

APPENDIX E- PRIME FINANCIAL POLICIES

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INTRODUCTION

1.1. General

- 1.1.1. These prime financial policies and supporting detailed financial policies shall have effect as if incorporated into the group's constitution.
- 1.1.2. The prime financial policies are part of the group's control environment for managing the organisation's financial affairs. They contribute to good corporate governance, internal control and managing risks. They enable sound administration, lessen the risk of irregularities and support commissioning and delivery of effective, efficient and economical services. They also help the accountable officer and chief finance officer to effectively perform their responsibilities. They should be used in conjunction with the scheme of reservation and delegation found at Appendix D.
- 1.1.3. In support of these prime financial policies, the group has prepared more detailed policies, approved by the Chief Finance Officer, known as *detailed financial policies*. The group refers to these prime and detailed financial policies together as the clinical commissioning group's financial policies.
- 1.1.4. These prime financial policies identify the financial responsibilities which apply to everyone working for the group and its constituent organisations. They do not provide detailed procedural advice and should be read in conjunction with the detailed financial policies. The Chief Finance Officer is responsible for approving all detailed financial policies.
- 1.1.5. A list of the group's detailed financial policies will be published and maintained on the group's website at <http://www.southworceccg.nhs.uk/south-worcestershire-ccg/>
- 1.1.6. Should any difficulties arise regarding the interpretation or application of any of the prime financial policies then the advice of the Chief Finance Officer must be sought before acting. The user of these prime financial policies should also be familiar with and comply with the provisions of the group's constitution, standing orders and scheme of reservation and delegation.
- 1.1.7. Failure to comply with prime financial policies and standing orders can in certain circumstances be regarded as a disciplinary matter that could result in dismissal.

1.2. Overriding Prime Financial Policies

- 1.2.1. If for any reason these prime financial policies 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 governing body's audit committee for referring action or ratification. All of the group's members and employees have a duty to disclose any non-compliance with these prime financial policies to the chief finance officer as soon as possible.

1.3. Responsibilities and delegation

- 1.3.1. The roles and responsibilities of group's members, employees, members of the governing body, members of the governing body's committees and sub-committees, members of the group's committee and sub-committee (if any) and persons working on behalf of the group are set out in chapters 6 and 7 of this constitution.
- 1.3.2. The financial decisions delegated by members of the group are set out in the group's scheme of reservation and delegation (see Appendix D).

1.4. Contractors and their employees

- 1.4.1. Any contractor or employee of a contractor who is empowered by the group to commit the group to expenditure or who is authorised to obtain income shall be covered by these instructions. It is the responsibility of the accountable officer to ensure that such persons are made aware of this.

1.5. Amendment of Prime Financial Policies

- 1.5.1. To ensure that these prime financial policies remain up-to-date and relevant, the chief finance officer will review them at least annually. Following consultation with the accountable officer and scrutiny by the governing body's audit committee, the chief finance officer will recommend amendments, as fitting, to the Governing Body for approval. As these prime financial policies are an integral part of the group's constitution, any amendment will not come into force until the group applies to NHS England and that application is granted.

2. INTERNAL CONTROL

POLICY – the group will put in place a suitable control environment and effective internal controls that provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and policies

- 2.1 The governing body is required to establish an audit committee with terms of reference agreed by the governing body (see paragraph 6.6.3(a) of the group's constitution for further information).
- 2.2 The accountable officer has overall responsibility for the group's systems of internal control.
- 2.3 The chief finance officer will ensure that:
- a) Financial policies are considered for review and update annually;
 - b) A system is in place for proper checking and reporting of all breaches of financial policies; and
 - c) A proper procedure is in place for regular checking of the adequacy and effectiveness of the control environment.

3. AUDIT

POLICY – the group will keep an effective and independent internal audit function and fully comply with the requirements of external audit and other statutory reviews

- 3.1. In line with the terms of reference for the Governing Body's Audit Committee, the person appointed by the group to be responsible for internal audit and the Audit Commission appointed external auditor will have direct and unrestricted access to audit committee members and the chair of the governing body, accountable officer and chief finance officer for any significant issues arising from audit work that management cannot resolve, and for all cases of fraud or serious irregularity.

3.2. The person appointed by the group to be responsible for internal audit and the external auditor will have access to the audit committee and the accountable officer to review audit issues as appropriate. All audit committee members, the chair of the governing body and the accountable officer will have direct and unrestricted access to the head of internal audit and external auditors.

3.3. The chief finance officer will ensure that:

- a) The group has a professional and technically competent internal audit function; and
- b) The Governing Body approves any changes to the provision or delivery of assurance services to the group.

4. FRAUD AND CORRUPTION

POLICY – the group requires all staff to always act honestly and with integrity to safeguard the public resources they are responsible for. The group will not tolerate any fraud perpetrated against it and will actively chase any loss suffered

4.1 The governing body's audit committee will satisfy itself that the group has adequate arrangements in place for countering fraud and shall review the outcomes of counter fraud work. It shall also approve the counter fraud work programme.

4.2 The governing body's audit committee will ensure that the group has arrangements in place to work effectively with NHS Protect.

5. EXPENDITURE CONTROL

5.1 The group is required by statutory provisions¹ to ensure that its expenditure does not exceed the aggregate of allotments from NHS England and any other sums it has received and is legally allowed to spend.

5.2 The accountable officer has overall executive responsibility for ensuring that the group complies with certain of its statutory obligations, including its

¹ See section 223H of the 2006 Act, inserted by section 27 of the 2012 Act

financial and accounting obligations, and that it exercises its functions effectively, efficiently and economically and in a way which provides good value for money.

5.3 The chief finance officer will:

- a) Provide reports in the form required by NHS England;
- b) Ensure money drawn from NHS England is required for approved expenditure only is drawn down only at the time of need and follows best practice;
- c) Be responsible for ensuring that an adequate system of monitoring financial performance is in place to enable the group to fulfil its statutory responsibility not to exceed its expenditure limits, as set by direction of NHS England.

6. ALLOTMENTS²

6.1. The group's chief finance officer will:

- a) Periodically review the basis and assumptions used by NHS England for distributing allotments and ensure that these are reasonable and realistic and secure the group's entitlement to funds;
- b) Prior to the start of each financial year submit to the Governing Body 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 Governing Body on significant changes to the initial allocation and the uses of such funds.

²

See section 223(G) of the 2006 Act, inserted by section 27 of the 2012 Act.

7. COMMISSIONING STRATEGY, BUDGETS, BUDGETARY CONTROL AND MONITORING

POLICY – the group will produce and publish an annual commissioning plan³ that explains how it proposes to discharge its financial duties. The group will support this with comprehensive medium term financial plans and annual budgets

- 7.1 The accountable officer will compile and submit to the Governing Body a commissioning strategy which takes into account financial targets and forecast limits of available resources.
- 7.2 Prior to the start of the financial year the chief finance officer will, on behalf of the accountable officer, prepare and submit budgets for approval by the Governing Body.
- 7.3 The chief financial officer shall monitor financial performance against budget and plan, periodically review them, and report to the Governing Body. This report should include explanations for variances. These variances must be based on any significant departures from agreed financial plans or budgets.
- 7.4 The accountable officer is responsible for ensuring that information relating to the group's accounts or to its income or expenditure, or its use of resources is provided to NHS England as requested.
- 7.5 The Governing Body will approve consultation arrangements for the group's commissioning plan⁴.

8. ANNUAL ACCOUNTS AND REPORTS

POLICY – the group will produce and submit to NHS England accounts and reports in accordance with all statutory obligations⁵, relevant accounting standards and accounting best practice in the form and content and at the time required by NHS England

- 8.1 The chief finance officer will ensure the group:

³ See section 14Z11 of the 2006 Act, inserted by section 26 of the 2012 Act.

⁴ See section 14Z13 of the 2006 Act, inserted by section 26 of the 2012 Act

⁵ See paragraph 17 of Schedule 1A of the 2006 Act, as inserted by Schedule 2 of the 2012 Act.

- a) Prepares a timetable for producing the annual report and accounts and agrees it with external auditors and the Audit Committee;
- b) Prepares the accounts according to the timetable approved by the Audit Committee;
- c) Complies with statutory requirements and relevant directions for the publication of annual report;
- d) Considers the external auditor's management letter and fully address all issues within agreed timescales; and
- e) Publishes the external auditor's management letter, via the annual report, on the group's website at <http://www.southworcsccg.nhs.uk/about-us/useful-documents/>

9. INFORMATION TECHNOLOGY

POLICY – the group will ensure the accuracy and security of the group's computerised financial data

9.1 The chief finance officer is responsible for the accuracy and security of the group's computerised financial data and shall

- a) Devise and implement any necessary procedures to ensure adequate (reasonable) protection of the group's data, programs and computer hardware from accidental or intentional disclosure to unauthorised persons, deletion or modification, theft or damage, having due regard for the Data Protection Act 1998;
- b) Ensure that adequate (reasonable) controls exist over data entry, processing, storage, transmission and output to ensure security, privacy, accuracy, completeness, and timeliness of the data, as well as the efficient and effective operation of the system;
- c) Ensure that adequate controls exist such that the computer operation is separated from development, maintenance and amendment;

- d) Ensure that an adequate management (audit) trail exists through the computerised system and that such computer audit reviews as the chief finance officer may consider necessary are being carried out.

9.2 In addition the chief finance officer shall 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.

10. ACCOUNTING SYSTEMS

POLICY – the group will run an accounting system that creates management and financial accounts

10.1 The chief finance officer will ensure:

- a) the group has suitable financial and other software to enable it to comply with these policies and any consolidation requirements of NHS England;
- b) that contracts for computer services for financial applications with another health organisation or any other agency shall clearly define the responsibility of all parties for the security, privacy, accuracy, completeness, and timeliness of data during processing, transmission and storage. The contract should also ensure rights of access for audit purposes.

10.2 Where another health organisation or any other agency provides a computer service for financial applications, the chief finance officer shall periodically seek assurances that adequate controls are in operation.

11. BANK ACCOUNTS

POLICY – the group will keep enough liquidity to meet its current commitments

11.1 The chief finance officer will:

- a) Review the banking arrangements of the group at regular intervals to ensure they are in accordance with Secretary of State directions⁶, best practice and represent best value for money;
- b) Manage the group's banking arrangements and advise the group on the provision of banking services and operation of accounts;
- c) Prepare detailed instructions on the operation of bank accounts.
- d) The Audit Committee shall approve the banking arrangements.

12. INCOME, FEES AND CHARGES AND SECURITY OF CASH, CHEQUES AND OTHER NEGOTIABLE INSTRUMENTS.

POLICY – the group will

- operate a sound system for prompt recording, invoicing and collection of all monies due
- seek to maximise its potential to raise additional income only to the extent that it does not interfere with the performance of the group or its functions⁷
- ensure its power to make grants and loans is used to discharge its functions effectively⁸

12.1 The Chief Financial Officer is responsible for:

- a) Designing, maintaining and ensuring compliance with systems for the proper recording, invoicing, and collection and coding of all monies due;
- b) Establishing and maintaining systems and procedures for the secure handling of cash and other negotiable instruments;

⁶ See section 223H(3) of the NHS Act 2006, inserted by section 27 of the 2012 Act

⁷ See section 14Z5 of the 2006 Act, inserted by section 26 of the 2012 Act.

⁸ See section 14Z6 of the 2006 Act, inserted by section 26 of the 2012 Act.

- c) Approving and regularly reviewing the level of all fees and charges other than those determined by NHS England or by statute. Independent professional advice on matters of valuation shall be taken as necessary;
- d) For developing effective arrangements for making grants or loans.

13. TENDERING AND CONTRACTING PROCEDURE

POLICY – the group:

- will ensure proper competition that is legally compliant within all purchasing to ensure we incur only budgeted, approved and necessary spending
- will seek value for money for all goods and services
- 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 Department of Health); and
 - for the design, construction and maintenance of building and engineering works (including construction and maintenance of grounds and gardens) for disposals

13.1 The group shall ensure that the firms / individuals invited to tender (and where appropriate, quote) are among those on approved lists or where necessary a framework agreement. Where in the opinion of the chief finance officer it is desirable to seek tenders from firms not on the approved lists, the reason shall be recorded in writing to the accountable officer or the group's Audit Committee.

13.2 The Governing Body may only negotiate contracts on behalf of the group, and the group may only enter into contracts, within the statutory framework set up by the 2006 Act, as amended by the 2012 Act. Such contracts shall comply with:

- a) the group's standing orders;
- b) the Public Contracts Regulation 2006, any successor legislation and any other applicable law; and

- c) take into account as appropriate any applicable NHS Commissioning Board or the Independent Regulator of NHS Foundation Trusts (Monitor) guidance that does not conflict with (b) above.

13.3 In all contracts entered into, the group shall endeavour to obtain best value for money. The accountable officer shall nominate an individual who shall oversee and manage each contract on behalf of the group.

14. COMMISSIONING

POLICY – working in partnership with relevant national and local stakeholders, the group will commission certain health services to meet the reasonable requirements of the persons for whom it has responsibility

14.1 The group will coordinate its work with NHS England, other clinical commissioning groups, local providers of services, local authority(ies), including through Health & Wellbeing Boards, patients and their carers and the voluntary sector and others as appropriate to develop robust commissioning plans.

14.2 The accountable officer will establish arrangements to ensure that regular reports are provided to the Governing Body detailing actual and forecast expenditure and activity for each contract.

14.3 The chief finance officer will maintain a system of financial monitoring to ensure the effective accounting of expenditure under contracts. This should provide a suitable audit trail for all payments made under the contracts whilst maintaining patient confidentiality.

15. RISK MANAGEMENT AND INSURANCE

POLICY – the group will put arrangements in place for evaluation and management of its risks

15.1 The CCG will develop, on an annual basis, a Governing Body Assurance Framework (GBAF), covering the key objectives of the Group and associated quarterly milestones, as well as identifying the key strategic risks. For each strategic risk identified, mitigating actions, controls and assurances will be

identified along with a target risk score. This will be submitted to the Governing Body on a bimonthly basis. Where applicable, review of the quarterly milestones and risks will be delegated to the committees of the Governing Body with responsibility for the relevant function. In this instance, the committee chairs will be required to provide a report for review by the audit committee who in turn will report any areas of non-assurance to the Governing Body. This process is set out in full detail within the CCG Risk Management Strategy

- 15.2** The scoring methodology for the GBAF will follow the risk matrix in which the likelihood and consequences of risk are identified and scored.
- 15.3** The CCG will also maintain an active Risk Register containing all operational risks facing the CCG. Where applicable, review of risks will be delegated to the committees of the Governing Body with responsibility for the relevant function

16. PAYROLL

POLICY – the group will put arrangements in place for an effective payroll service

- 16.1** The chief finance officer will ensure that the payroll service selected:
- a) is supported by appropriate (i.e. contracted) terms and conditions;
 - b) has adequate internal controls and audit review processes;
 - c) has suitable arrangements for the collection of payroll deductions and payment of these to appropriate bodies.
- 16.2** In addition the chief finance office shall set out comprehensive procedures for the effective processing of payroll

17. NON-PAY EXPENDITURE

POLICY – the group will seek to obtain the best value for money goods and services received

17.1 The Governing Body will approve the level of non-pay expenditure on an annual basis and the accountable officer will determine the level of delegation to budget managers

17.2 The accountable officer shall set out procedures on the seeking of professional advice regarding the supply of goods and services.

17.3 The chief finance officer will:

- a) Advise the Governing Body on 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 reservation and delegation;
- b) Be responsible for the prompt payment of all properly authorised accounts and claims;
- c) Be responsible for designing and maintaining a system of verification, recording and payment of all amounts payable.

18. CAPITAL INVESTMENT, FIXED ASSET REGISTERS AND SECURITY OF ASSETS

POLICY – the group will put arrangements in place to manage capital investment, maintain an asset register recording fixed assets and put in place policies to secure the safe storage of the group's fixed assets

18.1 The accountable officer will

- a) Ensure that there is an adequate appraisal and approval process in place for determining capital expenditure priorities and the effect of each proposal upon plans;

- b) Be 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;
- d) Be responsible for the maintenance of registers of assets, taking account of the advice of the chief finance officer 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.

18.2 The chief finance officer will prepare detailed procedures for the disposals of assets.

19. RETENTION OF RECORDS

POLICY – the group will put arrangements in place to retain all records in accordance with NHS Code of Practice Records Management 2006 and other relevant notified guidance

19.1 The Accountable Officer shall:

- a) Be responsible for maintaining all records required to be retained in accordance with NHS Code of Practice Records Management 2006 and other relevant notified guidance;
- b) Ensure that arrangements are in place for effective responses to Freedom of Information requests;
- c) Publish and maintain a Freedom of Information Publication Scheme.

20. TRUST FUNDS AND TRUSTEES

POLICY – the group will put arrangements in place to provide for the appointment of trustees if the group holds property on trust

- 20.1** The chief finance officer shall ensure that each trust fund which the group is responsible for managing is managed appropriately with regard to its purpose and to its requirements.

