NatWest account will be used for:

- a) the receipt of advances from the Health Directorate.
- b) receiving payments from customers and making CHAPS (Clearing House Automated Payment System) payments.
- c) Making payments such as Payable Orders and BACS.
- d) The sponsorship of BACS payments

### **6.3 Banking Procedures**

6.3.1 The Government Banking Service was established in April 2008 and is the banking shared service provider to government and the wider public sector. It is part of HM Revenue & Customs (HMRC) and incorporates the Office of HM Paymaster General (OPG) who had provided banking services to the public sector since 1836. The detailed instruction on the operation of these bank accounts is contained within the Service Level Agreement between the Board and the Government Banking Service. The Director of Finance will ensure these instructions are adhered to.

6.3.2 The balances of accounts holding public funds shall be maintained at the lowest practicable levels, and in accordance with any instructions on treasury management received from the Scottish Government. Any subsidiary bank account opened in the name of the Board and operated on a single signature may not at any time be overdrawn.

6.3.3 An officer or officers shall be nominated, in writing, by the Director of Finance to authorise the payment of money from any bank account. Payments drawn on bank accounts shall be authorised as follows:

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- (1) By the use of pre-signed Payable Orders;
- (2) By the electronic transfer of funds where the security procedures have been approved by the Director of Finance;
- (3) By the use of manually produced cheques signed by any one authorised officer if under the value of £500 drawn as cash, and by two authorised officers if over the value of £500.

6.3.4 Subsidiary accounts shall be funded by the electronic transfer of funds from the main account.

6.3.5 All Payable Orders and cheques must be treated as Controlled Stationery, in the charge of a duly designated officer controlling their issue.

#### **6.4 Tendering and Review**

6.4.1 The Scottish Government Health Directorate was responsible for implementing the current banking arrangements so tendering and review is not the responsibility of the Board.

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## **7 Income, Fees and Charges and Security of Cash, Cheques and other Negotiable Instruments**

### **7.1 Income Systems**

- 7.1.1 The Director of Finance is responsible for designing, maintaining and ensuring compliance with systems for the proper recording, invoicing, collection and coding of all monies due.
- 7.1.2 The Director of Finance is also responsible for ensuring the prompt banking of all monies received.
- 7.1.3 Staff will be informed in writing, on appointment, of their responsibilities for the collection, handling and disbursement of cash, cheques, etc.

### **7.2 Fees and Charges**

- 7.2.1 The Board shall follow the Health Directorate's guidance in setting prices for Agreements for the provision of health services.
- 7.2.2 All employees must inform the Finance Department promptly of money due arising from transactions which they initiate/ deal with, including all contracts, leases, tenancy agreements, private patient undertakings and other transactions.
- 7.2.3 The Director of Finance is responsible for ensuring that all fees and charges set by the Board are reviewed regularly.

### **7.3 Debt Recovery**

- 7.3.1 The Director of Finance is responsible for ensuring that the appropriate recovery action is taken on all outstanding debts and overpayments.
- 7.3.2 In respect of debt recovery all outstanding debts and overpayments should be recovered with immediate payment. However in respect of where this may cause financial hardship a reasonable recovery period for the payment can be agreed but may not normally exceeds 12 calendar months. Any request that a recovery period be in excess of 12 calendar months must be discussed with and authorised in advance by the Director of Finance before any agreement is made with the debtor.
- 7.3.3 Income not received shall be dealt with in accordance with losses procedures as issued by the Health Directorate.

### **7.4 Security of Cash, Cheques and Other Negotiable Instruments**

- 7.4.1 The Director of Finance is responsible for:
  - a) approving the form of all receipt books, agreement forms, or other means of officially acknowledging or recording monies received or receivable;
  - b) ordering and securely controlling any such stationery;

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- c) the provision of adequate facilities and systems for staff whose duties include collecting and holding cash, including the provision of safes or lockable cash boxes, the procedures for keys, and for coin operated machines;
  - d) prescribing systems and procedures for handling cash and negotiable securities on behalf of the Board.
- 7.4.2 Official money shall not under any circumstances be used for the encashment of private cheques.
- 7.4.3 All cheques, postal orders, cash etc, shall be banked intact. Disbursements shall not be made from cash received, except under arrangements approved by the Director of Finance.
- 7.4.4 The holders of safe keys shall not accept unofficial funds for depositing in their safes unless such deposits are in special sealed envelopes or locked containers. It shall be made clear to the depositors that the Board is not to be held liable for any loss, and written indemnities must be obtained from the organisation or individuals absolving the Board from responsibility for any loss.
- 7.4.5 Key holders will hold only one key and all duplicates will be lodged with the Board's bankers or such other officer authorised by the Director of Finance and suitable receipts obtained.
- 7.4.6 The loss of any key shall be reported immediately to the Director of Finance, who on receipt of a satisfactory explanation shall authorise the release of the duplicate key.
- 7.4.7 The Director of Finance shall be responsible for maintaining a register of authorised holders of safe keys.
- 7.4.8 All unused cheques and other orders shall be subject to the same security precautions as are applied to cash. Bulk stocks of cheques shall normally be retained by the Board's bankers.
- 7.4.9 The use of a cheque-signing machine and / or cheques with a pre-printed signature included shall be subject to such special security precautions as may be required from time to time by the Director of Finance.
- 7.4.10 Any loss or shortfall of cash, cheques, or other negotiable instruments, however occasioned, will be reported immediately in accordance with the agreed procedure for reporting losses. (See also Section 16 - Disposals and Condemnations, Losses and Special Payments).
- 7.4.11 All the Board's floats and cash holdings are public money and are only to be used in circumstances covered by these Standing Financial Instructions.
- 7.4.12 Under no circumstances shall unofficial loans be made to staff or patients from Board funds. The only loans allowed to staff will be approved salary advances (as set out in section 9.4.2). Any misuse of Board funds will be considered a

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disciplinary matter.

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## **8 Commissioning Healthcare**

- 8.1 The Director of Finance is responsible for the arrangements for negotiating the Board's Healthcare Agreements and must:
- a) ensure that agreements for healthcare are placed in accordance with guidance issued by the Health Directorate, the need to achieve value for money and to minimise risk;
  - b) report progress on negotiations to the Board at regular intervals;
  - c) ensure that agreements placed are within the resources available to the organisation;
  - d) establish arrangements for the handling of charges for unplanned activity which are in accordance with national guidance; and
  - e) ensure systems operate in such a way as to maintain patient confidentiality.
- 8.2 The Board's commissioning arrangements will have regard to the Shetland Islands Health and Social Care Partnership's Joint Commissioning and Procurement Framework. For the avoidance of doubt, the Standing Financial Instructions will take precedent over the Framework. In the event of any issues arising from a conflict between a proposal in the Framework and the Board's Standing Financial Instructions, the default position is that the Standing Financial Instructions will be followed and any proposal to the contrary would therefore require a Board decision.
- 8.3 Large value SLAs / Contracts may require specific Board sign off as set out in the Delegated Authority Limits.

## **9 Terms of Service and Payment of Board Members and Staff**

### **9.1 Remuneration and Terms of Service**

9.1.1 The Board shall establish a Staff Governance Committee in accordance with the Scheme for the Constitution, Composition and Functions of Committees.

### **9.2 Funded Establishment**

9.2.1 The funded establishment of any Department shall not be varied without the approval of the Chief Executive.

### **9.3 Staff Appointments**

9.3.1 No member of staff shall be engaged, re-engaged, or regraded, nor shall agency staff be hired, unless authorised by the Chief Executive or as delegated by the Chief Executive; and within the limit of approved budgets and funded establishments. From time to time, the Chief Executive may add certain caveats to this delegation of authority (such as a requirement to take vacant posts to a Board Vacancy Committee).

9.3.2 A certified appointment form and such other documents as the Director of Finance may require shall be sent to the Payroll Manager immediately upon the employee commencing duty.

### **9.4 Processing Of Payroll**

9.4.1 The Director of Finance is responsible for:

- a) authorising timetables for submission of properly authorised time records and other notifications;
- b) the final determination of payment;
- c) making payment on agreed dates, having regard to the general rule that it is undesirable to make payments in advance; and
- d) agreeing method of payment, this normally shall be by Bank Credit Transfer.

9.4.2 The Director of Finance will approve instructions regarding:

- a) verification and documentation of data;
- b) the timetable for receipt and preparation of payroll data and the payment of employees;
- c) maintenance of subsidiary records for superannuation, income tax, social security and other authorised deductions from pay;
- d) security and confidentiality of payroll information;
- e) checks to be applied to completed payroll before and after payment;
- f) authority to release payroll data under the provisions of the Data Protection Act;
- g) methods of payment available to various categories of employee;
- h) procedures for payment by cheque or bank credit to employees;

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- i) procedures for the recall of cheques and bank credits
- j) pay advances and their recovery;
- k) maintenance of regular and independent reconciliation of pay control accounts;
- l) separation of duties of preparing records; and
- m) a system to ensure the recovery from leavers of sums of money and property due by them to the Board.

9.4.3 Senior Managers and Heads of Departments have delegated responsibility for:

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

9.4.4 Regardless of the arrangements for providing the payroll service, the Director of Finance shall ensure that the chosen method is supported by appropriate (contracted) terms and conditions, adequate internal controls and audit review procedures and that suitable arrangements are made for the collection of payroll deductions and payment of these to appropriate bodies.

9.4.5 The Director of Finance shall ensure that the Board's liability to taxation, including P.A.Y.E. and National Insurance, is managed appropriately, taking full advantage of available concessions, through the maintenance of appropriate records, the preparation and submission of the required returns and the recovery of deductions at source.

9.4.6 Individual members of staff will be responsible for submitting travel and subsistence claims for reimbursement to their line manager on a timely basis. Any claims submitted more than three months after the expenditure was incurred will not be reimbursed unless there are extenuating circumstances.

## 9.5 **Contracts of Employment**

9.5.1 The Chief Executive may delegate responsibility for:

- a) ensuring that all employees are issued with a Contract of Employment in a form which complies with employment legislation; and
- b) dealing with variations to, or termination of, contracts of employment.

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## **10 Non-Pay Expenditure**

### **10.1 Delegation of Authority**

10.1.1 The Chief Executive will set out:

- a) the list of managers who are authorised to place orders for the supply of goods and services; and
- b) the maximum level of each order and the system for authorisation above that level.

### **10.2 Ordering, Receipt and Payment for Goods and Services**

10.2.1 The Director of Finance shall be responsible for ensuring that the Finance Department makes prompt payment of accounts and claims. Payment of contract invoices shall be in accordance with contract terms, or otherwise, in accordance with national guidance.

10.2.2 The Director of Finance will:

- a) prepare procedural instructions on the obtaining of goods, works and services;
- b) be responsible for designing and maintaining a system of verification, recording and payment of all amounts payable. The system shall provide for:
  - i. A list of officers (including specimens of their signatures) authorised to certify invoices.
  - ii. Certification that:
    - goods have been duly received, examined and are in accordance with specification and the prices are correct;
    - work done or services rendered have been satisfactorily carried out in accordance with the order, and, where applicable, the materials used are of the requisite standard and the charges are correct;
    - in the case of contracts based on the measurement of time, materials or expenses, the time charged is in accordance with the time sheets, the rates of labour are in accordance with the appropriate rates, the materials have been checked as regards quantity, quality, and price and the charges for the use of vehicles, plant and machinery have been examined;
    - where appropriate, the expenditure is in accordance with regulations and all necessary authorisations have been obtained;
    - the account is arithmetically correct;
    - the account is in order for payment.
  - iii. A timetable and system for submission of accounts for payment; including provision for the early submission of accounts subject to cash discounts or otherwise requiring early payment.

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- iv. Instructions to employees regarding the handling and payment of accounts within the Finance Department.
- c) be responsible for ensuring that payment for goods and services is only made once the goods and services are received.

#### 10.2.3 Official Orders must:

- a) be consecutively numbered;
- b) be in a form approved by the Director of Finance;
- c) state the Board's terms and conditions of trade;
- d) only be issued to and used by those duly authorised by the Chief Executive; and
- e) be easily available to the Director of Finance either in paper form or accessible through a computerised purchase ledger system.

#### 10.2.4 Managers must ensure that they comply fully with the guidance and limits specified by the Director of Finance and that:

- a) all contracts, leases, tenancy agreements and other commitments which may result in a liability are notified to the Director of Finance or as delegated by the Director of Finance in advance of any commitment being made;
- b) where consultancy advice is being obtained, the procurement of such skills must be in accordance with guidance issued by the Health Directorate;
- c) no order shall be issued for any item or items to any supplier who has made an offer of gifts, reward or benefit contrary to the Board's policy on Standards of Business Conduct;
- d) no order is placed for any item or items for which there is no budget provision;
- e) all goods, services, or works are ordered on an official order except works and services executed in accordance with a contract and purchases from petty cash;
- f) oral orders must only be issued very exceptionally - by an employee designated by the Chief Executive and only in cases of urgent necessity. These must be confirmed by an official order which is clearly marked "Confirmation Order";
- g) orders are not split or otherwise placed in a manner devised so as to avoid financial thresholds;
- h) goods are not taken on trial or loan in circumstances that could commit the Board to a future purchase;
- i) changes to the list of officers authorised to certify invoices are notified to the Director of Finance;
- j) purchases from petty cash are restricted in value and by type of purchase in accordance with instructions issued by the Director of Finance; and
- k) petty cash records are maintained in a form as determined by the Director of Finance.

10.2.5 The principles relating to the acceptance by Health Service staff of financial assistance, gifts and hospitality from suppliers and the declaration of interests are detailed in the Board's Policy on Standards of Business Conduct.

### 10.3 Grants to Other Bodies

10.3.1 Grants to other bodies for the provision of services shall be made in

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accordance with Health Directorate guidance.

10.3.2 Grants will only be made in accordance with procedures approved by the Director of Finance.

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## **11 Borrowing**

### **11.1 Overdrafts**

11.1.1 The Director of Finance is responsible for reporting periodically to the Board the status of any overdraft. The Director of Finance will advise the Board of any proposed new overdraft.

11.1.2 Any application for an overdraft will only be made by the Director of Finance.

11.1.3 The Director of Finance shall prepare detailed procedural instructions concerning applications for an overdraft.

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## 12 Contracting (Non-Healthcare Contracts)

- 12.1 The Chief Executive shall ensure that systems are in place to comply fully with the Board's Policy on Standards of Business Conduct.
- 12.2 National, regional & local contracts: Where national, regional or local contracts exist (including framework arrangements) the overriding principle is that use of these contracts is mandatory. Only in exceptional circumstances and only with the authority of the Board's lead Procurement Manager or the Director of Finance, based on existing schemes of delegation, shall goods or services be ordered out-with such contracts. Procurement leads will work with National Procurement and other national contracting organisations to ensure best value decisions are made, and that a record of exceptions is maintained for review.
- 12.3 CAP Panel Membership: CAP panels will have a membership consistent with the principle of decision making based on the consensus of the majority of informed users. Boards should ensure that appropriate representation, based upon the clinical or commodity area concerned is released to and provided with the appropriate authority to input on behalf of a Board and/or clinical specialism.
- 12.4 eCommerce Systems: In support of governance and transparency each Board should adopt the Scottish Government national eCommerce solutions and associated business processes for all procurement activity. These solutions will include Public Contracts Scotland, Public Tenders Scotland, Collaborative Content Management, Quick Quote and Pecos. Use of alternative or local systems for procurement activity must be approved by the Board's lead Procurement Manager or the Director of Finance, based on existing schemes of delegation. Procurement leads will work with National Procurement and any other relevant bodies to ensure appropriate decisions are made.
- 12.5 Transparency: All awards whether from existing framework contracts or local tender processes will be established following the principles of openness and transparency. This requires clear specifications of need and award criteria against which competing offers can be assessed. All members of evaluation panels must confirm that they have no conflict of interest in relation to the specific procurement activity. Any individual wishing to challenge an award decision must also confirm likewise. Any member of staff who confirms a conflict of interest will not be able to be involved in such panels or challenges.
- 12.6 For all procurement above £10,000 inclusive of VAT where no national, regional or local contracts exist (including framework arrangements) the Board must follow the Scottish Government's Procurement Journey. The Procurement Journey is intended to support all levels of procurement activities and to help manage the expectations of stakeholders, customers and suppliers alike. It facilitates best practice and consistency across the Scottish public sector. The Procurement Journey provides one source of guidance and documentation for the Scottish public sector which is updated on a continual basis with any changes in legislation, policy and facilitates best practice and

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consistency. The source documentation in the Procurement Journey should be used for every procurement exercise to ensure the most recent guidance and templates are being used on an ongoing basis. The Procurement Journey has been updated to be compliant with the Public Contracts (Scotland) Regulations 2015, Procurement (Scotland) Regulations 2016 and the statutory guidance. The Scottish Government's Quick Quote should be used for such procurements between £10,000 and £50,000 inclusive of VAT.

12.7 The Procurement Journey can be accessed using the below URL:

<https://www.procurementjourney.scot/procurement-journey>

12.8 For all procurement below £10,000 inclusive of VAT where no national, regional or local contracts exist (including framework arrangements) the following thresholds apply:

Tendering/Quotations	Requirement
£1,001 - £10,000	3 written Quotations where possible. Quick Quote can be used but is optional
< £1,000	No Requirements

12.9 12.6 to 12.8 above will be used unless it is considered appropriate to award contracts, or purchase goods/services, on the following basis.

- a) For the duration of the partnership arrangement with Grampian NHS Board it will be acceptable for a firm to be awarded a contract without a formal tender being undertaken by Shetland NHS Board provided that they have been previously awarded a contract for similar works by Grampian NHS Board (in accordance with Grampian's Standing Financial Instructions and the terms and conditions of the Grampian NHS Board contract is considered to be value for money) within the previous calendar year and as long as the total value of the NHS contract (inclusive of VAT and fees) is less than £50,000.
- b) In line with our partnership agreement with Shetland Islands Council (SIC) it will be acceptable for a firm to be awarded a contract without a formal tender being undertaken by Shetland NHS Board provided that they have been previously awarded a contract for similar works by SIC (in accordance with their Standing Financial Instructions and the terms and conditions of the SIC contract is considered to be value for money). The total value of the NHS contract (inclusive of VAT and fees) must not be greater than £20,000.

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## **13 Capital Expenditure, Private Financing, Fixed Asset Registers and Security of Assets**

### **13.1 Capital Expenditure**

#### 13.1.1 The Chief Executive:

- a) shall ensure that the Board has in place
  - i. Construction Procurement Policies and Procedures
  - ii. A Property Strategy in accordance with the NHS Scotland Property Transactions Handbook
  - iii. A five year Capital Investment Plan
- b) shall ensure that there is an adequate appraisal process in place for determining capital expenditure priorities;
- c) is responsible for the management of all stages of capital schemes, within the programme approved by the Board, and for ensuring that schemes are completed within agreed budgets and timescales.

13.1.2 For capital schemes where the contracts stipulate stage payments, the Chief Executive will issue procedures for their management, incorporating the recommendations of the Health Directorate.

13.1.3 The Director of Finance shall issue procedures for the regular reporting of expenditure and commitment against authorised expenditure.

13.1.4 The Director of Finance shall issue procedures governing the financial management of capital projects and valuation for accounting purposes.

### **13.2 Private Finance**

13.2.1 When it is proposed to use finance which includes an element of private finance, this will be in accordance with guidance and directions issued by the Health Directorate.

### **13.3 Asset Registers**

13.3.1 The Head of Finance & Procurement is responsible for the maintenance of a Register of Assets, 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.

13.3.2 The minimum data set to be held within the Register shall be as specified by the Health Directorate.

13.3.3 Additions to the Register must be clearly identified to an appropriate budget holder and be validated by reference to:

- a) properly authorised and approved agreements, architect's certificates, supplier's invoices and other documentary evidence in respect of purchases from third parties;
- b) stores, requisitions and wages records for own materials and labour including

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- c) appropriate overheads; and
- c) lease agreements in respect of assets held under a finance lease and capitalised.

13.3.4 Where 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).

13.3.5 The Director of Finance shall approve procedures for reconciling balances on fixed assets accounts in ledgers against balances on the Asset Register:

- a) All discrepancies revealed by verification of physical assets to the Asset Register shall be notified to the Director of Finance;
- b) The value of each asset shall be indexed to current values in accordance with the guidance issued by the Health Directorate;
- c) The value of each asset shall be depreciated using methods and rates as specified in the guidance issued by the Health Directorate;
- d) The Director of Finance shall approve a procedure for the calculation and payment of capital charges as specified by the Health Directorate.

#### 13.4 **Security of Assets**

13.4.1 The overall control of assets is the responsibility of the Chief Executive.

13.4.2 Asset control procedures (including assets, cash, cheques and negotiable instruments, and also including donated assets) must be approved by the Director of Finance. This procedure shall make provision for:

- a) recording managerial responsibility for each asset;
- b) identification of additions and disposals;
- c) identification of all repairs and maintenance expenses;
- d) physical security of assets;
- e) periodic verification of the existence of, condition of, and title to, assets recorded;
- f) identification and reporting of all costs associated with the retention of an asset; and
- g) reporting, recording and safekeeping of cash, cheques, and negotiable instruments.

13.4.3 All discrepancies revealed by verification of physical assets to the Asset Register shall be notified to the appropriate departmental head and to the Director of Finance, who may also undertake such other independent checks as he considers necessary.

13.4.4 Any damage to the Board's premises, vehicles and equipment, or any loss of equipment, stores or supplies must be reported by staff in accordance with the procedure for reporting losses.

13.4.5 Where practical, assets should be marked as Board property.

13.4.6 Separate records shall be maintained for equipment on loan from suppliers

13.4.7 Records shall be maintained and receipts obtained for:

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- a) equipment on loan to patients; and
- b) all contents of furnished lettings.

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## 14 Stores and Receipt of Goods

- 14.1 There are three broad locations where stores may be held:
- a) Controlled Stores - specific areas designated for the holding and control of goods;
  - b) Wards and departments - goods required for immediate usage to support operational services. In many instances these goods will have been issued from controlled stores. In other instances they will have been delivered from an external source. Goods held in excess of average consumption for the regular topping up period shall be identified as stock.
  - c) Manufactured Items - where goods and consumables are being made or processes are applied which add to the raw material cost of the goods, they shall be regarded as manufactured. During the process of manufacture there will be items in various stages of completion - 'work in progress'. These items must be included in stock figures.
- 14.2 The Head of Finance & Procurement has overall responsibility for the control of stores. The day-to-day responsibility may be delegated by him to departmental staff and stores managers/ keepers, subject to such delegation being entered in a record available to the Director of Finance.
- 14.3 The responsibility for security arrangements and the custody of keys for all stores and locations shall be clearly defined in writing by the designated manager. Wherever practicable, stocks should be marked as health service property.
- 14.4 The Director of Finance shall approve procedures and systems to regulate the stores including records for receipt of goods, issues, and returns to stores, and losses.
- a) All goods received will be checked as regards quantity and/or weight and inspected as to quality and specification.
    - i. A delivery note shall be obtained from the supplier at the time of delivery and shall be signed by the person receiving the goods.
    - ii. Instructions will be issued to staff covering the procedure to be adopted in those cases where a delivery note is not available.
  - b) All goods received shall be entered onto an appropriate goods received/stock record (whether a computer or manual system) on the day of receipt.
    - i. If goods received are unsatisfactory, the records shall be marked accordingly.
    - ii. Further, where goods received are seen to be unsatisfactory, or short on delivery, they shall only be accepted on the authority of the designated officer and the supplier shall be notified immediately.
  - c) The issue of stocks shall be supported by an authorised requisition note and a receipt for the stock issued shall be returned to the Procurement Supervisor;
  - d) All transfers and returns shall be recorded on forms/systems provided for the purpose and approved by the Director of Finance.

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- e) Breakages and other losses of goods in stores shall be recorded as they occur and a summary shall be presented to the Director of Finance at regular intervals.
    - i. Tolerance levels shall be established for all stocks subject to unavoidable loss, e.g. shrinkage in the case of certain foodstuffs and natural deterioration of certain goods.
    - ii. See also Section 16 - Condemnations, Losses and Special Payments.
- 14.5 Stocktaking arrangements shall be agreed with the Director of Finance and there shall be a physical check covering all items in store at least once a year.
- a) The physical check shall be carried out on a rolling basis over a twelve month period by the Procurement Supervisor;
  - b) The stocktaking records shall be numerically controlled and signed by the officers undertaking the check; and
  - c) Any surplus or deficiencies revealed on stocktaking will be investigated by the Procurement Supervisor and adjusted accordingly up to a value of £200. A print-out of all write-offs / write-ons or other adjustments will be sent to the Head of Finance & Procurement, who may investigate these as appropriate.
- 14.6 Where a complete system of stores control is not justified, alternative arrangements shall require the approval of the Director of Finance.
- 14.7 The Procurement Supervisor shall be responsible for a system approved by the Director of Finance for a review of slow moving and obsolete items and for condemnation, disposal, and replacement of all unserviceable articles. The Procurement Supervisor shall report to the Director of Finance any evidence of significant overstocking and of any negligence or malpractice (see also paragraph 16, Condemnations, Losses and Special Payments). Procedures for the disposal of obsolete stock shall follow the procedures set out for disposal of all surplus and obsolete goods.
- 14.8 For goods supplied from Controlled Stores, the Procurement Supervisor shall identify those authorised to requisition and accept goods from the store. The authorised person shall check receipt against the delivery note and satisfy them self that the goods have been received before accepting the recharge.
- 14.9 Stocks shall be valued at the lower of cost or net realisable value.
- a) For this purpose, cost shall be ascertained on either the basis used on the principle of First In, First Out (FIFO), or on the basis of average purchase price.
  - b) The cost of stock, with the exception of finished stock arising from manufacturing, shall be the purchase price without overheads.
  - c) For 'manufacturing' finished stock, direct overheads should be included.
  - d) The cost basis used must be clearly stated in any returns and accounts.
- 14.10 Stocks which have deteriorated, or are not usable, for any other reason for their intended purposes, or may become obsolete, shall be written down to their net realisable value. The write down shall be approved by the Director of Finance.

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## **15 Disposals and Condemnations, Losses and Special Payments**

### **15.1 Disposals and Condemnations**

15.1.1 The Director of Finance shall prepare detailed procedures for the disposal of assets including condemnations, and ensure that these are notified to managers.

15.1.2 When it is decided to dispose of a Board asset, the head of department or authorised deputy will determine and advise the Director of Finance of the estimated market value of the item, taking account of professional advice where appropriate.

15.1.3 All unserviceable articles shall be:

- a) condemned or otherwise disposed of by a head of department, together with a nominated officer authorised for that purpose by the Chief Executive, in accordance with the procedures prepared by the Director of Finance;
- b) recorded in a form approved by the Director of Finance which will indicate whether the articles are to be converted, destroyed or otherwise disposed of.

15.1.4 The Condemning Officer and the Nominated Officer shall satisfy himself as to whether or not there is evidence of negligence in use and shall report any such evidence to the and Director of Finance who shall take the appropriate action.

### **15.2 Losses and Special Payments**

15.3 The Director of Finance shall approve procedural instructions for the recording of and accounting for condemnations, losses, and special payments in accordance with guidance and directions issued by the Health Directorate.

15.3.1 Any employee discovering or suspecting a loss of any kind must immediately inform their head of department, who must immediately inform the Chief Executive and the Director of Finance.

The procedure described in sub-section 20 of Section 6 below should then be followed.

15.3.2 Within limits delegated to the Board by the Health Directorate, the Chief Executive shall approve the writing-off of losses.

15.3.3 The Director of Finance shall be authorised to take any necessary steps to safeguard the Board's interests in bankruptcies and company liquidations.

15.3.4 For any loss, the Director of Finance should consider whether any insurance claim could be made against insurers.

15.3.5 The Director of Finance shall maintain a Losses and Special Payments Register in which write off action is recorded. A schedule of losses and special payments will be submitted regularly to the Audit Committee for scrutiny.

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15.3.6 No special payments exceeding delegated limits shall be made without the prior approval of the Health Directorate.

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## 16 Information Technology

- 16.1 The Director of Finance, who is responsible for the accuracy and security of the computerised financial data of the Board, shall:
- a) devise and implement any necessary procedures to ensure adequate (reasonable) protection of the Board's data, programs and computer hardware for which he is responsible from accidental or intentional disclosure to unauthorised persons, deletion or modification, theft or damage, having due regard for the Data Protection Act 1998;
  - b) ensure that adequate (reasonable) controls exist over data entry, processing, storage, transmission and output to ensure security, privacy, accuracy, completeness, and timeliness of the data, as well as the efficient and effective operation of the system;
  - c) ensure that adequate controls exist such that the computer operation is separated from development, maintenance and amendment;
  - d) ensure that an adequate management (audit) trail exists through the computerised system and that such computer audit reviews as he may consider necessary are being carried out.
- 16.2 The Director of Finance shall satisfy himself that new financial systems and amendments to current financial systems are developed in a controlled manner and thoroughly tested prior to implementation. Where this is undertaken by another organisation, assurances of adequacy will be obtained from them prior to implementation.
- 16.3 The Director of Finance shall ensure that contracts for computer services for financial applications with another health organisation or any other agency shall clearly define the responsibility of all parties for the security, privacy, accuracy, completeness, and timeliness of data during processing, transmission and storage. The contract should also ensure rights of access for audit purposes.
- 16.4 Where another health organisation or any other agency provides a computer service for financial applications, the Director of Finance shall periodically seek assurances that adequate controls are in operation.
- 16.5 Where computer systems have an impact on corporate financial systems which encompasses all aspects of financial systems, including endowment / trust funds, stores and patients' funds, the Director of Finance shall satisfy himself that:
- a) systems acquisition, development and maintenance are in line with corporate policies;
  - b) data produced for use with financial systems is adequate, accurate, complete and timely, and that a management (audit) trail exists;
  - c) Finance staff have access to such data: and
  - d) such computer audit reviews as are considered necessary are being carried out.

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## 17 Patients' Property

17.1 The Board 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.

17.2 The Director of Nursing and Acute Services is responsible for ensuring that patients or their guardians or their power of attorneys, as appropriate, are informed before or at admission by:

- a) notices and information booklets;
- b) hospital admission documentation and property records;
- c) the oral advice of administrative and nursing staff responsible for admissions, of the Codes of Practice and Procedures for managing patients' financial affairs included in the guidance issued by the Scottish Government Health Directorate; and
- d) that the Board 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.

17.3 The Director of Finance must provide detailed written 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 of patients transferred to other premises) for all staff whose duty is to administer, in any way, the property of patients. Due care should be exercised in the management of a patient's money in order to maximise the benefits to the patient. The instructions shall cover the necessary arrangements for withdrawal of cash or disbursement of money held in accounts of patients who are incapable of handling their own financial affairs. Such arrangements must be in accordance with the Adults with Incapacity Act (Scotland) 2000. In accordance with the Act, the Director of Finance will undertake an annual review of compliance with the Act's requirements, which shall include a review of the Note of Authorities issued by the Board to Montfield Hospital and Gilbert Bain Hospital, as required.

17.3.1 A patient's property record, in a form approved by the Director of Finance, shall be completed in respect of the following:

- a) property handed in for safe custody by any patient (or guardian as appropriate); and
- b) property taken into safe custody having been found in the possession of:
  - i. mentally disordered patients
  - ii. confused and/or disorientated patients
  - iii. unconscious patients
  - iv. patients dying in hospital
  - v. patients found dead on arrival at hospital

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vi. patients severely incapacitated for any reason

17.3.2 A record shall be completed in respect of all persons in category (b), including a nil return where no property is taken into safe custody:

- a) the record shall be completed by a Registered Nurse in the presence of a second member of staff and the patient or representative where practicable;
- b) both members of staff and the patient will sign the record, except where the patient is restricted by physical or mental incapacity;
- c) any alterations shall be validated by signatures as required for the original entry on the record.

17.3.3 Property handed over for safe custody shall be placed into the care of the most senior member of the nursing staff on duty.

17.3.4 Patient's income, including pensions, and allowances shall be dealt with in accordance with current Health Directorate and Department of Social Security instructions. For longer-stay patients, the Board shall ensure that funds are managed in accordance with the requirements of the Adults with Incapacity Act (Scotland) 2000.

17.3.5 With the exception of deceased patients, the return of cash handed in for safe custody will be dealt with in accordance with current Health Directorate and Department of Work and Pensions instructions.

- a) Property other than cash which has been handed in for safe custody shall be returned to the patient, as required, by the officer who has been responsible for its security;
- b) All returns will be receipted by the patient, guardian, or power of attorney, and witnessed.

17.3.6 The disposal of property of deceased patients shall be effected by the officer who has been responsible for its security.

- a) Such disposal shall be in accordance with the written instructions issued by the Director of Finance;
- b) Where cash or valuables have been deposited for safe custody they shall only be released after written authority has been given;
- c) Such authority shall include details of the lawful kin or other person entitled to the cash and valuables in question;
- d) In respect of a deceased patient's property, if there is no Will and no lawful kin, the property vests in the Crown and particulars shall, therefore, be notified to the Queen's and Lord Treasurer's Remembrancer;
- e) Any funeral expenses necessarily borne by the Board are a first charge on a deceased person's estate. Where arrangements for burial or cremation are not made privately any cash of the estate held by the Board may be appropriated towards funeral expenses, upon the authorisation of the Director of Finance. No other expenses or debts shall be discharged out of the estate of a deceased patient.

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- 17.4 Where Health Directorate guidance requires the opening of separate accounts for patients' monies, these shall be opened and operated under arrangements agreed by the Director of Finance.
- 17.5 In all cases where the property of a deceased patient is of a total value in excess of £17,000 (or such other amount as may be prescribed by legislation and advised by the Health Directorate), the production of Confirmation of Estate shall be required before any of the property is released. Where the total value of property is £17,000 or less, forms of indemnity shall be obtained, except in cases where there is doubt over the entitlement to claim an estate, where Confirmation of Estate should be obtained.
- 17.6 Staff shall be informed, on appointment, by the appropriate departmental or senior manager, of their responsibilities and duties for the administration of the property of patients.
- 17.7 Where patients' property or income is received for specific purposes and held for safekeeping the property or income shall be used only for that purpose, unless any variation is approved by the donor in writing.
- 17.8 The Director of Finance, with delegated authority to named senior finance staff, will act as the Authorised Appointee for DWP pensions and benefits in respect of patients deemed incapable of managing their own affairs.

## **18 Endowment and Trust Funds**

### **18.1 Introduction**

18.1.1 The Board, as a corporate body, acts as a Trustee in respect of Endowments, and all Board Members are Trustees of the Endowments fund (and as such Members of the Endowments Committee). The discharge of the Board's corporate trustee responsibilities are distinct from its responsibilities for exchequer funds and may not necessarily be discharged in the same manner, but there must still be adherence to the overriding general principles of financial regularity, prudence and propriety. The Director of Finance shall ensure that each fund is managed appropriately with regard to its purpose and to its requirements, taking legal advice as necessary.

### **18.2 Existing Trusts**

18.2.1 The Director of Finance shall arrange for the administration of all existing trusts, taking legal advice as necessary. He shall ensure that a governing instrument exists for each trust.

18.2.2 The Director of Finance shall periodically review the funds in existence and shall make recommendations to the Endowments Committee regarding the potential for rationalisation of such funds within statutory guidelines.

18.2.3 The Director of Finance may recommend an increase in the number of funds where this is consistent with ensuring the safe and appropriate management of restricted funds.

### **18.3 New Trusts**

18.3.1 The Director of Finance shall, taking legal advice as necessary, arrange for the creation of a new trust where funds and/or other assets received cannot adequately be managed as part of an existing trust.

18.3.2 The Director of Finance shall present the governing document for each new trust to the Endowments Committee for adoption. Such document shall clearly identify the objects of the new trust, the capacity of the Board to delegate powers to manage and the power to assign the residue of the trust to another fund.

### **18.4 Sources of New Funds**

18.4.1 In respect of Donations, the Director of Finance shall:

- a) provide guidelines to officers of the Board as to how to proceed when offered funds. These to include:
  - i. the identification of the donor's intentions;
  - ii. where possible, the avoidance of new trusts;
  - iii. the avoidance of impossible, undesirable or administratively difficult objects;
  - iv. sources of immediate further advice;
  - v. treatment of offers for personal gifts; and
  - vi. provide secure and appropriate receipting arrangements which will indicate that

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funds have been accepted directly into the Board's trust funds and that the donor's intentions have been noted and accepted. As the Board can accept gifts only for all or any purposes relating to the Health Service, Managers shall, in cases of doubt, consult the Director of Finance before accepting any gifts.

18.4.2 All gifts, donations and proceeds of fund raising activities which are intended for the Board's use shall be handed immediately to the Director of Finance to be banked directly in the Trust Fund's Bank Account.

18.4.3 In respect of Legacies and Bequests, the Director of Finance shall:

- a) provide guidelines to officers of the Board covering any approach regarding:
  - i. the wording of wills;
  - ii. the receipt of funds/other assets from executors;
  - iii. deal with all correspondence with executors on behalf of the Board;
  - iv. where necessary, obtain Confirmation of Estate, where the Board is the beneficiary;
  - v. be empowered, on behalf of the Board, to negotiate arrangements regarding the administration of a will with executors and to discharge them from their duty; and
  - vi. be directly responsible, after taking legal advice as necessary, for the appropriate treatment of all legacies and bequests.

18.4.4 In respect of fund-raising, the Director of Finance shall:

- a) advise the Board on the financial implications of any proposal for fund raising activities which the Board may initiate, sponsor or approve;
- b) advise the Board on the financial implications of fund-raising activities by outside bodies or organisations;
- c) after taking legal advice as necessary, deal with all arrangements for fund-raising by and/or on behalf of the Board and ensure compliance with all statutes and regulations;
- d) be empowered to liaise with other organisations/persons raising funds for the Board and provide them with an adequate discharge. The Director of Finance shall be the only officer empowered to give approval for such fund-raising subject to the overriding direction of the Board;
- e) be responsible, after taking legal advice as necessary, for alerting the Board to any irregularities regarding the use of the Board's name or its registration numbers; and
- f) be responsible, after taking legal advice as necessary, for the appropriate treatment of all funds received from this source.

18.4.5 In respect of Investment Income, the Director of Finance shall be responsible for the appropriate treatment of all dividends, interest and other receipts from this source.

**Includes amendments agreed up to and including the Board Meeting on: 10 December 2019**

**Further review due by: December 2020**

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## 18.5 Investment Management

18.5.1 The Director of Finance shall be responsible for all aspects of the management of the investment of funds held on trust. The issues on which he shall be required to provide advice to the Board shall include:

- a) the formulation of investment policy within statutory obligations and within governing instruments;
- b) the appointment of advisers, brokers, and, where appropriate, fund managers;
- c) the review of the performance of brokers and fund managers;
- d) the reporting of investment performance;
- e) policy regarding the treatment of accumulated balances.

18.5.2 Investment policy shall be determined by the Endowments Committee, taking into account advice received from the Director of Finance and the Board's investment advisers.

18.5.3 Where the Board has delegated authority to its investment advisers to manage funds on its behalf they shall be bound by any conditions imposed by the Board or its officers with regard to investment policy.

18.5.4 All share and stock certificates and property deeds shall be deposited with the Board's investment managers.

## 18.6 Expenditure of Funds

18.6.1 The exercise of the Board's powers to incur expenditure shall be managed by the Director of Finance in conjunction with the Board. In so doing they shall be aware of the following:

- a) the objects of the various funds;
- b) the availability of liquid funds within each trust;
- c) the avoidance of the use of other funds to discharge trust fund liabilities, except where administratively unavoidable, and to ensure that any indebtedness to other funds shall be discharged by trust funds at the earliest possible time; and
- d) that funds are to be spent rather than preserved, subject to the wishes of the donor and the needs of the Board.

18.6.2 Expenditure of any trust funds shall be conditional upon:

- a) the item being within the terms of the appropriate trust; and
  - i. the approval of the Endowments Committee (note that where the Committee has approved a budget for specific proposals as set out in a paper to the Committee, the Chief Executive or Director of Finance will have delegated authority to authorise expenditure against such a budget) or;
  - ii. the approval of the designated officers as set out in the Delegated Authority Limits.

*(Amendments to 18.6.2 were approved at the Endowments Committee meeting held on 6 November 2018)*

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## **18.7 Banking Services**

18.7.1 The Director of Finance shall ensure that appropriate banking services are available to the Board as corporate trustee.

## **18.8 Reporting**

18.8.1 The Director of Finance shall ensure that regular reports are made to the Endowments Committee, including the receipt of funds, expenditure and investments.

18.8.2 The Director of Finance shall prepare annual accounts which, following audit, shall be submitted to the Board.

## **18.9 Accounting and Audit**

18.9.1 The Board shall appoint auditors for the Endowment Funds, on the advice of the Director of Finance.

18.9.2 The Director of Finance shall maintain financial records to enable the production of reports to the satisfaction of the appointed auditors.

## **18.10 Administration Costs**

18.10.1 The Director of Finance shall identify all costs directly incurred in the administration of funds held on trust and shall charge such costs to the appropriate trust accounts.

## **18.11 Taxation and Excise Duty**

18.11.1 The Director of Finance shall ensure that the Board's liability to taxation and excise duty is managed appropriately, taking full advantage of available concessions, through the maintenance of appropriate records, the preparation and submission of the required returns and the recovery of deductions at source.

## 19 Payments to Primary Care Contractors

19.1 In line with Scottish Government arrangements, the Practitioner Services Division (PSD) of National Services Scotland (NSS) is the payment agency for all Family Health Service (FHS) contractor payments:

- GP Contract / Section 17C Prescribing/dispensing FHS Non-cash Limited

The Director of Finance shall conclude a Service Level Agreement with the PSD covering validation, payment, monitoring and reporting and the provision of an audit service by the NSS internal auditors.

19.2 The Primary Care Manager will approve additions to, and deletions from, approved lists of contractors, taking into account the health needs of the local population, and the access to existing services. All applications and resignations received will be dealt with equitably, within any time limits laid down in the contractors' NHS terms and conditions of service.

19.3 The Manager will:

- a) ensure that lists of all contractors, for which Shetland NHS Board is responsible, are maintained and kept up to date: and
- b) ensure that systems are in place to deal with applications, resignations, inspection of premises, etc., within the appropriate contractor's terms and conditions of service.

19.4 The Director of Finance shall ensure that NSS systems are in place to provide assurance that:

- a) only contractors who are included on the Board's approved lists receive payments;
- b) all valid contractors' claims are paid correctly, and are supported by the appropriate documentation and authorisations;
- c) all payments to third parties are notified to the General Practice Independent Contractors on whose behalf payments are made;
- d) ensure that regular independent post payment verification of claims is undertaken to confirm that:
  - i. rules have been correctly and consistently applied;
  - ii. overpayments are prevented wherever possible; if however overpayments are detected, recovery measures are initiated;
  - iii. fraud is detected and instances of actual and potential fraud are followed up.
- e) exceptionally high/low payments are brought to his/her attention;
- f) payments made via the NSS are reported to the Community Health Partnership;
- g) payments made on behalf of the Board by the NSS are pre-authorised.

19.5 Payments made to all Primary Care independent contractors and community pharmacists shall comply with their appropriate contractor regulations.

**Includes amendments agreed up to and including the Board Meeting on: 10 December 2019**

**Further review due by: December 2020**

**First approved by the Board on: 12 November 2001**

## **20 Suspected Theft, Fraud and Other Irregularities**

### **20.1 Introduction**

20.1.1 The following procedures should be followed, as a minimum, in cases of suspected theft, fraud, embezzlement, corruption or other financial irregularities to comply with Scottish Home and Health Directorate Circular No HDL(2002)23. This procedure also applies to any non-public funds.

### **20.2 Theft, Fraud, Embezzlement, Corruption and Other Financial Irregularities**

20.2.1 The Chief Executive has the responsibility to designate an officer, known as the Fraud Liaison Officer (FLO) within the Board with specific responsibility for co-ordinating action where there are reasonable grounds for believing that an item of property, including cash, has been stolen. The FLO is currently the Director of Finance.

20.2.2 The FLO has specific responsibility for co-ordinating action where there are reasonable grounds for believing that theft, fraud, embezzlement, corruption and other financial irregularities have taken place. It is the FLO's responsibility to inform as he deems appropriate the police, the Counter Fraud Services (CFS), and the Director of Human Resources, where such an occurrence is suspected. In addition, the Chief Executive has nominated the Director of Finance as the Shetland NHS Board operational manager with specific responsibility for co-ordinating action following an act of theft.

20.2.3 Where any officer of the Board has grounds to suspect that any of the above activities has occurred, his or her local manager should be notified without delay. Local managers should in turn immediately notify the FLO, who should ensure consultation with the CFS, normally by the Chief Internal Auditor. It is essential that preliminary enquiries are carried out in strict confidence and with as much speed as possible.

20.2.4 If, in exceptional circumstances, the FLO is unavailable the local manager will report the circumstances to the Chief Executive who will be responsible for informing the CFS. As soon as possible thereafter the FLO should be advised of the situation.

20.2.5 Where preliminary investigations suggest that prima facie grounds exist for believing that a criminal offence has been committed, the CFS will undertake the investigation, on behalf of, and in co-operation with, the Board. At all stages the FLO will be kept informed of developments on such cases.

### **20.3 Remedial Action**

20.3.1 As with all categories of loss, once the circumstances of a case are known the Director of Finance will require to take immediate steps to ensure that so far as possible these do not recur. However, no such action will be taken if it would prove prejudicial to the effective prosecution of the case. It will be necessary to identify any defects in the control systems, which may have enabled the initial loss to occur, and to decide on any measures to prevent recurrence.

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## **20.4 Reporting to the Scottish Government Health Directorates (SGHD)**

20.4.1 While normally there is no requirement to report individual cases to the SGHD there may be occasions where the nature or scale of the alleged offence or the position of the person or persons involved, could give rise to national or local controversy and publicity. Moreover, there may be cases where the alleged fraud appears to have been of a particularly ingenious nature or where it concerns an organisation with which other health sector bodies may also have dealings. In all such cases, the SGHD must be notified of the main circumstance of the case at the same time as an approach is made to the CFS.

## **20.5 Responses to Press Enquiries**

20.5.1 Where the publicity surrounding a particular case of alleged financial irregularity attracts enquiries from the press or other media, the Chief Executive should ensure that the relevant officials are fully aware of the importance of avoiding issuing any statements, which may be regarded as prejudicial to the outcome of criminal proceedings.

**Date: October 2018**  
**Version number: 1.3**  
**Author: Director of Finance**  
**Review Date: October 2019**

**Record of Amendments**

<b>Date</b>	<b>Version</b>	<b>Committee/Group</b>	<b>Amendments</b>
12/11/2001	1.0	Board	Initial approval
24/06/2011	1.1	Board	General update of titles and terminology
Xx/11/2016	1.2	EMT	General update of titles and terminology plus amendments to S8 to reflect the Integration Joint Board and S12 to reflect changes to procurement legislation.
29/11/2016	1.2	Audit Committee	As above
13/12/2016	1.2	Board	As above
28/11/2018	1.3	Audit Committee	Review and change of font to Arial 12 per Internal Audit Action point.
04/12/2018	1.3	Board	Agreed as per Audit Committee.
16/04/19	1.3	Board	Reformat only

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## RAPID IMPACT CHECKLIST

An Equality and Diversity Impact Assessment Tool:

<p><b>Which groups of the population do you think will be affected by this proposal?</b></p> <p><b>Other groups:</b></p> <ul style="list-style-type: none"> <li>• Minority ethnic people (incl. Gypsy/travellers, refugees &amp; asylum seekers)</li> <li>• Women and men</li> <li>• People with mental health problems</li> <li>• People in religious/faith groups</li> <li>• Older people, children and young people</li> <li>• People of low income</li> <li>• Homeless people</li> <li>• Disabled people</li> <li>• People involved in criminal justice system</li> <li>• Staff</li> <li>• Lesbian, gay, bisexual and transgender Staff will be positively affected by this proposal. Clear guidance on Standing Financial Instructions will give staff the assurance that they are acting appropriately in a range of circumstances.</li> </ul>	
<p>N.B The word proposal is used below as shorthand for any policy, procedure, strategy or proposal that might be assessed</p>	<p>What positive and negative impacts do you think there may be? Which groups will be affected by these impacts?</p>

<p><b>What impact will the proposal have on lifestyles?</b> For example, will the changes affect:</p> <ul style="list-style-type: none"> <li>• Diet and nutrition</li> <li>• Exercise and physical activity</li> <li>• Substance use: tobacco, alcohol and drugs</li> <li>• Risk taking behaviour</li> <li>• Education and learning or skills</li> </ul>	<p>Yes - Less financial risk due to clearer guidelines for staff</p>
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<p><b>Will the proposal have any impact on the social environment?</b> Things that might be affected include:</p> <ul style="list-style-type: none"> <li>• Social status</li> <li>• Employment (paid or unpaid)</li> <li>• Social/Family support</li> <li>• Stress</li> <li>• Income</li> </ul>	<p>No</p>
<p><b>Will the proposal have any impact on the following?</b></p> <ul style="list-style-type: none"> <li>• Discrimination?</li> <li>• Equality of opportunity?</li> <li>• Relations between groups?</li> </ul>	<p>No</p>
<p><b>Will the proposal have an impact on the physical environment?</b> For example, will there be impacts on:</p> <ul style="list-style-type: none"> <li>• Living conditions?</li> <li>• Working conditions?</li> </ul>	<p>No</p>



<ul style="list-style-type: none"> <li>• Pollution or climate change?</li> <li>• Accidental injuries or public safety?</li> <li>• Transmission of infectious disease?</li> </ul>	
<p><b>Will the proposal affect access to and experience of services?</b> For example,</p> <ul style="list-style-type: none"> <li>• Health care</li> <li>• Transport</li> <li>• Social services</li> <li>• Housing services</li> <li>• Education</li> </ul>	<p>Yes – sound governance may lead to higher available resources for front line patient care.</p>

### Summary Sheet

<p><b>Positive Impacts (Note the groups affected)</b> Staff – Staff should benefit by knowing they are following the recommended guidelines. Removes doubt. Board – Should be confident that the controls around fixed assets are adequate and that asset registers are accurate. Government – Public money is being spent responsibly and efficiently and that Board accounts represent the true value of the assets held by NHS Shetland.</p>	<p><b>Negative Impacts (Note the groups affected)</b> No negative impacts noted</p>
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<p><b>Additional Information and Evidence Required</b> None</p>
<p><b>Recommendations</b> None</p>
<p><b>From the outcome of the RIC, have negative impacts been identified for race or other equality groups? Has a full EQIA process been recommended? If not, why not?</b> No negative impacts have been identified for race or other equality groups therefore a full EQIA process is not required.</p>

Signature(s) of Level One Impact Assessor(s) .....  
**Karl Williamson**.....

Signature(s) of Level Two Impact Assessor(s)  
 .....

Date .....21/11/2018

