



NHS LANARKSHIRE

STANDING FINANCIAL INSTRUCTIONS

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SECTION 1 INTRODUCTION

1.1 General

- 1.1.1 These Standing Financial Instructions (SFI's) are issued in accordance with the financial directions provided by the Scottish Government Health Department (SGHD) under National Health Service in Scotland (NHSiS) Statutes and Circulars. The SFI's are also in accordance with all other enabling powers for the regulation of the conduct of NHS Boards, their members, officers and agents in relation to all financial matters.
- 1.1.2 These SFI's are issued for the regulation of the conduct of the Board, its directors, officers and agents in relation to all financial matters. They shall have effect as if incorporated in the Standing Orders of the Board. They do not provide detailed procedural advice and should be read in conjunction with the detailed departmental and financial procedure notes. All financial procedures must be approved by the Director of Finance.
- 1.1.3 Standing Orders, Scheme of Delegation and SFI's provide a comprehensive governance framework. All Executive Directors, non-Executive Directors, and all members of staff, should be aware of the existence of these documents and, where necessary, be familiar with the detailed provisions. The Scheme of Delegation supporting these SFIs is attached as Annex A.
- 1.1.4 The Code of Conduct and the Code of Accountability for NHS Boards have been published by SGHD and are incorporated into Standing Orders. In addition, the principles underlying the Codes are reflected in these SFI's.
- 1.1.5 It is the duty of the Chief Executive to ensure that existing members of the Board and employees and all new appointees are notified of, and understand, their responsibilities within these instructions.
- 1.1.6 Failure to comply with SFI's will be deemed a disciplinary matter. Breaches of the SFI's will be reported to the Director of Finance and, if necessary, through the Audit Committee to the Board to take the appropriate action.
- 1.1.7 Should any difficulties arise regarding the interpretation or application of any of the SFI's then the advice of the Director of Finance must be sought before acting. The user of these SFI's should also be familiar with and comply with the provisions of the NHS Lanarkshire Standing Orders.
- 1.1.8 If for any reason these SFI's are not complied with, full details of the non-compliance and any justification for non-compliance and the circumstances around the non-compliance shall be reported to the next formal meeting of the Audit Committee for referring action or ratification. All members of the Board and staff have a duty to disclose any non-compliance with these SFI's to the Director of Finance as soon as possible.

1.2 Responsibilities and Delegation

1.2.1 The Board shall delegate its executive responsibility for the performance of its functions to the Chief Executive. As specified in the Scheme of Delegation, the Director of Finance shall exercise financial supervision and control by:

- a) requiring the submission and approval of financial plans to predetermined timetables;
- b) the authorisation of budgets within approved allocations and/or within any financial recovery plans;
- c) defining and improving the essential elements of financial arrangements in respect of important procedures and financial internal control systems (including the need to obtain value for money); and
- d) defining the specific financial responsibilities placed on officers
- e) the provision of financial advice to other members of the Board and employees.
- f) 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.
- (g) the preparation and maintenance of such accounts, certificates, estimates, records and reports as NHS Lanarkshire may require for the purpose of carrying out its statutory duties.

1.2.2 The Chief Executive and Director of Finance can delegate their detailed responsibilities where appropriate but will remain accountable to the Board for financial control.

Within the Standing Financial Instructions, it is acknowledged that the Chief Executive is ultimately accountable to the Board, and as Accountable Officer, to the Scottish Minister, for ensuring that the Board meets its obligation to perform its functions within the available financial resources. The Chief Executive has overall executive responsibility for NHS Lanarkshire activities; is responsible to the Chairman and the Board for ensuring that its financial obligations and targets are met and has overall responsibility for NHS Lanarkshire system of internal control.

1.2.3 Without prejudice to any other functions of officers of Lanarkshire NHS Board, the Director of Finance shall be responsible for:

- a) provision of financial advice to the Board and its officers;
- b) setting the Board's accounting policies consistent with Scottish Government and Treasury guidance and generally accepted accounting practice;

- c) supervising the implementation of the Board's financial strategies and for co-ordinating any corrective action necessary to further these strategies;
- d) ensuring that sufficient records are maintained to show and explain Lanarkshire NHS Board transactions, in order to disclose, with reasonable accuracy, the financial position of Lanarkshire NHS Board at any time;
- e) the design, implementation and supervision of systems of financial control incorporating the principles of separation of duties and internal checks;
- 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 and responsibilities.

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

- a) the security of the property and resources of the Board
- b) avoiding loss
- c) exercising economy and efficiency in the use of resources: and
- d) conforming to the requirements of Standing Orders, Scheme of Delegation, Standing Financial Instructions and Financial Procedures.

1.2.5 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 SFI's. It is the responsibility of the Chief Executive to ensure that such persons are made aware of this.

SECTION 2 ALLOCATIONS, LOCAL DELIVERY PLAN, BUDGETS, BUDGETARY CONTROL AND MONITORING

2.1 Allocations

2.1.1 The Director of Finance of NHS Lanarkshire will:

- (a) At least on a six monthly basis review the basis and assumptions used for distributing allocations and ensure that these are reasonable and realistic and secure NHS Lanarkshire'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.

2.2 Preparation and Approval of Local Delivery Plan (LDP) and Budgets

2.2.1 The Chief Executive shall be responsible for leading an inclusive process, involving staff and partner organisations, to secure the compilation and approval by Lanarkshire NHS Board of the annual LDP for Lanarkshire. He will compile and submit to the Board an LDP which takes into account financial targets; forecast limits of available resources and spending proposals. The plan will contain:

- (a) a statement of the significant assumptions on which the plan is based;
- (b) details of major changes in workload, delivery of services or resources required to achieve the plan.
- (c) include action points from the joint local health improvement plans drawn up by community planning partnerships for the local authorities in Lanarkshire.
- (d) health care plans covering primary, community and secondary care services provided by NHS Lanarkshire, in addition to reviewing the regional dimension of healthcare and the scope for sharing resources with planning partners.

2.2.2 By concisely describing the key health and healthcare issues facing Lanarkshire, by setting out succinctly how these will be tackled and by whom, and by setting clear priorities, key milestones and other qualified improvement targets over time, the LDP help to secure understanding of important health issues, a shared approach to taking action, and a common commitment to achieving results.

2.2.3 The Director of Finance shall, on behalf of the Chief Executive, prepare and submit to the Board for its approval, an annual financial plan for all revenue funds and capital where applicable, within the limits of available funds as determined by the notified allocations.

2.2.4 The financial Plan shall be submitted to the NHS Lanarkshire Corporate Management Team for detailed scrutiny and risk assessment, following which the Corporate Management Team shall be responsible for recommending approval of the Financial Plan by NHS Lanarkshire Board.

2.2.5 The Financial Plan shall be a component of the LDP, and shall be reconcilable to an annual update of the financial planning returns which the Director of Finance will prepare and submit to the Scottish Government Health Department, in accordance with guidance or direction issued from time to time.

2.3 Control

2.3.1 The Director of Finance shall ensure that adequate financial and statistical systems are in place to monitor and control income and expenditure and to facilitate the compilation of financial plans, estimates and any investigations which may be required from time to time.

2.3.2 The Director of Finance shall devise and maintain systems of budgetary control and all officers, whom the Lanarkshire NHS Board and Corporate Management Team may empower to engage staff or otherwise incur expenditure or to collect or generate income, shall comply with the requirements of those systems. The systems of budgetary control shall incorporate the reporting of (and investigation into) financial, activity or workforce variances from budget. The Director of Finance shall be responsible for providing budgetary information and advice to enable the Chief Executive and other officers to carry out their budgetary responsibilities.

2.3.3 The Chief Executive may, within limits approved by Lanarkshire NHS Board, delegate authority for a budget or a part of a budget to the individual officer or group of officers who will be responsible for the activities provided for within that budget. The terms of delegation shall include a clear definition of individual and group responsibilities for control of expenditure, exercise of virement, achievement of planned levels of service and the provision of regular reports upon the discharge of those delegated functions to the Chief Executive. Responsibility for overall budgetary control, however, shall remain with the Chief Executive.

2.3.4 Except where otherwise approved by the Chief Executive, taking account of the advice of the Director of Finance, budgets shall be used only for the purpose for which they were provided and any budgeted funds not required for their designated purpose shall revert to the immediate control of the Chief Executive, unless covered by powers of virement delegated by the Chief Executive.

2.3.5 Expenditure for which no provision has been made in an approved budget shall be incurred after authorisation by the Chief Executive or Director of Finance, subject to their authorised virement limit.

2.3.6 Delegated authority is granted, as undernoted, to approve the funding of individual items of expenditure, provided that approval can be funded within the Board's overall Revenue and Capital Budgets.

2.3.7 The Director of Finance shall keep the Chief Executive and the Board informed of the financial consequences of changes in policy, pay awards, and other events and trends affecting budgets, and shall advise on the financial and economic aspects of future plans and projects.

2.3.8 There is a duty requiring the Chief Executive, other officers and all employees of NHS Lanarkshire not to exceed approved budgetary limits.

2.3.9 The Chief Executive shall be responsible for the negotiation of funding for the provision of services in accordance with the LDP and stability in the arrangements for the cross boundary treatment of patients in accordance with the guidance of the Scottish Government Health Department. In carrying out these functions the Chief Executive shall take into account the advice of the Director of Finance regarding:

- Costing and pricing of services;
- Payment terms and conditions;
- Arrangements for funding in respect of patients from outwith Lanarkshire, and for the funding of the treatment of Lanarkshire residents other than by Lanarkshire Board.

The Chief Executive shall also be responsible for negotiating agreement for the provision of support services to/from other NHS bodies.

2.3.10 Any substantial funds arising from inability to action, or delay in the implementation of projects approved by Lanarkshire NHS Board, shall be reported in the first instance by the Chief Executive, together with advice on the use of such funds, to the NHS Lanarkshire Corporate Management Team, who shall report to Lanarkshire NHS Board.

2.4 **Reporting**

2.4.1 The Director of Finance shall ensure the issue of timely, accurate and comprehensive advice, and monthly financial reports to each budget holder, covering the areas for which they are responsible.

2.4.2 The Director of Finance shall produce a regular Financial Report for submission to Lanarkshire NHS Board. This report shall highlight any significant in-year variance from the Financial Plan together with a forecast of the outturn position for the financial year concerned, and shall recommend any proposed corrective action.

2.4.3 The Director of Finance of Lanarkshire NHS Board shall prepare such reports as required by the Scottish Government Health Department.

2.4.4 In order to fulfil these responsibilities, the Director of Finance shall have right of access to all budget holders on budgetary related matters.

SECTION 3

COMMISSIONING/PROVIDING HEALTHCARE SERVICES

- 3.1 The Chief Executive, in conjunction with the Director of Finance, shall be responsible for ensuring that all external services required or provided are covered by a series of service agreements or, if not, that adequate funds are retained or requested to pay for services obtained outside service agreements, all within the context of the approved LDP and Financial Plan. They shall be responsible for ensuring that the total service framework is affordable within the overall Revenue and Capital Resource Limits set by the Scottish Government Health Department.
- 3.2 The Chief Executive as Accountable Officer is responsible for ensuring that agreements put in place have due regard to the quality and cost-effectiveness of services provided. Before making any agreement with non-NHS providers NHS Lanarkshire should explore fully the scope to make maximum cost-effective use of NHS facilities. The Chief Executive, Director of Finance or Divisional Chief Executive and CHP Directors will authorise all agreed service agreements for health care purchases.
- 3.3 The Director of Finance shall be responsible for establishing robust financial arrangements, in accordance with guidance from the Scottish Government Health Department, for the treatment of Lanarkshire residents by other NHS systems, or by the private sector.
- 3.4 The Director of Finance shall be responsible for maintaining a system of financial monitoring to ensure effective accounting for the rendering and payment of service agreements invoices in accordance with the terms of service agreements, or otherwise in accordance with national guidance. This should provide a suitable audit trail for all payments made under the agreements.
- 3.5 Resources will be transferred on a monthly basis, or annual one off payment if appropriate, in accordance with the annual financial plan and any subsequent agreed variations. Such variations must be signed by the Director of Finance. Any recurring variations above £1m must be approved by the CMT.
- 3.6 The Director of Public Health, in their capacity as Caldicott Guardian, shall be responsible for ensuring that all systems operate in a way to maintain confidentiality of patient information as set out in the Data Protection Act 1998 under Caldicott guidance.

SECTION 4 PAY EXPENDITURE

4.1 Remuneration and Terms of Service

4.1.1 The Remuneration Committee of the Board shall approve any changes to the remuneration, allowances and conditions of service of Chief Executive and other Directors in accordance with the Code of Corporate Governance.

4.1.2 The Committee will:

- (a) Agree all terms and conditions of employment of Executive Directors of NHS Lanarkshire in the following respects:
 - (i) content and format of job descriptions;
 - (ii) terms of employment including tenure;
 - (iii) pay
 - (iv) benefits including pension or superannuation arrangements and motor cars;
 - (v) annual salary review.
- (b) Ensure arrangements are in place for the assessment of the performance of NHS Lanarkshire and to monitor the performance of NHS Lanarkshire against pre-determined performance criteria.
- (c) To agree NHS Lanarkshire's arrangements for performance management and ensure that the performance of the executive members is rigorously assessed against agreed objectives within the terms of the performance management arrangements referred to above.
- (d) Monitor arrangements for the pay and conditions of service of other Senior Managers on Executive Pay arrangements and on Professional/Management transitional pay arrangements in accordance with appropriate guidance and to determine annual pay uplifts and pay progression.
- (e) Approve NHS Lanarkshire's arrangements for the grading of posts and to oversee these arrangements by receiving regular reports from the Director of Human Resources.
- (f) Review NHS Lanarkshire's policy for the remuneration and performance management of Senior Management in light of guidance issued by the Scottish Government Health Department.
- (g) Approve for all other terms and conditions of service issues not covered by Direction or Regulation such as Discretionary Points for Medical Staff.

- 4.1.3 After approval by the Remuneration Committee, the Director of HR, through the Scheme of Delegation will personally authorise for payment the Performance Related Pay (PRP) agreed by the Remuneration Committee.
- 4.1.4 NHS Lanarkshire will pay allowances to the Chairman and non-executive directors of the Board in accordance with instruction issued by the Scottish Minister.
- 4.1.5 All early retrials of Executive Directors which result in additional costs being borne by the employer will be submitted to the Remuneration Committee for approval. All other early retrials shall be authorised by the Director of Finance and Director of HR once the budget has been agreed by the Corporate Management Team.

4.2 Funded Establishment

- 4.2.1 The workforce plans incorporated within the annual budget shall form the funded establishment.
- 4.2.2 The funded establishment of any department may not be varied unless authorised to do so by the Chief Executive.

4.3 Staff Appointments

- 4.3.1 Directors and managers, authorised to do so, may engage, re-engage or regrade employees, either on a permanent or temporary nature, or hire agency staff, or agree changes in any aspect of remuneration unless:
 - (a) following successful grading appeals;
 - (b) authorised to do so by the Chief Executive; and
 - (c) within the limit of their approved budget and funded establishment.

Manpower Control must be completed for all vacancies.

- 4.3.2 The Board will approve procedures presented by the Chief Executive for the determination of commencing pay rates, condition of service, etc, for employees

4.4 Processing Payroll

- 4.4.1 The Director of Finance is responsible for:
 - (a) specifying timetables for submission of properly authorised time records and other notifications;
 - (b) the final determination of pay and allowances.
- 4.4.2 A signed copy of the engagement form and such other documents necessary shall be sent to the Payroll Department.
- 4.4.3 Each employee shall be issued with a contract, which shall comply with current employment legislation and be in a form approved by the employing body.

- 4.4.4 All managers and staff will ensure that strict confidentiality is maintained with regard to staff payroll information and that it is held securely when not in authorised use. Details of an employee's salary shall not be divulged to a third party except in the course of Board duties or with authority from the employee concerned.
- 4.4.5 The Payroll Manager shall be notified immediately upon the effective date of any change in state of employment or personal circumstances of an employee.
- 4.4.6 The Director of Human Resources and The Director of Finance shall be jointly responsible for ensuring that rates of pay and relevant conditions of service are in accordance with current agreements. The Chief Executive, or Board in appropriate circumstances, shall be responsible for the final determination of pay but subject to the statutory duty of the Director of Finance who shall issue instructions regarding:
- a) verification and documentation of data;
 - b) the timetable for receipt and preparation of payroll data and the payment of employees and allowances;
 - c) maintenance of subsidiary records for superannuation; income tax, National Insurance and other authorised deductions from pay;
 - d) security and confidentiality of payroll information in accordance with the principle of the Data Protection Act
 - 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 employees and officers;
 - h) procedures for payment by cheque, bank credit, or cash to employees and officers;
 - 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 handling cash; and
 - m) a system to ensure the recovery from leavers of sums of money and property due by them to the Board.
 - n) A system to ensure recovery or write-off of payment of pay and allowances;
- 4.4.7 Appropriately nominated managers have delegated responsibility for:
- a) submitting time records, and other notifications in accordance with agreed timetables;
 - b) completing time records and other notifications in accordance with the Director of Finance's instructions and in the form prescribed by the Director of Finance; and
 - c) submitting termination forms in the prescribed form immediately upon knowing the effective date of an employee or officer's resignation, termination or retirement. Where an employee fails to report for duty or to fulfil obligations in circumstances that suggest they have left without notice, the Director of Finance must be informed immediately.

- 4.4.8 The Director of Finance shall ensure payments and processes are supported by appropriate (contracted) terms and conditions, adequate internal controls and audit review procedures and that suitable arrangement are made for the collection of payroll deductions and payment of these to appropriate bodies.
- 4.4.9 The Director of Finance shall ensure salaries and wages are paid on the currently agreed dates, but may vary these when necessary due to special circumstances (e.g. Christmas and other Bank Holidays). Payment to an individual shall not be made in advance of normal pay except:-
- a) to cover a period of authorised leave involving absence on the normal pay day;
or
 - b) As authorised by the Chief Executive or Director of Finance to meet special circumstances and limited to the net pay due at the time of payment;
- 4.4.10 All employees shall be paid by bank credit transfer monthly unless otherwise agreed by the Director of Finance.

4.5 Contracts of Employment

- 4.5.1 The Board shall delegate responsibility to the Director of HR:
- (a) ensuring that all employees are issued with a Contract of Employment in a form approved by the Board and which complies with employment legislation; and
 - (b) dealing with variations to, or termination of, contracts of employment.

4.6 Travel, Subsistence and Other Allowances

- 4.6.1 The Director of Finance shall ensure that all expense claims by employees of NHS Lanarkshire or outside parties are reimbursed in line with the relevant regulations or HR policies and that all such claims should be supported by receipts wherever possible. Removal expenses will be limited to the amount specified by the Inland Revenue as being tax free (currently £8,000), except with the express approval of the Remuneration Committee, and be in accordance with the Board's current Relocation Policy.
- 4.6.2 All claims for payment of car allowances, subsistence allowances, travelling and incidental expenses will be submitted to the Payroll Department duly certified in an approved form, by a specified day each month. The names of officers authorised to sign such records will be held by the Payroll Department, together with specimen signatures and will be amended on the occasion of any change.
- 4.6.3 The Chairperson shall personally authorise all expense claims from the Chief Executive. The Chief Executive shall personally authorise all expense claims from the Executive Members of Lanarkshire NHS Board.
- 4.6.4 The Chairperson shall personally authorise all expense claims from Non-Executive Directors. In the absence of the Chairperson, this duty shall be undertaken by the Chief Executive or Director of Finance.

- 4.6.5 The certification by or on behalf of the Director of a service, or Head of Department shall be taken to mean that the certifying officer is satisfied that the journeys were authorised, the expenses properly and necessarily incurred and that the allowances are properly payable by NHS Lanarkshire.
- 4.6.6 The Director of Finance shall issue additional guidance on the submission of expense claims, specifying the documentation to be used, the timescales to be adhered to and the required level of authorisation. However, claims submitted more than three months after the expenses were incurred will be paid only with the express approval of the Director of Finance. If the Director of Finance does not approve the payment, the claimant may submit a grievance in accordance with the appropriate grievance procedure.

SECTION 5 NON –PAY EXPENDITURE

- 5.1 The Board 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.
- 5.2 The Chief Executive will set out:
- (c) the list of managers who are authorised to place requisitions for the supply of goods and services;
 - (d) the maximum level of each requisition and the system for authorisation above that level.
- 5.3 The Chief Executive shall set out procedures on the seeking of professional advice regarding the supply of goods and services.
- 5.4 The Director of Finance shall:
- (a) advise the Board regarding the setting of thresholds above which quotations (competitive or otherwise) or formal tenders must be obtained; and once approved, the thresholds should be incorporated in the Scheme of Delegation and regularly reviewed;
 - (b) prepare procedural instructions or guidance with the Scheme of Delegation on the obtaining of goods, works and services incorporating the thresholds;
 - (c) be responsible for the prompt payment of all properly authorised accounts and claims.
- 5.5 The requisitioner, in choosing the item to be supplied (or the service to be performed) shall always obtain the best value for money for NHS Lanarkshire. In so doing the advice of the NHS Lanarkshire adviser on procurement shall be sought. Where this advice is not acceptable to the requisitioner, the Director of Finance (and/or Chief Executive) shall be consulted.
- 5.6 Official Orders must be in a form approved by the Director of Finance.
- 5.7 The Director of Finance shall ensure that a list of Board, Executive and Non-Executive Committee members / employees (including specimens of their signatures) authorised to certify invoices is maintained.
- 5.8 The Director of Finance shall be responsible for the payment of all accounts, invoices and contract claims in accordance with contractual terms and/or the CBI Prompt Payment Code. Payment systems shall be designed to avoid payments of interest arising from non-compliance with the Late Payment of Commercial Debt (Interest) Act 1998.
- 5.9 All officers shall inform the Director of Finance promptly of all monies payable arising from transactions which they initiate for leases, and tenancy agreements.

- 5.10 All requests for payment should, wherever possible, have relevant original invoices or contract payment vouchers attached and shall be authorised for payment by an approved officer from a list of authorised signatories agreed by the appropriate organisation.
- 5.11 The Director of Finance shall be responsible for designing and maintaining systems for the verification, recording and payment of all amounts payable, including monies relating to clinical services. System shall provide for:-

Certification that:-

- goods have been duly received, examined, are in accordance with specification and order, are satisfactory and that the prices are correct.
 - Work done or services rendered have been satisfactorily carried out in accordance with the order; that where applicable the materials used were of the requisite standard and that the charges are correct;
 - In the case of contracts based on the measurement of time, materials or expenses, the time charged is in accordance with the time sheets, that the rates of labour are in accordance with the appropriate rates, that the materials have been checked as regards quantity, quality and price and that the charges for the use of vehicles, plant and machinery have been examined;
 - Where appropriate, the expenditure is in accordance with regulations and that all necessary Board or appropriate officer authorisation have been obtained;
 - The account/claim is arithmetically correct;
 - The account /claim is in order for payment;
 - VAT has been recovered as appropriate;
 - Clinical services to patients have been carried out satisfactorily in accordance with Service Level Agreements (SLAs) and Unplanned Activity arrangements (UNPACs),
 - A timetable and system for submission to the Director of Finance of accounts for payment; provision shall be made for early submission of accounts subject to cash discounts or otherwise requiring early payment; and
 - Instruction of staff regarding the handling, checking and payment of accounts and claims within NHS Lanarkshire Finance Department.
- 5.12 The Director of Finance shall ensure that payment for goods and services is only made once the goods and services are received other than under the terms of a specific contractual arrangements.
- 5.13 Where an officer certifying accounts or claims relies upon other officers to do preliminary checking he shall, wherever possible, ensure that those who check delivery or execution of work act independently of those who have placed order and negotiated prices and terms. Budget Managers must therefore ensure that there is effective separation of duties between:
- The person placing the order
 - The person certifying receipt of goods and services, and
 - The person authorising the invoice

And no one person should undertake all three functions.

- 5.14 The Director of Finance must approve the list of officers authorised to certify invoices, non-invoice payments, and payroll schedules, including, where required by the Director of Finance, financial limits to their authority. The Director of Finance will maintain details, together with their specimen signatures.
- 5.15 In the case of contracts for building or engineering works which require payment to be made on account during progress of the works, the Director of Finance shall make payment on receipt of a certificate from the technical consultant or officer. Without prejudice to the responsibility of any consultant or works officer appointed to a particular building or engineering contract, a contractor's account shall be subject to such financial examination by the Director of Finance and such general examination by a works officer as may be considered necessary before the person responsible for the contract issues the final certificate. To assist financial control, a contracts register should be created.
- 5.16 The Director of Finance may authorise advances on the imprest system for petty cash and other purposes as required. Individual payments must be restricted to the amounts authorised by the Director of Finance and appropriate vouchers obtained and retained in accordance with the policy on culling and retention of documents.
- 5.17 NHS Lanarkshire officers responsible for commissioning self employed contractors including those who were previously employees of the Board must ensure that, subject to their delegated authority and before any work assignment is agreed, evidence is obtained from the self employed contractor that confirms their status to ensure that NHS Lanarkshire is not held liable for Income Tax and National Insurance by the Inland Revenue. This evidence must be submitted to the Director of Finance.
- 5.18 Advance/Prepayments for supplies, equipment or services shall not normally be permitted other than in exceptional circumstances, advance booking of courses, ordering literature subscriptions and goods supplied on pro forma invoices. Should other exceptional circumstances arise any proposal must be submitted to the Director of Finance at the earliest opportunity. The Director of Finance shall take appropriate advice in determining a course of action.
- 5.19 Payments to general medical practitioners, general dental practitioners, general ophthalmic practitioners and community pharmacists shall be processed through NSS.
- 5.20 The budget holder is responsible for ensuring that all items due under a payment in advance contract are received and he must inform the Director of Finance or Chief Executive immediately problems are encountered.
- 5.21 Managers and officers must ensure that they comply fully with the guidance and limits specified by the Director of Finance and that:
- (a) all contracts (except as otherwise provided for in the Scheme of Delegation), leases, tenancy agreements and other commitments which may result in a liability are notified to the Director of Finance in advance of any commitment being made;

- (b) contracts above specified thresholds are advertised and awarded in accordance with EU rules on public procurement;
- (c) where consultancy advice is being obtained, the procurement of such advice must be in accordance with guidance issued by the Scottish Government Health Department;
- (d) no order shall be issued for any item or items to any firm which has made an offer of gifts, reward or benefit to directors or employees, other than:
 - (i) isolated gifts of a trivial character or inexpensive seasonal gifts, such as calendars;
 - (ii) conventional hospitality, such as lunches in the course of working visits;
- (e) no requisition/order is placed for any item or items for which there is no budget provision unless authorised by the Director of Finance on behalf of the Chief Executive;
- (f) 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;
- (g) verbal orders must only be issued very exceptionally – by an employee designated by the Chief Executive and only in cases of emergency or urgent necessity. These must be confirmed by an official order and clearly marked ‘Confirmation Order’;
- (h) orders are not split or otherwise placed in a manner devised so as to avoid the financial thresholds;
- (i) goods are not taken on trial or loan in circumstances that could commit NHS Lanarkshire to a future uncompetitive purchase.

5.22 Payments to local authorities and voluntary organisations made under NHS Act shall comply with procedures laid down by the Director of Finance which shall be in accordance with that Act.

Construction Industry Scheme

5.23 The scheme is to be administered in accordance with guidance supplied by the Inland Revenue in booklet IR14/15 (CIS) and IR14/15(CIS) – Supplement.

5.24 The General Manager Property and Support Services is responsible for ensuring that all necessary certificates and/or vouchers are obtained from contractors/subcontractors and are supplied to the Finance Department in support of payment requests.

5.25 In the event of any doubt, the Deputy Director of Finance will determine whether a payment should be made gross or net of deduction of tax and shall consult with the Inland Revenue, as necessary.

5.26 The Director of Finance is responsible for remitting to the Inland Revenue any tax deducted for payments made to sub-contractors. The Director of Finance must ensure that this is done in accordance with the timetable(s) set out in IR14/15(CIS) and IR14/15 (CIS) – Supplement, as appropriate.

SECTION 6 ACCEPTANCE OF FINANCIAL ASSISTANCE, GIFTS AND HOSPITALITY, AND DECLARATION OF INTEREST

6.1 The principles relating to the acceptance by Health Service Staff (including Non Executive Directors) of financial assistance, gifts and hospitality from commercial sources and declaration of interest are covered in the Lanarkshire NHS Board Policy on Standards of Business Conduct.

The main measures to be taken are as follows:

- a) Where the maintenance of a register is referred to for recording interests in contracts or receipt of gifts / inducements, such a register will be maintained by the Chief Executive.
- b) No order shall be issued for any item or items, for which an offer of gifts (other than low cost, e.g. calendars, diaries, pens and like value items) or hospitality (e.g. drug company lunches) has been received, from the person interested in supplying goods or services. Any officer receiving such an offer shall notify his/her senior officer as soon as is practicable.
- c) Visits at supplier's expense to inspect equipment, etc should only be undertaken in exceptional circumstances and must have the prior written approval of the Chief Executive.

SECTION 7 ANNUAL ACCOUNTS AND REPORTS

Lanarkshire NHS Board is required under the terms of Section 86(3) of the National Health Service (Scotland) Act 1978 to prepare and submit Annual Accounts by the date advised by SGHD to Scottish Ministers

Scottish Ministers have issued Accounts Directions in exercise of the powers conferred by Section 86(1) of the National Health Service (Scotland) Act 1978 which contain the following provisions:

7.1 Basis of preparation

Annual Accounts shall comply with:

- Generally accepted accounting practice in the United Kingdom
- The accounting and disclosure requirements of the Companies Act;
- All relevant accounting standards issued or adopted by the Accounting Standards Board, insofar as they are appropriate to the NHS and remain in force for the financial year for which the accounts are to be prepared;
- The historical cost convention modified by the inclusion of fixed assets at their value to the business by reference to current costs; and stocks at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.

7.2 Form of Accounts

The Annual Accounts shall comprise:

- A foreword (taken to be the Directors' report in the Accounts);
- An income and expenditure account;
- A statement of total recognised gains and losses;
- A balance sheet;
- A cash flow statement;
- Such notes as may be necessary for the purposes referred to below.

7.3 The Annual Accounts shall give a true and fair view of the income and expenditure, total recognised gains and losses, balance sheet and cash flow statement. Subject to the foregoing requirement, the Annual Accounts shall also contain any disclosure and accounting requirements which Scottish Ministers may issue from time to time.

7.4 The Director of Finance shall keep proper accounting records which allow the timeous preparation of Annual Accounts, in accordance with the timetable laid down by the Scottish Government Health Department, and which give a true and fair view of NHS Lanarkshire and its expenditure and income for the period in question.

7.5 The annual accounts and returns shall be prepared in accordance with all appropriate regulatory requirements and be supported by appropriate accounting records and working papers prepared to an acceptable professional standard.

- 7.6 Under the terms of the Public Finance and Accountability (Scotland) Act 2000, the Auditor General for Scotland has responsibility to appoint the external auditors to undertake the statutory audit of NHS Lanarkshire.
- 7.7 The Director of Finance shall agree with the External Auditor a timetable for the production, audit, adoption by NHS Lanarkshire and submission of annual accounts to the Auditor General for Scotland and the Scottish Government Health Department. The timetable shall be consistent with the requirements of the Scottish Government Health Department.
- 7.8 Annual Accounts shall be prepared in accordance with the relevant Accounts Direction and Accounts manual issued by the Scottish Government Health Department.
- 7.9 The Chief Executive shall be responsible for preparing a Statement on Internal Control in respect of NHS Lanarkshire and in so doing shall seek appropriate assurance, including that of the Head of Internal Audit, with regard to the adequacy of internal control throughout the organisation.
- 7.10 The Annual Accounts of NHS Lanarkshire shall be reviewed by the Audit Committee, which has responsibility for recommending adoption of the annual accounts by Lanarkshire NHS Board.
- 7.11 Under the terms of the Public Finance and Accountability (Scotland) Act 2000, Annual Accounts may not be placed in the public domain, prior to them being formally laid before Parliament.
- 7.12 Following the formal approval of the motion to adopt the Accounts by Lanarkshire NHS Board the Annual Accounts and relevant certificates shall be duly signed on behalf of the Board and submitted to the External Auditor for completion of the relevant audit certificates.
- 7.13 Signed sets of the Annual Accounts shall then be submitted by Lanarkshire NHS Board to the Scottish Government Health Department, and by the External Auditor to the Auditor General for Scotland.
- 7.14 The Chief Executive shall arrange for the production and circulation of an Annual Report for NHS Lanarkshire in such form as may be determined by the Scottish Government Health Department.
- 7.15 The Annual Report, together with an audited unified financial statement, that integrates the accounts of Lanarkshire NHS Board in the manner specified by the Scottish Government Health Department, shall be presented at a public meeting which must take place no later than six months after the relevant accounting date.
- 7.16 As with Annual Accounts the Financial implications contained within the Annual Report requires to be verified by the External Auditor.

SECTION 8 BANKING ARRANGEMENTS AND OPERATION

- 8.1 All arrangements with NHS Lanarkshire bankers acting for NHS Lanarkshire will be made by or under arrangements approved by the Director of Finance who shall be authorised by the appropriate Scheme of Delegation to operate such bank accounts as may be considered necessary.
- 8.2 All funds shall be held in the name of the Board, or Endowment Fund. The Director of Finance shall report to the Board on the details of all accounts maintained, including the conditions under which they are operating.
- 8.3 The Director of Finance shall advise the Board's bankers of any alterations in the conditions of operation of the accounts that may be required by the financial regulations of the NHS in Scotland or by resolution of the Board from time to time.
- 8.4 The Director of Finance shall be responsible for establishing bank accounts, subject to tendering arrangements, at a nominated branch of a bank.
- 8.5 The Director of Finance shall advise the bankers in writing of the officers authorised to release monies from, and draw cheques on each bank account of the Board and provide specimen signatures to the bank. The Director of Finance shall notify the bank promptly of any changes to such authorisations.
- 8.6 The Director of Finance shall ensure that bank accounts are operated in accordance with the agreed conditions of the competitive tender and as specified to the bank from time to time, that minimum balances are achieved where appropriate, that accounts are not overdrawn.
- 8.7 All payments from the Board's OPG Account shall require to be authorised by two signatories from a panel authorised by the Chief Executive.
- 8.8 The Board will keep banking arrangements under review, and will determine the frequency of tendering for such services (normally every three years).
- 8.9 All cheques (which shall be crossed with "Not Negotiable – Account Payee only") are to be treated as controlled stationery in the charge of a duly designated officer controlling their issue.
- 8.10 All cheques, postal orders, cash etc, shall be banked intact and promptly, in accordance with the Director of Finance approved procedures to the credit of the main account (or, if appropriate, endowment fund deposit account). Disbursements shall not be made from cash except under arrangements approved by the Director of Finance.
- 8.11 All arrangements for the receipt and payment of monies using the Clearing Houses Automated Payment System (CHAPS) and the Bankers Automated Clearing Services (BACS) will be made by or under arrangements approved by the Director of Finance.
- 8.12 All arrangements for payments to be made by Standing Order or Direct Debit from any NHS Lanarkshire bank account will be made by or under arrangements approved by the Director of Finance.

SECTION 9 INCOME, FEES AND CHARGES AND SECURITY OF CASH, CHEQUES AND OTHER NEGOTIABLE INSTRUMENTS

9.1 Income Systems

- 9.1.1 The Director of Finance shall be responsible for designing and maintaining and ensuring compliance with systems for the proper recording, invoicing and collection and coding of all income due.
- 9.1.2 The Director of Finance is also responsible for the prompt banking of all monies received.

9.2 Fees and Charges

- 9.2.1 The Director of Finance is responsible for approving and regularly reviewing the level of all fees and charges other than those determined by the Scottish Government Health Department or by Statute. Independent professional advice on matters of valuation shall be taken as necessary.
- 9.2.2 All officers shall inform the Director of Finance of money due to the Board arising from all transactions which they initiate, including all contracts, service level agreements (SLA's), leases, tenancy agreements, private patient undertakings and other transactions.

9.3 Debt Recovery

- 9.3.1 The Director of Finance shall take appropriate recovery action on all outstanding debts. The Director of Finance shall establish procedures for the write off of debts after all reasonable steps have been taken to secure payment. Where sums are to be written off to levels in line with the Scheme of Delegation, the Director of Finance, subject to national guidelines on delegated authority, shall seek the consent of the Chief Executive and the Board.

9.4 Security of Cash, Cheques and other Negotiable Instruments

- 9.4.1 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 amounts received or receivable;
 - (b) Ordering and securely controlling any such stationery;
 - (c) The provision of adequate facilities and systems for employees 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 NHS Lanarkshire.

- 9.4.2 All officers whose duty it is to collect or hold cash shall be provided with a safe or with a lockable cash box which will normally be deposited in a safe. The officer concerned shall hold one key and all duplicates shall be lodged with the bank or such other officer authorised by the Director of Finance, and suitable receipts obtained. The loss of any key shall be reported immediately to the Director of Finance/Chief Internal Auditor. The Director of Finance shall, on receipt of a satisfactory explanation, authorise the release of the duplicate key. The Director of Finance shall arrange for all new keys to be despatched directly to him/her from the manufacturers and shall be responsible for maintaining a register of authorised holders of safe keys. Keys should be held on the keyholder's person or kept secure at all times. Keys should not be kept in, or on, desks (either hidden or otherwise).
- 9.4.3 All cash, cheques, postal orders and other forms of payments shall normally be received by more than one officer, neither of whom should be a cashier, and shall be entered immediately in an approved form of register, which should be signed by both. All cheques and postal orders shall be crossed immediately "Not negotiable – [appropriate account name]. The remittances shall be passed to the Cashier, from whom a signature shall be obtained.
- 9.4.4 The opening of coin-operated machines (including telephones) and the counting and recording of the takings shall normally be undertaken by two officers together, and the coin box keys shall be held by a nominated officer, The collection shall be passed to the Cashier, from whom a signature shall be obtained.
- 9.4.5 The Director of Finance shall prescribe the system for the transportation of cash and shall approve, where appropriate, the use of the services of a specialist security firm.
- 9.4.6 Under no circumstances shall official monies be used for the encashment of private cheques or the making of loans of a personal nature.
- 9.4.7 All cheques, postal orders, cash, etc, shall be banked intact promptly, in accordance with the procedures established by the Director of Finance. All prepayment certificates and prescription pads should be subject to the same security precautions and controls as is applied to cash items.
- 9.4.8 The safe key-holder shall not accept unofficial funds for depositing in any safe unless such deposits are in sealed envelopes or locked containers, It shall be made clear to the depositor that the Board is not to be held liable for any loss, and written indemnity must be obtained from the organisation or individual absolving the Board from responsibility for any loss.
- 9.4.9 During the absence of the holder of a safe or cash box key, the officer who acts in his place shall be subject to the same controls as the normal holder of the key. There shall be written discharge for the safe and/or cash box contents on the transfer of responsibilities, and the discharge document must be retained for audit inspection.
- 9.4.10 All unused cheques, receipts and all 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 Director of Finance or his nominated officers or agents, and released by them only against authorised requisitions.

9.4.11 In all cases where NHS Lanarkshire officers receive cash and/or cheques, empty telephone or other machine coin boxes etc, personal identity cards must be displayed prominently. On appointment staff shall be informed in writing, by the appropriate departmental or senior officers of their responsibilities and duties for the collection, handling or disbursement of cash, cheques etc.

9.4.12 Any loss or shortfall of cash, cheques or other negotiable instruments, or official controlled stationery, however occasioned, shall be reported immediately in accordance with the agreed procedure for reporting losses.

**SECTION 10 CAPITAL INVESTMENT, PRIVATE FINANCING, FIXED
ASSET REGISTER AND SECURITY OF ASSETS**

Capital Investment

10.1.1 The Director of Finance:

- (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 financial plans for the Board;
- (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, including capital charges.

10.1.2 For every capital expenditure proposal the Director of Finance shall ensure:

- (a) that a business case (in line with the guidance contained within the Scottish Capital Investment Manual) is produced setting out:
 - (i) an option appraisal of potential benefits compared with known costs to determine the option with the highest ratio of benefits to costs;
 - (ii) appropriate project management and control arrangements;
- (b) that the Director of Finance has approved the costs and revenue consequences detailed in the business case and involve appropriate NHS Lanarkshire personnel and external agencies in the process.
- (c) is consistent with the Board's corporate objectives and Health Plans

10.1.3 For capital schemes where the contracts stipulate stage payments, the Director of Finance will issue procedures for their management, incorporating the recommendations of Scottish Capital Investment Manual.

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

10.1.4 On approval of a capital investment scheme, in accordance with the Scheme of delegation, the Director of Finance shall issue the following to the manager responsible for the capital investment project:

- (a) specific authority to commit expenditure,
- (b) authority to proceed to tender;
- (c) approval to accept a successful tender.

10.1.5 The Director of Finance shall issue procedures governing the financial management, including variations to contract, of capital investment projects and valuation for accounting purposes. These procedures shall fully take into account the delegated limits for capital schemes.

- 10.1.6 In the case of large capital schemes a system shall be established for progressing the scheme and authorising necessary payments up to completion. Provision should be made for regular reporting of actual expenditure against authorised level of capital expenditure.
- 10.1.7 Where capital assets are sold, scrapped, lost or otherwise disposed of, their value must be removed from the accounting records and each disposal must be validated by reference to authorisation documents and invoices (where appropriate). Where land and property is disposed of the requirements set out in the SGHD Property Transactions Handbook, together with any subsequent amendments, shall be followed.
- 10.1.8 There is a requirement to achieve best value when disposing of assets. Competitive tendering should normally be undertaken in line with the requirements of the tendering procedure.
- 10.1.9 Competitive Tendering or Quotation procedures shall not apply to the disposal of:
- Any matter in respect of which a fair price can be obtained only by negotiation or sale by auction as determined (or pre-determined in a reserve) by the Chief Executive or nominated office;
 - Obsolete or condemned articles and stores, which may be disposed of in accordance with the supplies policy;
 - Items to be disposed of with an estimated sale value of less than £1,000, this figure to be reviewed annually;
 - Items arising from works of construction, demolition or site clearance, which should be dealt with in accordance with the relevant contract;
 - Land or buildings concerning which Scottish Office guidance has been issued but subject to compliance with such guidance.

Third Party Funding

- 10.2.1 NHS Lanarkshire shall follow SGHD guidance when considering third party funding sources for capital procurement. When NHS Lanarkshire proposes to use finance which is to be provided other than through its Capital Allocation, the following procedures shall apply:
- (a) The Director of Finance shall demonstrate that the capital procurement route represents value for money and genuinely transfers significant risk to the private sector;
 - (b) Where the sum involved exceeds delegated limits, the business case must be referred to the Scottish Government Health Department or in line with any current guidelines;
 - (c) The proposal must be specifically agreed by the Board.

Asset Registers

- 10.3.1 The Director of Finance is responsible for the maintenance of registers of assets, taking account of the advice of the General Manager of Property and Support Services Department (PSSD) 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.

- 10.3.2 NHS Lanarkshire shall maintain an asset register recording fixed assets. The minimum data set to be held within the register shall be as specified in the Scottish Capital Accounting Manual as issued by the Scottish Government Health Department.
- 10.3.3 The organisation shall maintain a register of assets held under operating leases or Private Finance Initiative contracts.
- 10.3.4 Additions to the fixed asset 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 appropriate overheads;
 - (c) lease agreements in respect of assets held under a finance lease and capitalised.
- 10.3.5 Where capital assets are sold, scrapped, lost or otherwise disposed of, their value must be removed from the accounting records and each disposal must be validated by reference to authorisation documents and invoices (where appropriate).
- 10.3.6 All assets are disposed of in accordance with MEL (1996) 7 'Sale of surplus and obsolete goods and equipment'. The Director of Finance is notified of the disposal of any fixed asset. All proceeds from the disposal of fixed assets are notified to the Director of Finance.
- 10.3.7 The Director of Finance shall approve procedures for reconciling balances on fixed asset account in ledger against balances on fixed asset register.
- 10.3.8 The value of each asset shall be indexed to current values in accordance with methods specified in the Scottish Capital Accounting Manual issued by the Scottish Government Health Department.
- 10.3.9 The value of each asset shall be depreciated using methods and rates as specified in the Scottish Capital Accounting Manual issued by Scottish Government Health Department.
- 10.3.10 The Director of Finance shall calculate and pay capital charges as specified in the Scottish Capital Accounting Manual issued by the Scottish Government Health Department.

Security of Assets

- 10.4.1 The overall control of fixed assets is the responsibility of the Chief Executive advised by the Director of Finance.
- 10.4.2 Asset control procedures (including fixed assets, cash, cheques and negotiable instruments, and also including donated assets) must be approved by the Director of Finance. This procedure shall make provision for:
- Recording managerial responsibility for each asset;
 - Identification of additions and disposals;
 - Identification of all repairs and maintenance expenses;
 - Physical security of assets;
 - Periodic verification of the existence of, condition of, and title to, assets recorded;
 - Identification and reporting of all costs associated with the retention of an asset;
 - Reporting, recording and safekeeping of cash, cheques, and negotiable instruments.
- 10.4.3 All discrepancies revealed by verification of physical assets to fixed asset register shall be notified to the Director of Finance.
- 10.4.4 Each employee has a responsibility to exercise a duty of care over the property of the Board and it shall be the responsibility of senior staff in all disciplines to apply appropriate routine security practices in relation to NHS property. Persistent breach of agreed security practices shall be reported to the Chief Executive.
- 10.4.5 Any damage to the NHS Lanarkshire'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.
- 10.4.6 On the closure of any facility, a check shall be carried out and a responsible officer will certify a list of items held showing eventual disposal. The disposal of fixed assets (including donated assets) will only be permitted if appropriate procedures are followed.
- 10.4.7 Where practical, assets should be marked as NHS Lanarkshire property.

SECTION 11 TENDERING / CONTRACTING AND PURCHASING

11.1 Introduction

- 11.1.1 These procedures specify the arrangements for the placing of contracts and for the purchase of supplies and equipment.
- 11.1.2 When appropriate ‘SET’ Scottish Government Terms and Conditions should be used when contracting with supplier. The current versions are available from the Show web site. At the time of writing there are five versions to choose from dependant on the service.
- 11.1.3 The requisitioner shall seek to obtain Best Value through the application of Standing Orders, Standing Financial Instructions and the Tendering Procedure. In so doing, the advice of the appropriate procurement adviser (such as Supplies, Pharmacy, SHS or PSSD) should normally be followed. Where the requisitioner has sound evidence that this advice is inappropriate or that it is divergent from best professional practice, the Director of Finance or Chief Executive shall be consulted, whose decision shall be final.
- 11.1.4 NHS Lanarkshire shall comply as far as is practicable with the Scottish Capital Investment Manual, Capital Accounting Manual and other Scottish Government Health Department guidance on contracting and purchasing.
- 11.1.5 European Union Procurement Directives shall have effect as if incorporated in these Standing Financial Instructions.
- 11.1.6 NHS Lanarkshire shall have policies and procedures in place for the control of all tendering activity carried out through eAuctions.

11.2 Formal Competitive Tendering

11.2.1 NHS Lanarkshire shall ensure that competitive tenders are invited for:

- The supply of goods, materials and manufactured articles;
- The rendering of services including all forms of management consultancy services (other than specialised services sought from or provided by the Scottish Government)
- For the design, construction and maintenance of building and engineering works (including construction and maintenance of grounds and gardens); for disposals

11.2.2 Where NHS Lanarkshire elects to invite tenders for the supply of healthcare services these Standing Financial Instructions shall apply as far as they are applicable to the tendering procedure.

11.2.3 Formal tendering procedures need not be applied:-

- Where the supply or disposal is for goods and services of a special nature or character in respect of which it is not possible or desirable to obtain competitive quotes
- Where the estimated expenditure or income does not, or is not reasonably expected to, exceed the following limits:
 - less than £100,000 for building and engineering services
 - less than £10,000 for other supplies
 - less than £1,000 for disposals
(exclusive of VAT)
- Where the supply is proposed under special arrangements negotiated by the Scottish Government in which event the said special arrangements must be complied with;

11.2.4 Formal tendering procedures may be waived with the recorded approval of the Chief Executive or Director of Finance where:

- The timescale genuinely precludes competitive tendering, Failure to plan the work properly is not a justification for single tender; or
- Specialist expertise is required and is available from only one source; or
- The task is essential to complete the project, and arises as a consequence of a recently completed assignment and engaging different consultants for the new task would be inappropriate; or
- There is a clear benefit to be gained from maintaining continuity with an earlier project. However in such cases the benefits of such continuity must outweigh any potential financial advantage to be gained by competitive tendering.

11.2.5 Where formal tendering procedures have been waived, best Value should, however, be demonstrated and quotations sought in accordance with Scheme of Delegation. Detailed procedures approved by the Director of Finance must also be followed by all staff in relation to such purchases.

11.2.6 Where it is decided that competitive tendering is not applicable and should be waived, the fact of the waiver and the reasons should be documented and reported to the Audit Committee.

11.3 **Invitation to Tender**

11.3.1 NHS Lanarkshire shall ensure that invitations to tender are sent to a sufficient number of firms/individuals to provide fair and adequate competition as appropriate.

11.3.2 NHS Lanarkshire shall ensure that normally the firms/individuals invited to tender (and where appropriate, quote) are among those on approved lists.

11.3.3 All invitations to tender on a formal competitive basis shall state that no tender will be considered for acceptance unless submitted as follows:-

- Plain, sealed package bearing a pre-printed label supplied by the NHS Lanarkshire (or bearing the word 'Tender' followed by the subject to which it relates and the latest date and time for the receipt of such tender); or

- In a special envelope supplied by NHS Lanarkshire to prospective tenderers and the tender envelopes/packages shall not bear any names or marks indicating the sender; or
- By electronic means that identifies the date and time of receipt and keeps the contents “closed” prior to the agreed opening, as set out below.

Such facilities must be approved by the Chief Executive or nominated officer in advance.

11.3.4 Every tender for goods, materials, manufactured articles supplied as part of a works contract and services shall embody such of the contract conditions as may be appropriate.

11.3.5 Every tender for building and engineering works, except for maintenance work only where Estatecode guidance should be followed, shall embody or be in the terms of the current edition of the appropriate Joint Contracts Tribunal (JCT) standard forms of contract amended to comply with Scotcode. When the content of the works is primarily engineering, tenders shall embody or be in the terms of the General Conditions of Contract recommended by the Institutions of Mechanical Engineers and the Association of Consulting Engineers (Form A) or, in the case of civil engineering work, the General Conditions of Contract recommended by the institution of Civil Engineers. The standard documents should be amended to comply with Scotcode and, in minor respects, to cover special features of individual projects. Tendering based on other forms of contract may be used only after prior consultation with the Scottish Government Health Department.

11.3.6 Every tender for goods, materials, services (including consultancy services) or disposals shall embody the NHS Standard Contract Conditions as far as this is practical. The advice of NHS Lanarkshire Supplies, Scottish Healthcare Supplies or the Central Legal Office must be sought where alternative contract conditions are used. Every tenderer must have given or give a written undertaking not to engage in collusive tendering or other restrictive practice.

11.4 Receipt, Safe Custody and Record of Formal Tenders

11.4.1 The officer designated by the Chief Executive will be responsible for receipt, endorsement and safe custody of tenders received until the time appointed for their opening.

11.4.2 The date and time of receipt of each tender shall be endorsed on the tender envelope/package.

11.5 Opening Tenders and Register of Tenders

11.5.1 As soon as practicable after the date and time stated as being the latest time for the receipt of tenders, they shall be opened by no less than two officers.

11.5.2 Tenders for the provision of services where an in-house tender is also being invited or those for a substantial sum shall be opened as soon as practicable after the date and

time stated as being the latest time for the receipt of tenders in the presence of a non-executive directors of the Board and the Chief Executive or Executive Board member who has not been party to the preparation of any of the said tenders and neither who shall have pecuniary interest in the contract for which the tenders have been received.

11.5.3 The envelope/package, or such part as may reasonably evidence receipt endorsement, shall be retained by the designated officer(s) along with the tender documents and in accordance with the policy on culling and retention.

11.5.4 Every tender received shall be stamped with the date of opening and initialled by two of those present at the opening.

11.5.5 A permanent record shall be maintained to show for each set of competitive tender invitations despatched:-

- The names of firms/individuals invited;
- The names of and the number of firms/individuals from which tenders have been received;
- The total price(s) tendered;
- Closing date and time;
- Date and time of opening;
- the record shall be signed by the persons present at the opening
- A record shall be maintained of all price alterations on tenders, i.e. where a price has apparently been altered, and the final price shown shall be recorded. Every price alteration appearing on a tender and the record should be initialled by two of those present at the opening.
- A report shall be made in the record if, on any one tender, price alterations are so numerous as to render the procedure unreasonable.

11.6 **Admissibility and Acceptance of Formal Tenders**

11.6.1 If for any reason the designated officers are of the opinion that the tenders received are not strictly competitive (for example, because their numbers are insufficient or any are amended, incomplete or qualified) no contract shall be awarded without the approval of the Chief Executive.

11.6.2 Where only one tender is sought and/or received, the Chief Executive and Director of Finance shall, as far as practicable, ensure that the price to be paid is fair and reasonable and will ensure value for money for NHS Lanarkshire,

11.7 Late Tenders

- 11.7.1 In exceptional circumstances and with the approval of the Chief Executive, a tender may be received and accepted after the closing date, provided that none of the tenders available for opening at the appointed time have been opened. Where the available tenders have been opened a late tender shall be opened solely to identify the sender and returned with a letter of explanation. Tenders received after the due time and date may be considered only if the Chief Executive or nominated officer decides that there are exceptional circumstances, e.g. where significant financial, technical or delivery advantages would accrue, and is satisfied that there is no reason to doubt the bona fides of the tenders concerned. The Chief Executive or nominated officer shall decide whether such tenders are admissible and whether re-tendering is desirable. Re-tendering may be limited to those tenders in the field of consideration in the original competition. If the tender is accepted, the late arrival of the tender should be reported to the Board at its next meeting.
- 11.7.2 While decisions as to the admissibility of late, incomplete, or amended tenders are under consideration and while re-tenders are being obtained, the tender documents shall remain strictly confidential and kept in safekeeping by an officer designated by the Chief Executive.
- 11.7.3 In the event of an extension of time for receipt of tenders being approved by the Chief Executive or nominated officer, all invited tenderers shall be advised of the extension and the revised closing date.
- 11.7.4 Incomplete tenders (i.e. those from which information necessary for the adjudication of the tender is missing) and amended tenders (i.e. those amended by the tenderer upon his own initiative either orally or in writing after the due time for receipt) should be dealt with in the same way as late tenders.
- 11.7.5 Where examination of tenders reveals errors which would affect the tender figure, the tenderer is to be given details of such errors and afforded the opportunity of confirming or withdrawing the offer.

11.8 Acceptance of Formal Tenders

- 11.8.1 Necessary discussions with a tenderer of the contents of their tender, in order to clarify technical points etc., before the award of a contract, are quite acceptable but must be appropriately recorded.

Where post-tender negotiation takes place the following should be observed:

- the justification for the use of post-tender negotiation;
- the aim of the negotiations and the methods used;
- a precise record of all exchanges, both written and oral (verbal);
- management approval for the award of contract;
- the approval of the Chief Executive or Director of Finance, as applicable

11.8.2 Best Value in the Public Interest is critical within the acceptance criteria. The lowest tender may not necessarily be best value and this should come to light through the comparative evaluation of the bids reasons for not accepting lowest tender must be recorded.

11.8.3 Where the form of contract includes a fluctuation clause, all applications for price variations must be submitted in writing by the tenderer and shall be approved by the Chief Executive or nominated officer.

11.8.4 All Tenders should be treated as confidential and should be retained for inspection.

11.9 **Unsuccessful Tenders**

11.9.1 Following completion of the tender acceptance, and having obtained confirmation from the successful tenderer of acceptance of the contract, the unsuccessful tenderers should be advised in writing that the contract has been awarded and that they have not been successful.

11.9.2 In advising the unsuccessful tenderers, it should be drawn to their attention that their tender documentation will be retained in accordance with the time limits set out in the policy on culling and retention. [However, they should also be advised that they may collect additional copies of the documentation submitted].

11.10 **Single Tender**

11.10.1 The limited application of the single tender rules should not be used to avoid competition or for administrative convenience or to award further work to a consultant originally appointed through a competitive procedure.

11.10.2 Where NHS Lanarkshire procures accommodation through a Third Party Developer Scheme but in conjunction with General Medical Practitioners, the District Valuer independently determines the leased rent. The contract price in these instances may not be set through competitive tender and Chief Executive approval and justification must have been recorded.

11.11 **Jobbing**

11.11.1 The General Manager Property and Support Services is responsible for Estates Management and shall every three years approve a list of jobbing contractors.

- Individual Works not exceeding a value of £15,000 Excluding VAT may be instructed from the jobbing contractors listed on a time and material basis.
- Works exceeding £15,000 But not exceeding £50,000 Excluding VAT will be ordered on the basis of competitive quotations invited from the jobbing contractors listed or other approved contractors;
- All contractors either listed as jobbing contractors or approved contractors may be invited to tender for works in excess of these amounts as per the scheme of delegation Excluding VAT.

11.11.2 Where a project exceeds the threshold set out above, for reasons that could not be foreseen before the project commenced, then the justification for continuing to complete the project without going out to tender should be documented and be approved by the General Manager Property and Support Services unless the revised value exceeds £50,000. In which case the authority of the Chief Executive or Director of Finance is required.

11.12 **Quotations**

11.12.1 Quotations are required where formal tendering procedures are waived and within the financial limits as stipulated in the Scheme of Delegation.

11.12.2 Where quotations are required they should be obtained from at least three firms/individuals based on specifications or terms of reference prepared by, or on behalf of NHS Lanarkshire. Reasons must be kept if less than 3 quotations are sought or received.

11.12.3 Quotations should be in writing unless the Chief Executive or nominated officer determine that it is impractical to do so in which case quotations may be obtained by telephone/fax and e-mail Confirmation of telephone quotation should be obtained as soon as possible and the reasons why the telephone quotation was obtained should be set out in a permanent record.

11.12.4 All quotations should be treated as confidential and should be retained for inspection.

11.12.5 The Chief Executive or nominated officer should evaluate the quotations and select the one which gives Best Value. If this is not the lowest quotation if payment is to be made by NHS Lanarkshire, or the highest if payment is to be received by NHS Lanarkshire, then the choice made and the reasons why should be recorded in a permanent record.

11.12.6 Non-competitive quotations in writing may be obtained for the following purposes with the recorded approval of the Director of Finance where:-

- The supply of goods/services of a special character for which it is not, in the opinion of the Chief Executive or nominated officer, possible or desirable to obtain competitive quotations;
- The goods/services are required urgently.

11.12.7 No quotation shall be accepted which will commit expenditure in excess of that which has been allocated by NHS Lanarkshire and which is not in accordance with the Scheme of Delegation except with the authorisation of either the Chief Executive or Director of Finance.

11.13 **Official Orders**

- 11.13.1 No goods, services or works other than works and services executed in accordance with a contract and purchases from petty cash shall be ordered except on an official order, whether hardcopy or electronic, and contractors shall be notified that they should not accept orders unless on an official order form or processed via an approved secure electronic medium. Oral (Verbal) orders shall be issued only by an officer designated by the Chief Executive and only in cases of emergency or urgent necessity. These shall be confirmed by an official order issued no later than the next working day and clearly marked "Confirmation Order". National and Board contracts should be used where available/appropriate.
- 11.13.2 Official orders shall be, in a form approved by the Director of Finance and shall include such information concerning prices or costs as may be required. The order shall incorporate an obligation on the contractor to comply with the conditions printed thereon as regards delivery, carriage, documentation, variations etc.
- 11.13.3 Orders may be processed and transmitted by electronic methods in place of signed numbered paper-based.
- 11.13.4 Official order/requisition forms shall only be issued to and signed (signature may be replaced by electronic authorisation) by officers authorised by the Chief Executive. Lists of authorised officers shall be maintained and a copy of such lists supplied to the Director of Finance.
- 11.13.5 Orders shall not be placed in a manner devised to avoid the financial thresholds specified by the Board.
- 11.13.6 Goods e.g. medical equipment shall not be taken on trial or loan in circumstances that could commit NHS Lanarkshire to a future uncompetitive purchase.
- In such cases an indemnity agreement should be signed by the Director of Finance or General Managers.
- 11.13.7 No order shall be issued for any item or items for which there is no budget provision or for which no funding has been provided under the delegated powers of virement, unless authorised by the Director of Finance on behalf of the Chief Executive.

11.14 **Purchase from Petty Cash**

- 11.14.1 Purchases from Petty Cash will be restricted in value and by type of purchase and records maintained in accordance with instructions issued by the Director of Finance and shall not be placed in a manner devised to avoid the financial thresholds specified.

11.15 **Appointment of Management Consultants**

- 11.15.1 NHS Circular MEL (1994)4 and Pro-Code/appointment of consultants advises health bodies of the results of a review of the use of Management Consultants and sets out a course of action to be adopted. Management Consultants should only be used when documentary evidence of a benefit to NHS Lanarkshire has been prepared.
- 11.15.2 In choosing a Management Consultant, steps should be taken to ensure that they are capable of carrying out the assignment, that Best Value is obtained and that due probity is demonstrated in awarding the contract.
- 11.15.3 Appointment of Management Consultants should normally be by competitive tender. The reasons and approval for waiving the requirement to tender should be clearly documented and submitted to the Corporate Management Team.
- 11.15.4 Where successive assignments beyond the scope and terms of an appointment made by competitive tender arise, these should also be subject to tender arrangements. Where it is expected that there may be follow-on assignments, it may be more appropriate for the tendering exercise to appoint one or more Management Consultants under a call-off arrangement.

11.16 **Acceptance and Award of Contracts by the Chief Executive**

- 11.16.1 The Chief Executive, acting together with the Director of Finance, are authorised on behalf of the Board to accept tenders and award contracts as per the scheme of delegation (including VAT). Tenders and contracts in excess of this amount will require to have the respective organisation's common seal affixed.
- 11.16.2 The limits for delegation for the acceptance of tenders shall be approved by Lanarkshire NHS Board from time to time.

11.17 **Contracts**

- 11.17.1 NHS Lanarkshire may only enter into contracts within their statutory powers and shall comply with:-
- Standing Orders;
 - Standing Financial Instructions
 - EU Directives and other statutory provisions;
 - Any relevant directions including the Scottish Capital Investment Manual and guidance on the Use of Management Consultants;
 - Such of the NHS Standard Contract Conditions as are applicable;
- 11.17.2 Where specific contract conditions are considered necessary by the lead officer appointed by the Chief Executive or Director of Finance, or by the Board, where appropriate, advice shall be sought from suitably qualified persons. Where this advice is deemed to be legal advice, this must be sought from the Central Legal Office of National Services Scotland.

- 11.17.3 Where appropriate, contracts shall be in or embody the same terms and conditions of contract as was the basis on which tenders or quotations were invited.
- 11.17.4 In all contracts made by NHS Lanarkshire, members and officials shall endeavour to obtain Best Value. The Chief Executive or Director of Finance shall formally nominate an officer who shall oversee and manage each contract.
- 11.17.5 All contracts entered into shall contain standard clauses empowering NHS Lanarkshire to:-
- Cancel the contract and recover all losses in full where a company or their representative has offered, given or agreed to give, any inducement to members or officials.
 - Recover losses or enforce specific performance where goods or services are not delivered in line with contract terms.
 - Contracts of agreement should be made 'SETC or other suitable terms must be included to cover arrangement should dispute arise.
- 11.17.6 Contracts involving Endowment Funds shall be made in the name of a specific fund. Such contracts shall comply with the requirements of the Charities Acts.
- 11.17.7 Members and officials must ensure that all contracts, leases, tenancy agreements, property transactions and other commitments they enter into on behalf of NHS Lanarkshire for which a financial liability may result but without secured funding or budget provision seek authority from the Chief Executive or the Director of Finance in advance of any commitment being made.
- 11.17.8 The Director of Finance shall ensure that the arrangements for financial control and audit of building and engineering contracts and property transactions comply with the guidance contained within SCOTCONCODE, SCIM and Property Transaction Handbook. The technical audit of these contracts shall be the responsibility of the relevant Director.

SECTION 12 STORES, STOCKHOLDING AND STOCK MANAGEMENT

12.1 Stores, defined in terms of controlled stores and departmental stores (for immediate use) should be:

- Kept to a minimum;
- Subjected to annual stock take where appropriate;
- Valued at the lower of cost and net realisable value.

12.2 The Chief Executive shall be responsible for the overall management of all Health Board stockholdings and shall delegate effective and efficient management to designated officers. The Director of Finance shall be responsible for ensuring that the systems and internal controls in relation to stores are adequate. The day to day management may be delegated to departmental officers and stores managers/keepers, subject to such delegation being entered in a record available to the Director of Finance. The control of other stocks such as pharmaceutical stocks shall be the responsibility of the relevant Department Head. The control of fuel oil and coal shall be the responsibility of the General Manager Property and Support Services.

12.3 The responsibility for security arrangements and the custody of keys for all stockholding locations shall be clearly defined in writing by an officer delegated by the Chief Executive and agreed with the Director of Finance. Wherever practicable stocks held outwith Health Board locations shall be marked as health service property.

12.4 All stockholding and stock management records shall be in such form and shall comply with such system of control, as the Director of Finance shall approve. This shall include inventory management systems with high turnover and pharmacy stockholdings. In addition, all items of re-usable equipment, as determined by an appropriate officer and 'equipment' or 'assets' shall be properly registered, receipted and controlled. This includes the following:

- Equipment held at departmental level;
- Equipment on loan; and
- All contents of furnished lettings

Wherever practicable, items of equipment shall be marked as Health Board property.

12.5 The level of stockholding (measured in absolute terms and by stock duration in days) shall be set annually by the Director of Finance as part of the annual budget setting exercise. It is the responsibility of stockholders to control stock within the agreed level.

- 12.6 Stock management arrangements including requirements for validating stockholding during and / or at the end of each financial year shall be subject to approval and direction by the Director of Finance. Such physical stock checking covering all items held in stock shall be carried out either continuously or at least once a year. Physical checks will involve at least one officer other than the storekeeper and the Director of Finance, or his deputy, will have the right to attend. The stocktaking records will be numerically controlled and signed by the officers undertaking the check. Any surpluses or deficiencies revealed after stocktaking shall be investigated to identify the cause of the discrepancy and to initiate corrective action within limits specified and agreed with the Director of Finance who has the right to investigate as necessary.
- 12.7 Systems and procedures will be operated to ensure that:
- The quality and quantity of goods received is as required;
 - The goods are issued only for authorised use;
 - losses or other adjustments are accurately and promptly recorded and available for review or audit by the Director of Finance; and
 - the range and level of stockholdings held are reviewed regularly.
- 12.8 Where a complete system of stockholding and management of stock is not justified, alternative arrangements shall require the approval of the Director of Finance.
- 12.9 Stocks will be valued at the lower of cost or net realisable value. For this purpose cost will be ascertained on a consistent basis set by the Director of Finance. The cost of stock will be the purchase price without any overheads. The cost basis used must be clearly stated in any returns or accounts.
- 12.10 The General Manager, Procurement shall be responsible for a system approved by the Director of Finance for a review of slow-moving and obsolete items for condemnation, disposal, and replacement of all unserviceable articles. The designated Officer shall report to the Director of Finance any evidence of significant overstocking and of any negligence or malpractice. Procedures for the disposal of obsolete stock shall follow the procedures for the disposal of all surplus goods.
- 12.11 For goods supplied via centrally controlled stockholdings, the Director of Finance will identify those authorised to approve, minimum operational stock retention levels within approved budgets, those staff who can requisition top up replacement and those staff who can accept/receipt goods. Detailed Ward Product Management procedures that capture, channel and replenish regularly used products shall be developed.
- 12.12 All goods received shall be checked as regards quantity and/or weight and inspected as to quality and specifications. A delivery note shall be obtained from the supplier at the time of delivery and shall be signed by the person receiving the goods. Instructions shall be issued to staff covering the procedure to be adopted in those cases where a delivery note is not available. Particulars of all goods received shall be entered on a goods received record or input to computer file on the day of receipt. Where goods received are seen to be unsatisfactory or short on delivery they shall be accepted only on the authority of the Designated Officer and the supplier shall be notified immediately.

- 12.13 The issue of stores shall be supported by an authorised requisition. Where a “topping-up” system is used, a record shall be maintained in a form approved by the Director of Finance. Regular comparisons shall be made of the quantities issued to wards/departments, etc and explanations recorded of significant variations.
- 12.14 Requisitions whether for stock or non stock items may be transmitted electronically and not held in paper form providing always that appropriate procedures for such transmissions are agreed by the Director of Finance.
- 12.15 All transfers and returns shall be recorded on forms provided for the purpose and approved by the Director of Finance.
- 12.16 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. Tolerance limits shall be established for all stores subject to unavoidable loss, e.g. shrinkage in the case of certain foodstuffs and natural deterioration of certain goods. These items shall be written down to their net realisable value. The write down shall be approved by the Director of Finance or such delegated officer(s) and recorded.
- 12.17 For goods supplied via the NHS Logistics central warehouse, the Chief Executive shall identify those authorised to requisition and accept goods from the store. The authorised person shall check receipt against the delivery note before forwarding this to the nominated officer who shall satisfy themselves that the goods have been received before accepting the recharge.
- 12.18 Instructions for stocktake and basis of valuation will be issued at least once per year by the Director of Finance.

SECTION 13 ALIGNED AND POOLED BUDGETS

- 13.1 NHS Scotland organisations and Scottish Local Authorities have a statutory duty to co-operate to provide improved Community Care Services. The Community Care and Health (Scotland) Act 2002 and The Community Care (Joint Working etc.) Regulations 2002 increased the flexibility available to both NHS and LA organisations to improve outcomes for people using these services, together with their carers. Scottish Ministers are also given power to direct NHS and LA organisations to enter into joint working arrangements, where existing performance is unsatisfactory. The Regulations specify the social care, health and housing functions to be covered by both these enabling and intervention powers.
- 13.2 Part 2 of the Act enables payments to be made between NHS and LA organisations in connection with relevant functions, both Capital and Revenue, in order to move resources to deliver joint objectives .The Act also provides a framework within which NHS and LA may delegate functions and pool budgets, where the host partner is best placed to manage the day to day operation of a joint service. The existing responsibility and accountability of each partner for the exercise of the function remains. A Local Partnership Agreement must develop a governance framework to manage and demonstrate accountability for any service and activity so delegated. The host partner is required to account for the use of the pooled resources and service performance to both partners. Jointly managed services identified in the Local Partnership Agreement will be managed using either aligned or pooled budgets.
- 13.3 Aligned Budgets are where clearly identified financial resources are contributed by each partner into a joint “pot” to resource the provision of jointly managed services, but the funds remain held within each partner organisation in separate and distinct budgets. This enables each partner organisation to identify and account for their contribution to the joint “pot”.
- 13.4 The Act provides enabling powers to develop pooled budgets. Each partner contributes agreed resources to a discrete fund, which is managed as a single budget; by a separate discrete body e.g. voluntary organisations. This body however is not a separate legal entity, and for legal reasons must be linked to one of the statutory authorities, the authority becomes the “host” partner. The partners must agree at the outset the purpose, scope and outcomes for services within the agreement, meeting their own statutory obligations and justifying their contribution to the fund.
- 13.5 Partnership arrangements entered into by NHS Lanarkshire must comply with the guidance on aligned and pooled budgets issued by the Scottish Government. Resources are included if they will be used more effectively as part of the holistic approach.
- 13.6 A local Partnership Agreement or Heads of Agreement must be drawn up between the partner organisations, this will specify the services to be managed jointly, joint management structures and arrangements, the governance arrangements, the accountability arrangements, the budgetary control arrangements, and the financial reporting and monitoring arrangements. Each partner organisation’s Director of Finance must approve the Local Partnership Agreement which must then be ratified by both the NHS Board and the Council.

- 13.7 Each partner will agree the level of its contribution in advance of each financial year. Levels of contribution will take account of inflation, new developments, service pressures, JHIP priorities, capital charges and savings targets.
- 13.8 The Council and NHS Lanarkshire Joint Future Committee, as defined in the Local Partnership Agreement will have delegated authority to develop jointly managed services, through the development of the Local Partnership Agreement and ratification by the NHS Lanarkshire Board and the Council. Newly created Joint Services Managerial posts may be employed by one or other of the partners, who will be responsible for the risks and liabilities associated with that contract of employment.
- 13.9 Joint Services Managerial posts will be given delegated authority for the management of budgetary resources from each partner. There will be clearly defined roles and responsibilities for the achievement of financial and service performance targets. For the management of resources and activities associated with NHS Lanarkshire's contribution to the jointly managed services, the NHS Lanarkshire Code of Corporate Governance will be complied with and the manager will be included in the NHS Lanarkshire Scheme of Delegation, as appropriate. For the management of resources and activities associated with Council's contribution to the jointly managed services, the Council Financial Regulations and Contract Regulations will be complied with and the manager will be included in the Council Scheme of Delegation, as appropriate. In addition any instructions guidance produced by the Directors of Finance from either partner will be complied with if it is to be applied to the appropriate budget/resources.
- 13.10 If a separate body is created to manage pooled budgets, the lead officer of the newly created partnership body shall issue Financial Regulations and Standing Financial Instructions/Code of Corporate Governance, in accordance with directions issued by the Scottish Government, and agreed by the partner authorities. Such regulations and instructions will specify the arrangements for the provision of financial and service performance information to the partner authorities who remain responsible and accountable for their contribution to the pooled budget.
- 13.11 NHS Lanarkshire Chief Executive and the Council Chief Executives will remain accountable to the Scottish Government for the financial contribution made by their organisation in all joint service arrangements.
- 13.12 Jointly managed services will be subject to both financial and value for money audit by both internal audit and the Auditor General for Scotland. Annual Statements will be prepared for inclusion in both partners' Annual Accounts complying with all appropriate accounting standards and Scottish Government requirements. Each partner's Director of Finance will be equally responsible for ensuring that all relevant financial information is made available to the other partner as appropriate.

SECTION 14 FRAUD AND CORRUPTION

- 14.1 This section should be read in conjunction with the NHS Lanarkshire Theft, Fraud and other Financial Irregularities Policy and response plan.
- 14.2 Guidance on the approach to various forms of irregularities is contained in Scottish Government Health Department Circular NHS HDL (2003) 23, and CFS Partnership Agreement, which draws a clear distinction between treatment of suspected (a) theft and (b) fraud, embezzlement, corruption, and other irregularities (hereafter referred to as “fraud , etc”).

Fraud is defined as:-

- Deception
- Extortion
- Conspiracy
- False representation
- Bribery
- Corruption
- Embezzlement
- Concealment of material facts and collusion
- Forgery
- Theft
- Misappropriation

For practical purposes fraud may be defined as the use of deception with the intention of obtaining an advantage, avoiding an obligation or causing loss to another party.

- 14.3 Any officers suspecting theft etc. should immediately inform the Fraud Liaison Officer (FLO). The FLO shall inform the Director of Finance, who in turn will determine with the Director of HR the appropriate investigative route, whether this is through HR or fraud. In the case where fraud is suspected the FLO shall investigate the circumstances and inform the Director of Finance of the outcome. The FLO shall inform the Police and the Chief Executive of all incidents of theft once agreed with the Director of HR and Director of Finance.
- 14.4 Where any officer has ground to suspect that fraud, etc. has occurred, he should notify his line manager without delay. Line managers should in turn notify the FLO who should ensure that the Director of Finance and Director of HR is advised. Where agreed the FLO will ensure that CFS is contacted and an appropriate and speedy investigation is carried out. Restitution of funds or property is not a reason for not proceeding with an investigation.
- 14.5 The FLO will carry out only such preliminary investigations, as deemed necessary to establish whether or not there is a prima facie case of fraud, etc. If the Director of Finance agrees there is a prima facie case, the FLO will inform CFS and the Chief Executive as Accountable Officer,
- 14.6 It is not the duty of an employing authority or its officers to decide whether a suspected person should be prosecuted. The question of whether proceedings should be taken is a matter solely for the Crown Authorities. It follows that no suspected person should ever be told whether or not he will be prosecuted, except where a decision has already been made by the Crown authorities.

- 14.7 The Counter Fraud Services (CFS) is a central resource for carrying out all fraud investigations, and a centre of expertise for investigations into potential frauds. The operations of CFS are outlined in the Partnership Agreement between NHS Lanarkshire and CFS.
- 14.8 Where the CFS is involved in the investigation of potential frauds, and where prima facie grounds exist for thinking that a criminal offence has been committed, CFS in consultation with the FLO and the Chief Executive will decide whether to report to the Procurator Fiscal.
- 14.9 If however, CFS has referred a case to the Crown Office or the Procurator Fiscal in order to seek a Search Warrant, the decision, as to whether or not a criminal investigation of the case will proceed, will effectively pass to the Crown Office or the Procurator Fiscal concerned.
- 14.10 Whether or not the Crown authorities determine that there are sufficient grounds on which to institute criminal proceedings, it remains open to NHS Lanarkshire to consider pursuing disciplinary and other relevant proceedings.
- 14.11 Whether or not criminal proceedings are taken, or a criminal conviction is obtained, the public debt is not eliminated, and recovery of the debt should be pursued by any means available. Internal management action must not, of course, prejudice any criminal proceedings but should continue with reference to effect management of employee conduct policy. The systems of control should subsequently be evaluated to prevent recurrence.
- 14.12 The FLO shall also prepare a report for the Audit Committee, setting out the circumstances of the incident and any implications for management including changes to internal control systems which may require to be made.
- 14.13 Careful consideration should be given to payment and claims which arise from organisations or individuals who are under investigation or against who proceedings are being taken for suspected fraud, etc. Legal advice shall be sought where necessary.
- 14.14 The matter should be reported to the Scottish Government Health Department in cases where the nature, scale or the persons involved in the suspected offence could give rise to national or local controversy or publicity, or where the offence may be widespread.

SECTION 15 AUDIT ARRANGEMENTS

15.1 Audit Committee

15.1.1 An independent Audit Committee is the central means by which Lanarkshire NHS Board ensures effective internal control arrangements are in place. As required by statute and laid down in MEL 1994(80) the Board shall formally establish an Audit Committee, with clearly defined terms of reference and following guidance from the NHS Audit Committee Handbook to perform the following tasks:

- Ensuring that management, has established an effective internal audit function, that meets mandatory NHS Internal Audit Standards and provides appropriate independent assurance to the Audit Committee, Chief Executive and Board;
- Reviewing the work and findings of the external auditor appointed by Audit Scotland and considering the implications of and management's responses to their work;
- Reviewing the findings of other significant assurance functions, both internal and external to NHS Lanarkshire, and considering the implication for the governance of the organisation;
- Ensuring that the systems for financial reporting to the Board, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the Board;
- Reviewing financial and information systems and monitoring the integrity of the financial statements and reviewing significant financial reporting judgements;
- Reviewing the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the organisation's activities (both clinical and non-clinical), that supports the achievement of the organisation's objectives;
- Monitoring compliance with Standing Orders, Standing Financial Instructions and all related detailed Financial Procedures;
- Reviewing schedules of losses and compensations and making recommendations to the Board;
- Reviewing the annual report and financial statements prior to submission to the Board focusing particularly on:
 - The wording in the Statement on Internal control and other disclosures relevant to the Terms of Reference of the Committee;
 - Changes in, and compliance with, accounting policies and practices;
 - Unadjusted mis-statements in the financial statements;
 - Major judgmental areas;
 - Significant adjustments resulting from audit.
- Reviewing the annual financial statements and recommending their approval to the Board;
- Reviewing the external auditors report on the financial statements and the annual management letter;
- Conducting a review of the NHS Lanarkshire major accounting policies;
- Reviewing any incident of fraud or corruption or possible breach of ethical standards or legal or statutory requirement that could have a significant impact on NHS Lanarkshire published financial accounts or reputation;

- Reviewing any objectives and effectiveness of the internal audit services including its working relationship with external auditors;
- Reviewing major findings from internal and external audit reports and ensuring appropriate action taken;
- Reviewing ‘ value for money’ audits reporting on the effectiveness and efficiency of the selected departments or activities;
- Investigating any matter within its terms of reference, having the right of access to any information relating to the particular matter under investigation;
- Reviewing waivers to Standing Orders, Standing Financial Instruction, Scheme of Delegation;

15.1.2 The minutes of the Audit Committee meetings shall be formally recorded by NHS Lanarkshire Board Secretary and submitted to the Board. The Chair of the Committee shall draw to the attention of the Board any issues that require disclosure to the full Board, or require executive action. The Committee will report to the Board annually on its work in support of the Statement on Internal Control, specifically commenting on the fitness for purpose of the Assurance Framework, the completeness and embeddedness of risk management in the organisation, the integration of governance arrangements and the appropriateness of the self-assessment of the effectiveness of the Audit Committee.

15.1.3 Where the Audit Committee feels there is evidence of ultra vires transactions, evidence of improper acts, or if there are other important matters that the Committee wish to raise, the Chairperson of the Audit Committee should refer the matter to a full meeting of the Lanarkshire NHS Board. Exceptionally, the matter may need to be referred to the Scottish Government Health Department.

15.2 Director of Finance

15.2.1 The Director of Finance is responsible for:-

- Ensuring there are arrangements to review, evaluate and report on the effectiveness of internal control including the establishment of an effective internal audit function;
- Ensuring that Internal Audit is adequate and meets the NHS mandatory audit standards;
- Deciding at what stage to involve the police in cases of fraud, misappropriation, and other irregularities;
- Ensuring that the Head of Internal Audit prepares the following for approval by the Audit Committee [and the Board].
 - A clear statement on the effectiveness of internal control
 - Major internal control weakness discovered
 - Progress on the implementation of internal audit recommendations
 - A strategic audit plan;
 - A detailed plan for the coming year.

15.2.2 The Director of Finance or designated internal auditors are entitled without necessarily giving prior notice to require and receive:-

- (a) Access to all records, documents and correspondence relating to any 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 each organisation under an employee's control;
- (d) Explanations concerning any matter under investigation.

15.3 **Internal Audit**

15.3.1 Internal audit is an independent and objective appraisal service within the organisation which provides:

- an independent assurance to the Accountable Officer, the Board and the Audit Committee on the whole system of internal control by measuring and evaluating its effectiveness in achieving the organisation's agreed objectives. The whole system of internal control comprises the procedures and operations established for the assessment of risk, the achievement of objectives, the reliability of internal and external reporting and accountability processes, compliance with applicable laws and regulations, and the behavioural and ethical standards set for the organisation.
- an independent objective consulting activity to support line management in adding value and improving an organisation's internal control system. This is done by bringing a systematic and disciplined approach to the evaluation and improvement of the risk management, control and governance processes which are intended to support the achievement of organisational objectives. Such consultancy work contributes to the assurance which internal audit provides on the whole system of internal control.

15.4 **External Auditors**

15.4.1 The External Auditor is concerned with providing an independent assurance of each organisation's financial stewardship including value for money, probity, material accuracy, compliance with guidelines and accepted accounting practice for NHS accounts. Responsibility for securing the audit of the Board rests with Audit Scotland. The appointed External Auditor's statutory duties are contained in the Public Finance and Accountability (Scotland) Act.

15.4.2 The appointed auditor has a general duty to satisfy themselves that:

- a) The organisations' accounts have been properly prepared in accordance with directions given under the Public Finance and Accountability (Scotland) Act
- b) Proper accounting practices have been observed in the preparation of the accounts;

- c) The organisation has made proper arrangements for securing economy, efficiency and effectiveness in the use of its resources.

15.4.3 In addition to these responsibilities, Audit Scotland's Code of Audit Practice requires the appointed auditor to consider: Whether the statement of accounts presents a true and fair view of the financial position of the organisation;

15.4.4 The Audit Committee provides a forum through which non-executive Directors can secure an independent view of any major activity within the appointed auditor's remit. The Audit Committee has a responsibility to ensure that NHS receives a cost-effective service and that co-operation with senior managers and internal Audit is appropriate,

15.4.5 The appointment of external auditors for patients funds and endowment funds require to be approved by the Audit Committee.

SECTION 16 PATIENTS' FUNDS AND PROPERTY

- 16.1 The Board has a responsibility (NHS Circular 1976 (GEN) 68, Mental Health Act Scotland and Adults with Incapacity (Scotland) Act refer) to provide safe custody for money and other personal property (hereafter referred to as “property”) handed in by patients, in the possession of unconscious patients or patients with impaired capacity, or found in the possession of patients dying in hospital or dead on arrival.
- 16.2 The Chief Executive is responsible for ensuring that patients or their guardians, as appropriate, are informed before or at admission that the Board will not accept responsibility or liability for patients’ monies and personal property brought into NHS premises, unless it is handed in for safe custody and a copy of an official patients’ property record is obtained as a receipt. Patients or their guardians will be informed before or on admission by the following methods:
- Notices and information booklets;
 - Hospital admission documentation and property records;
 - The oral advice of administrative and nursing staff responsible for admissions and recorded in the notes.
- 16.3 Under the Adults with Incapacity (Scotland) Act, the manager of an authorised establishment (e.g. an NHS hospital) may only manage a resident’s finances if a medical practitioner has issued a certificate of incapacity after examining the resident, the form of which is laid down in regulations. Managers will only be authorised to intervene in respect of a particular resident adult however where no other arrangements are in place for managing that adult’s finances and also where it is suitable and appropriate that the manager intervenes.
- 16.4 The Board will be classed as a supervisory body under this Act. Protocols will be prepared by the Board and set out the necessary roles and responsibilities between them and the hospitals they have supervisory responsibility for.
- 16.5 In general, relevant officers in both supervisory bodies and authorised establishments must familiarise themselves with the detailed arrangements for handling patient affairs for those patients falling within the remit of the Adults with Incapacity (Scotland) Act. This is covered principally in the Code of Practice.
- 16.6 Notwithstanding specific arrangements under the Adults with Incapacity (Scotland) Act the Director of Finance shall ensure that detailed written instructions are provided to cover the collection, custody, recording, safekeeping and disposal of patients’ property (including instructions on the disposal of deceased patients’ property and the property of patients transferred to other premises) for all staff whose duty it 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.
- 16.7 Bank accounts for patients’ monies shall be operated under arrangements agreed by the Director of Finance.
- 16.8 Staff will be informed, on appointment, by the appropriate officer, of their responsibilities and duties for the administration of the property of patients.

- 16.9 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 or patient in writing.
- 16.10 The Director of Finance shall prepare an abstract of receipts and payments of patients' private funds in the form laid down in the Manual for Accounts. The abstract shall be audited independently and presented to the Audit Committee annually, with the auditor in attendance at the meeting.
- 16.11 The disposal of property of deceased patients is governed by the terms of NHS Circular GEN (1992) 33. All property including cash, watches, jewellery, clothing etc bank books, insurance policies and all other documents which the patient had in his/her possession in the hospital, will, as soon as practicable after his/her death, be collected together, identified as being his/her belongings and kept in safe custody until disposal.
- 16.12 Confirmation in favour of an executor or administrator must be exhibited before any funds are released where either:
- The estate of a deceased patient is of a value of more than the limit prescribed by the SGHD (currently £10,000); or
 - There is doubt as to the validity of claims being lodged for the residue of the estate.
- 16.13 In all cases where property of a deceased patient is of a total value in excess of £10,000, the production of Confirmation of Executors will be required before any of the property is released. Where the total value of property is £10,000, or less, forms of indemnity relieving the Health Board of any claims by third parties will be obtained.
- 16.14 Where a patient dies intestate and with no known next of kin, preferential claims on the estate may be disbursed. A report will be prepared to the Queen's and Lord Treasurer's Rembrancer (Crown) detailing all cash and property held on behalf of the deceased at date of death and specifying payments made out thereafter. The Queen's and Lord Treasurer's Rembrancer (Crown) will be informed of any information which might assist in tracing next of kin.

SECTION 17 FUNDS HELD ON TRUST (ENDOWMENTS)

- 17.1 Within this section of Standing Financial Instructions “endowment funds” are those gifts, donations and endowments made under the relevant charities legislation and held on trust for purposes relating to the National Health Service the objects of which are for the benefit of the National Health Service in Scotland. They are administered by the Board of Directors acting as trustees.
- 17.2 The foregoing sections of these Standing Financial Instructions shall apply equally to endowment funds as to other funds except that expenditure from endowment funds shall be restricted to the purpose(s) of the appropriate fund and made only with the approval of the Board of Directors, acting as Trustees.
- 17.3 The Director of Finance shall maintain such accounts and records as may be necessary to record and protect all transactions on behalf of the trustees of non-exchequer funds, including an Investments Register consistent with the current statutory requirements. This should be recognised by the Inland Revenue as a Scottish charity. The provisions of the Charities Accounts (Scotland) Regulations 2006 will apply.
- 17.4 The Director of Finance shall ensure that annual accounts are prepared as soon as possible after the year end and in accordance with the Charities Accounts (Scotland) Regulations 2006, and that proper arrangements are made for these to be subject to audit by a separately appointed External Auditor.
- 17.5 All share and stock certificates and property deeds shall be deposited either with the Board’s bankers or Investment Advisers, or in a safe, or a compartment within a safe, to which only the Director of Finance or his/her nominated deputy will have access. The ownership of all shares and stock certificates, if managed by a commercial concern, shall be periodically verified by the auditors appointed by the Board.
- 17.6 The Director of Finance shall prepare detailed procedural instructions concerning the receiving, recording, investment and accounting for endowment funds.
- 17.7 All gifts accepted shall be received and held in the name of the Board and administered in accordance with the Board’s policy, subject to the terms of specific funds. As the Board can accept gifts only for all or any purposes relating to the Health Service, officers shall, in cases of doubt or where there are material revenue expenditure consequences, consult the Director of Finance before accepting any gifts.
- 17.8 The Director of Finance shall be required to advise the Board of Directors on the financial implication of any proposal for fund raising activities which the Board may initiate, sponsor or approve. Advice to the Board of Directors on the financial implications of fund raising activities by outside bodies or organisations shall be given only by the Director of Finance.
- 17.9 The Director of Finance shall be kept informed of all enquiries regarding legacies and shall keep an appropriate record. After the death of a testator, all correspondence concerning a legacy shall be dealt with on behalf of the Fund by the Director of Finance who alone shall be empowered to give an executor a good discharge.

- 17.10 Endowment funds shall be invested by the Director of Finance subject to the following considerations subject to statutory requirements:-
- a) The policy regarding the treatment of accumulated balances;
 - b) Division of funds between narrow and wide range investments as defined in the Investment Act 1962 (as amended by Charities and Trustees Investment Act 2005)
 - c) Agreement of the Trustees after considering any advice received from the Trustees' Investment Managers
- 17.11 Expenditure of any endowment funds shall be conditional upon the item being within the terms of the appropriate fund and the procedures approved by the Board of Directors, acting as Trustees.
- 17.12 Where it becomes necessary for the Board to obtain Grant of Probate, or to make application for grant of letters of administration, in order to obtain a legacy due to the Board under the terms of a Will, the Director of Finance shall be the Board's nominee for the purpose.

SECTION 18

INFORMATION MANAGEMENT AND TECHNOLOGY

- 18.1 The Director of Finance shall be responsible for the accuracy and security of the financial data of the Board and shall:
- a) devise and implement any necessary procedures to ensure adequate (reasonable) protection of NHS Lanarkshire data, programs and computer hardware for which the Director is responsible from accidental or intentional disclosure to unauthorised persons, deletion or modification, theft or damage, after taking account of the Data Protection Act 1998, the Computer Misuse Act 1990, and any other relevant legislation or SGHD publications;
 - b) ensure that adequate (reasonable) controls exist over financial 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 the Director may consider necessary are being carried out.
- 18.2 The Director of Finance shall need to ensure that new financial systems and amendments to current financial systems are developed in a controlled manner and thoroughly tested prior to implementation. Where this is undertaken by another organisation, assurances of adequacy must be obtained from them prior to implementation.
- 18.3 The Director of Finance will ensure compliance with the Freedom of Information (FOI) Publication Scheme, or adopt a model Publication Scheme approved by the Information Commissioner for the purposes of the release of financial data. A Publication Scheme is a complete guide to the information routinely published by a public body. It describes the classes or types of information about NHS Lanarkshire that we make publicly available.
- 18.4 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 responsibilities of all parties for the security, privacy, accuracy, completeness, and timeliness of data during processing, storage and transmission. The contract or agreement should also ensure rights of access for audit purposes.
- 18.5 Where the NHS Board of any other agency provides a computer service for financial applications, the Director of Finance shall periodically seek assurances that adequate controls are in operation. Ensuring that adequate data controls exist to provide for security of financial applications during data processing, including the use of any external agency arrangements.

18.6 Where computer systems have an impact on corporate financial systems the Director of Finance shall need to be satisfied that:

- Systems acquisition, development and maintenance are in line with corporate policies such as the e-health strategy;
- Data produced for use with financial systems is adequate, accurate, complete and timely, and that a management (audit) trail exists;
- That Finance staff have access to such data.
- Such computer audit reviews as are considered necessary are being carried out.

SECTION 19 RETENTION OF RECORDS

- 19.1 The Chief Executive shall be responsible for maintaining archives for all documents required to be retained under the direction contained in the current guidance and the Board's Records Management Policy. This covers arrangements for both clinical and non-clinical records held by the Board.

- 19.2 The documents held in archives shall be capable of retrieval by authorised persons.

- 19.3 Documents held shall only be destroyed at the express instigation of the Chief Executive; records shall be maintained of documents so destroyed and shall comply with SHM (58)60 and any subsequent relevant circulars or guidance.

- 19.4 A detailed breakdown of the minimum retention periods for records, including finance records, is covered in the Retention and Destruction guidelines included in the Board's Records Management Policy.

SECTION 20 RISK MANAGEMENT & INSURANCE

20.1 The Chief Executive shall ensure that the Board has a programme of risk management which will be approved and monitored by the Board and Risk Management Steering group.

The programme of risk management shall include:

- a) a process for identifying and quantifying risks and potential liabilities;
- b) engendering among all levels of staff a positive attitude towards the control of risk;
- c) the implementation of a programme of risk awareness training;
- d) management processes to ensure that all significant risks and potential liabilities are addressed, including effective systems of internal control, cost effective insurance cover, and decisions on the acceptable level of retained risk; All significant risk and action taken to manage the risks will be reported to the Risk Management Steering Group;
- e) the maintenance of an organisation wide risk register;
- f) contingency plans to offset the impact of adverse events;
- g) audit arrangements including internal audit, clinical audit, health and safety review
- h) arrangements to review and report the risk management programme.
- i) a process whereby the risk management plans are measured against compliance with QIS standards.
- j) a clear indication of which risks are/shall be insured.

20.2 The existence, integration and evaluation of the above elements will assist in providing a basis to make a statement on the effectiveness of risk management arrangements in the organisation as required by current guidance on the Statement on Internal Control

20.3 In the case of Partnership Working with other agencies, the NHS Lanarkshire risk management framework will be shared to identify and quantify the individual risks, particularly where responsibility cannot be assigned to an individual partner. In the particular case of NHS Lanarkshire and North and South Lanarkshire Councils jointly managed services, each partners' risk management and insurance arrangements will be taken into account when identifying and quantifying risks associated with the provision of such jointly managed services and associated with the delegation of the management of a partner's financial resources. Where conflicts occur between these two sets of arrangements each partner's Director of Finance will be required to agree a course of action to resolve the conflict.

20.4 The Board shall decide if all insurance either through CNORIS /commercial insurance or self-insurance covers NHS Lanarkshire for the risk areas (clinical, property and employers/third party liability).

There are occasions where commercial insurance arrangements will be required e.g. motor vehicles owned by NHS Lanarkshire including third party liability arising from their use, Private Finance Initiatives where the consortium have a commercial insurance arrangement, income generation arrangements but the CNORIS coverage should be checked prior to entering into any commercial coverage.

The Director of Finance shall ensure that insurance arrangements exist in accordance with the risk management programme and that the procedures are documented.

SECTION 21 LOSSES AND SPECIAL PAYMENTS

- 21.1 The Director of Finance must prepare procedural instructions on the recording of and accounting for losses, and special payments.
- 21.2 Any officer discovering or suspecting a loss of any kind must directly notify his head of department, who will immediately, or without undue delay, dependent on the seriousness of the loss, inform the Director of Finance. Where a criminal offence is suspected, the Theft, Fraud and other financial irregularities Policy and Response Plan must be applied.
- 21.3 The Director of Finance shall notify SGHD of all discovered frauds and any loss arising from criminal or suspected offences perpetrated by the Board's employees; Circular HDL (2002)23 refers.
- 21.4 The Board's document, Theft, Fraud and other Financial Irregularities Policy and Response Plan, contains detailed advice and instructions concerning incidents of fraud and should be read in conjunction with the SFI's.
- 21.5 The SGHD has delegated authority to the Health Board to write-off losses and make special payments up to certain limits as set out in the Scheme of Delegation. For payments to be made above the levels specified SGHD authority must be obtained.
- 21.6 The Board in turn will delegate its responsibility to the Chief Executive and Director of Finance to approve write-off and authorise special payments.
- 21.7 The Director of Finance shall maintain a losses and compensation register in which details of all losses shall be recorded as they are known. Write-off action shall be recorded against each entry in the register. The Register will form the basis of the (SFR 18) return, which is included in the Annual Accounts
- 21.8 The exercise of powers of delegation in respect of losses and special payments will be subject to the submission of regular reports to NHS Lanarkshire Risk Management Steering Group and Audit Committee identifying which powers have been exercised and the amount involved. These reports will subsequently be remitted to the Lanarkshire NHS Board for approval, in summary, on an annual basis.
- 21.9 The Director of Finance shall be authorised to take any necessary steps to safeguard the interests of the Board in bankruptcies, company liquidations and receiverships.
- 21.10 For any loss, the Director of Finance shall consider whether any insurance claim can be made against insurers.
- 21.11 The Director of Finance must prepare detailed procedures for the disposal of assets including condemnations, and ensure that these are notified to managers.
- 21.12 When it is decided to dispose of a NHS Lanarkshire 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.

21.13 All unserviceable articles shall be:

- Condemned or otherwise disposed of by an employee authorised for that purpose by the Director of Finance;
- Recorded by the Condemning Officer in a form approved by the Director of Finance which will indicate whether the articles are to be converted, destroyed or otherwise disposed of. All entries shall be confirmed by the countersignature or a second employee authorised for the purpose by the Director of Finance.

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

SECTION 22 PAYMENTS TO INDEPENDENT CONTRACTORS (PRIMARY CARE)

22.1 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
- Prescribing / dispensing /Pharmacy Contract
- Dentistry
- Ophthalmic.

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.

22.2 Community Health Partnership Managers will approve additions to, and deletions from, the approved list of contractors, taking into account the health needs of the local population and the access to existing services. All applications and resignations received shall be dealt with equitably within any time limits laid down in the contractors’ NHS terms and conditions of service.

22.3 The Managers shall:

- a) ensure that lists of all contractors for whom Health Board is responsible are maintained in an up to date condition;
- b) ensure that systems are in place to deal with applications, resignations, inspection of premises etc within the appropriate contractors’ terms and conditions of service.

22.4 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 list receive payments;
- b) all valid contractors’ claims are paid promptly and correctly and are supported by the appropriate documentation and authorisation;
- c) 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 detected (or preferably prevented) wherever possible; if however overpayments are detected, recovery measures are initiated;

- iii) suspicions of possible fraud are identified and subsequently dealt with in line with the guidance issued by Counter Fraud Services (CFS) and NHS Lanarkshire's policy on the management of Theft, Fraud and other Financial Irregularities policy and response plan;
- d) exceptionally high, low or no payments are highlighted for further investigation;
- e) payments made via the NSS are reported to the Community Health Partnership;
- f) Payments made on behalf of the board by the NSS are pre-authorised.

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

Ensure that a prompt response is made to any query raised by Practitioner Services of National Services Scotland, regarding claims from contractors submitted directly to them.

Ensure that Fraud/Error reports in respect of patient charges from CFS are reviewed and reported to the Audit Committee.