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INDEX

		Page
1.	Introduction	2
2.	Statutory Requirements	3
3.	Annual Accounts and Annual Report	4
4.	Estimates, Budget and Budgetary Control	4
5.	Banking Arrangements	5
6.	Income and Security of Cash, cheques and other negotiable instruments	5
7.	Security of Assets	5
8.	Disposal of Assets	6
9.	Payment of Staff	6
10.	Ordering and Receipt of Goods	7
11.	Stocks of Consumables	8
12.	Payment of Accounts	8
13.	Tenders	9
14.	Financial Information Systems	9
15.	Audit	10
16.	Losses and Special Payments	11
17.	Risk Management	11
18.	Retention of Documents	12
19.	Financial Authorisation Limits and Delegations	13-18

STANDING FINANCIAL INSTRUCTIONS

1. Introduction

- 1.1 The accounting and financial practice applied to the management of the finances of the Commission must ensure the achievement of the highest standards of stewardship and probity in the use of these public funds.
- 1.2 Financial control must be concerned not only with accuracy and security but also with economy, efficiency, effectiveness and quality and it must therefore make use of all suitable techniques as an aid to sound financial management. Proper and effective control of expenditure must also ensure the propriety and accuracy of all transactions and their recording.
- 1.3 The Commission shall delegate executive responsibility for the performance of its functions to the Chief Executive. Board Members shall exercise financial supervision and control by requiring the submission and approval of budgets within approved allocations, by defining and approving essential features of the financial arrangements in respect of important procedures and financial systems, including the need to obtain value for money, and by defining specific responsibilities placed on officers.
- 1.4 In accordance with section 15(3) of the Public Finance and Accountability (Scotland) Act 2000 (PFA Act 2000), as Accountable Officer, the Chief Executive has personal responsibility for the propriety and regularity of the public finances for the body for which s/he is answerable. The responsibilities of Accountable Officers are contained within the [Memorandum to Accountable officers](#) annexed to the SPFM
- 1.5 Corporate governance is the framework within which organisations, both public and private, operate and is about:-
 - ☒ openness
 - ☒ integrity
 - ☒ accountability

[Good Governance in the Public Sector: The new international framework](#) was launched in 2014 updating The Good Governance Standard for Public Services which was published in 2005 as a guide to help everyone concerned with the Governance of Public services to apply common principles of good Governance. The Commission recognises that it is best practice to follow this updated guidance.
- 1.6 All staff have a general responsibility for the security of the property of the Commission for avoiding loss, for economy and efficiency in the use of resources and for conformity with the requirements of these Standing Financial Instructions.
- 1.7 These Standing Financial Instructions may be varied or revoked by the Board and any motion to vary or revoke them shall, when proposed, stand adjourned without discussion to the next scheduled meeting of the Board.

- 1.8 The Chief Executive shall ensure that existing staff and all new employees are notified of their responsibilities within these Instructions and that detailed procedures are prepared for the secure operation of financial systems within the Commission.
- 1.9 Any breach or non-compliance with these Standing Financial Instructions must, on discovery, be reported immediately to the Chief Executive.
- 1.10 Failure to comply with Standing Financial Instructions is a disciplinary matter which could result in dismissal.
- 1.11 Should any difficulties arise regarding the interpretation or application of any of the Standing Financial Instructions then the advice of the Chief Executive must be sought before acting.
- 1.12 Wherever the title Chief Executive is used in these Instructions it shall be deemed to include such other officers who have been duly authorised to represent them.
- 1.13

2. Statutory Requirements

2.1 Introduction

The main sources are the National Health Service (Scotland) Act 1978 (1978 Act), as applied by the Mental Health (Care and Treatment) (Scotland) Act 2003, the Health Services Act 1980 (1980 Act) and the National Health Service and Community Care Act 1990. The 1978 Act, as amended by the 1980 Act, lays down the financial duties placed on Health Bodies and allows the First Minister to issue directions in order to secure compliance with the duties imposed on them. Particular requirements of these Acts are given in the following paragraphs.

The Head of Corporate Services is required, under Sections 31 and 32 of the Public Services Reform (Scotland) Act 2010, to prepare information on expenditure and certain other matters for publication as soon as is reasonably practicable after the end of each financial year.

2.2 Form and Audit of Accounts

2.2.1 The Commission is required to keep accounts of all monies received or paid out in such form as Scottish Ministers may direct and these accounts will be audited by auditors appointed by Scottish Ministers. The Auditor General may examine these accounts and any records relating to them and any report of the auditor on them.

2.2.2 The Commission must prepare and transmit to Scottish Ministers in respect of each financial year, accounts in such form as Scottish Ministers may, with the approval of the Treasury, direct.

2.3 Revenue and Capital Resource Limits

2.3.1 In respect of each financial year the Commission will be given, by Scottish Ministers, an authorised revenue resource limit and an authorised capital resource limit for the performance of its functions in that year.

2.3.2 The Commission is required to ensure that its expenditure does not exceed the amounts authorised by Scottish Ministers for that year.

3. Annual Accounts and Annual Report

3.1 The Chief Executive shall prepare, certify and submit Annual Accounts to the Board in respect of each financial year in such a form as Scottish Ministers may, with the approval of the Treasury, direct.

3.2 The Chief Executive shall ensure that arrangements are made for the Statutory Audit of the Annual Accounts by the external auditor appointed by Audit Scotland.

3.3 The Audit, Risk and Information Governance Committee will review and recommend adoption of the Annual Accounts to the Board.

3.4 The Chief Executive shall prepare Performance and Accountability Reports in accordance with relevant guidelines for submission to the Board.

4. Estimates, Budgets and Budgetary Control

4.1 Prior to the commencement of each financial year, the Head of Corporate Services shall prepare and submit to the Board financial plans on an accruals basis reconciling anticipated income and expenditure plans.

4.2 The Head of Corporate Services is responsible for devising and maintaining a system of budgetary control and for preparing and issuing rules and procedures governing the operation of the system to all staff empowered to incur expenditure and generate or collect income.

4.3 Budgetary and virement limits should be defined in the budgetary control system and budget managers must be made aware of their responsibility to manage resources within these limits.

4.4 Throughout the year, financial reports should be submitted by the Head of Corporate Services to the Board highlighting significant variances and details of actions taken, and forecasts of the year-end position.

4.5 The Head of Corporate Services shall keep the Board informed of the financial consequences of changes in policy, pay award and other events and trends affecting budgets and shall advise on the financial and economic aspects of future plans.

4.6 The Chief Executive must not exceed the budgetary total or virement limits set by the Board

5. Banking Arrangements

- 5.1 The Finance Manager is responsible for securing the most efficient and economic banking services taking account of any guidance issued by the Scottish Government.
- 5.2 The Commission will use the Scottish Government Common Services for the provision of a banking service and will review this arrangement on a regular basis.

6. Income and the Security of Cash, Cheques and Other Negotiable Instruments

- 6.1 The Finance Manager shall be responsible for designing and maintaining systems for the proper recording and collection of all monies due to the Commission.
- 6.2 All staff shall inform the Finance Manager of monies due to the Commission arising from transactions which they initiate.
- 6.3 The Finance Manager shall take appropriate recovery action on all outstanding debts.
- 6.4 Income not recovered shall be dealt with in accordance with Section 16 - Losses and Special Payments.
- 6.5 The Finance Manager is responsible for devising and maintaining systems for the security of cash, payable orders, cheques and other negotiable instruments received by the Commission.
- 6.6 All cash, cheques etc must be banked intact promptly to the credit of the Scottish Government; disbursement must not be made from any cash received.
- 6.7 All cash, cheques, etc held must be kept in a lock-fast receptacle.

7. Security of Assets

- 7.1 All Board Members, and all staff have a responsibility for the security of property of the Commission. Any breach of agreed security practice shall be reported to the Head of Corporate Services.
- 7.2 The Head of Corporate Services shall ensure that wherever practicable, items of equipment shall be marked as Commission property.
- 7.3 The Head of Corporate Services will identify items of equipment which will be recorded in the Commission's Asset Register in a format suitable for accounting procedures purposes. Items held in the Asset Register will comprise property and equipment which individually cost £5,000 or more or where appropriately grouped, cost £20,000 or more.
- 7.4 Additions to the Asset Register must be added to the records based on the documented cost of the asset at the time of acquisition - The Head of Corporate Services will be responsible for the addition of all new assets to the register.

- 7.5 The value of each asset shall be indexed to current values and depreciated annually.
- 7.6 The Head of Corporate Services will also identify items of equipment to be monitored which will be maintained in the Commission's Small Equipment Register. Items to be identified in the Small Equipment Register will be those which individually or grouped cost less than £20,000.
- 7.7 Both the registers identified at 7.3 and 7.6 above will cover equipment purchased, loaned or donated and also the contents of furnished lettings. Loaned and donated assets will be appropriately identified in both registers.
- 7.8 Where assets are sold, scrapped, lost or otherwise disposed of, their value must be removed from the accounting records and each disposal must be validated by reference to authorised documentation.
- 7.9 Both registers should be checked annually by an officer who is independent of the responsible officer designated and a certified record of such check should be maintained. Any discrepancies will be noted in writing to the Chief Executive who will investigate as appropriate.
- 7.10 Damage to, and losses of, items of equipment will be dealt with in accordance with Section 16 - Losses and Special Payments.

8. Disposal of Assets

- 8.1 Holdings of assets and consumable stores should be kept under review by the Head of Corporate Services.
- 8.2 Any identified surpluses should be sold on the open market at the best possible price. Assets, other than land and buildings, and consumable stores which are surplus should normally be disposed of by public auction or tender.
- 8.3 The Head of Corporate Services should ensure that appropriate systems of control are instituted over the disposal of assets; in particular staff should be properly supervised and duties should be adequately separated.
- 8.4 Receipts arising from the sale or transfer of assets should be treated as income.

9. Payment of Staff

- 9.1 The Finance Manager shall be responsible for the design and maintenance of systems to ensure the proper and secure payment of amounts due to staff of the Commission for payment of salaries and wages and all other expenses.
- 9.2 The Commission will use the Scottish Government Shared Services for the provision of payments to staff and will review this arrangement on a regular basis.
- 9.3 The Finance Manager will ensure that the operating procedures set out by the Scottish Government shared services take account of relevant guidance and are implemented by all Commission staff.

- 9.4 A signed copy of each employee's contract/appointment form will be held by the Head of Corporate Services. An employee's termination form shall be prepared by the Head of Corporate Services prior to the employee leaving.
- 9.5 All time records and similar documents will be in a form approved by the Head of Corporate Services and will be certified and submitted in accordance with their instructions.
- 9.6 The Board will be responsible for recommending the final determination of pay to the Scottish Government, including verification that rates of pay and relevant conditions of service are in accordance with current agreements, the proper compilation of the payroll and for payments made.
- 9.7 The Chief Executive will determine the date on which payments are to be made, not in advance in normal circumstances.

10. Ordering and Receipt of Goods

Ordering of Goods

- 10.1 The Head of Corporate Services shall ensure that all staff comply with the instructions contained in the Procurement Policy which is based on the Scottish Government Procurement Policy Handbook and the Procurement Policy manual.
- 10.2 The Chief Executive shall not obtain any substantial assets, without the prior approval of the Department, e.g. any item of office equipment costing more than £50,000.
- 10.3 All orders of any kind will only be made on official order forms, and suppliers will be informed of this restriction.
- 10.4 In exceptional circumstances the Head of Corporate Services may authorise verbal orders. For all such orders, a written order must follow immediately.
- 10.5 Official order forms (Electronic or otherwise) will
 - contain information on costs and prices as necessary
 - only be issued once approved by a member of staff whose name appears on a list approved by the Head of Corporate Services
 - incorporate an obligation on the supplier to comply with conditions related to delivery, carriage, documentation, variations, etc.
- 10.6 Official orders will only be placed for an item covered by an approved budget and will not be subdivided so as to avoid budget limits for authorisation purposes.
- 10.7 The Head of Corporate Services shall be responsible for designing and maintaining a system for the competitive tender process, taking account of relevant EU Directives on public purchasing.

11. Stocks of Consumable materials

- 11.1 Excessive stock holding of items such as stationary and publications is expensive and should be avoided wherever possible. Where such stock is held, control systems should provide for regular reviews of stock turnover, levels and delivery requirements to ensure the most cost effective system is operated.
- 11.2 In developing systems and safeguards the costs associated with them should be weighed against the potential benefits to ensure they are cost effective.

12. Payment of Accounts

- 12.1 The Finance Manager is responsible for designing and maintaining a system for the authorisation, verification, recording and payment of all amounts payable which should take account of the requirements contained in the Scottish Government manual regarding making payments within the overall confines of the EASEbuy system. Staff should order goods and services in line with the Commission Procurement Policy
- 12.2 Payments should only be authorised when the expenditure is within an approved budget and, for items over £150,000, where approval has been obtained from the Scottish Government, with the exception of assets (see 10.2).
- 12.3 Payments should generally not be made in advance of need, i.e., before the liability to pay has matured. A payment has matured if:-
- the goods have been received;
 - the benefit of a service has been provided;
 - an invoice, or similar demand for payment, has been received and all necessary checks carried out;
 - it is legally due under the terms of a contract, irrespective of whether goods have been received or services performed.
- 12.4 Once liability to pay has matured payment should be made promptly and should reflect the Government's support of the 'Prompt Payment' initiative.
- 12.5 Officers who make payments should be independent of the officers who authorise payment after checking delivery or execution of work. These officers should in turn act independently of those who have placed orders and negotiated prices and terms.
- 12.6 Overpayments when discovered should be transferred to a suspense account and held there until recovered or written off.
- 12.7 Recovery of overpayments to suppliers should be pursued in all cases and legal action taken where necessary and appropriate.
- 12.8 When the Commission learns of a bankruptcy, liquidation or receivership of a supplier all payments should be stopped pending confirmation of the bankruptcy. A statement of the amounts due to and by the Commission should

be prepared. The Finance Manager should ensure that any payments due by the Commission should be made only to the proper person and any claim by the Commission should be properly lodged. The need or possibility for set off should be investigated. Where a contract exists the Commission has the right to terminate the contract; legal advice should be taken at an early stage.

- 12.9 The use of cash for payments should be avoided wherever possible in view of the high costs and security risks involved. Cash payments should be limited to small imprest advances and small miscellaneous purchases where other methods would not be economical.
- 12.10 The Commission will use the Scottish Government Shared Services for the payment of accounts where possible and will review this arrangement on a regular basis.
- 12.11 For suppliers where payment is not possible via Shared Services, the Commission will use the Scottish Government EPC card.
- 12.12 The Finance Manager will ensure that the operating procedures set out by the Scottish Government Shared Services take account of relevant guidance and are implemented by all Commission staff.
- 12.13 The Commission will on occasion use the SEAS manual payments facility offered by the Scottish Government. Such payments will need to be authorised in line with the delegated authority listing appended to the Standing Financial instructions and be supported by appropriate documentation

13. Tenders

- 13.1 The Head of Corporate Services will ensure all tenders for work and services are in line with the Procurement Policy

14. Financial Information Systems

- 14.1 The Chief Executive shall be responsible for the accuracy and security of the financial data (both electronic and paper) of the Commission and shall devise and implement any necessary procedures to protect the Commission and individuals from inappropriate use or misuse of any financial and other information held , after taking account of Data Protection legislation.
- 14.2 The Chief Executive shall ensure that contracts for computer services with another agency shall clearly define the responsibility of all the parties for the security, privacy, accuracy, completeness and timeliness of data during processing, transmission and storage. The Chief Executive shall periodically seek assurances that adequate controls are in operation.
- 14.3 The Chief Executive shall ensure that adequate data controls exist to provide for security of applications during data processing, including the use of any external agency arrangements.
- 14.4 The Chief Executive shall satisfy him/herself that such financial information systems audit checks as he may consider necessary are being carried out.

14.5 The Chief Executive shall ensure all financial Information systems policies and procedures are in line with Commission Information Governance policies, procedures and guidelines.

15. **Audit**

15.1 In accordance with Standing Orders, the Commission shall formally establish an Audit Risk and Information Governance Committee (A,R &IG Committee) with clearly defined terms of reference which will consider:

- Internal control and corporate governance
- Internal Audit
- External Audit
- Standing Orders and Standing Financial Instructions
- Fraud Policy
- Procurement Policy
- Accounting Policies
- Annual Accounts
- Risk Management strategy
- Travel & Subsistence Policy
- Information Governance

Where the A,R & IG Committee feels there is evidence of ultra vires transactions, evidence of improper acts, or if there are other important matters that the Committee wishes to raise, the chair of the A,R & IG Committee should raise the matter at a meeting of the Board. Exceptionally, the matter may need to be referred to the Scottish Government Population Health Improvement Directorate and /or the Health and Social Care Assurance Board.

It is the responsibility of the A,R & IG Committee to ensure an effective internal audit service is provided and this will largely be influenced by the Chief Executive / Head of Corporate Services.

15.2 The Chief Executive is responsible for making suitable arrangements for the provision of an internal audit service in a manner which represents value for money.

15.3 The Chief Executive shall ensure that:-

- (a) there are arrangements to measure, evaluate and report on the effectiveness of internal control and efficient use of resources including the establishment of a professional internal audit function;
- (b) internal audit is adequate and meets the common set of Public Sector International Audit Standards (PSIAS) mandatory audit standards;
- (c) the following plans are prepared for approval by the A,R & IG Committee:-
 - (i) strategic audit plan covering the coming three years
 - (ii) an operational plan for the coming year
- (d) an internal audit report is prepared for consideration by the A,R & IG Committee. The report should include:-

- (i) a clear statement on the adequacy and effectiveness of internal control
- (ii) main internal control issues and audit findings during the year
- (iii) progress on the implementation of internal audit recommendations
- (iv) extent of audit cover achieved against the plan for the year

15.4 In cases of fraud, misappropriation and other irregularities, the Chief Executive shall decide at what stage to involve the police in line with the Fraud Policy.

16. Losses and Special Payments

16.1 The Head of Corporate Services is responsible for ensuring that effective controls are developed and maintained to prevent loss and fraud and to ensure that if it does occur it will be detected promptly.

16.2 All staff are responsible for immediately advising their Manager if they discover or suspect a loss of any kind. The Manager must immediately advise the Head of Corporate Services who will institute an investigation into the circumstances of each case.

16.3 Where a criminal offence involving theft or arson is suspected the Head of Corporate Services shall inform the police; in cases of suspicion of fraud the Fraud Prevention and Investigations Procedures will be followed (Section 6.1 of Policy No 3 Fraud Prevention and Investigations)

16.4 The Chief Executive shall report to the A,R & IG Committee the circumstances of any loss or special payment before requesting authority for write off.

16.5 The Head of Corporate Services shall maintain a Losses and Special Payments Register in which details of all losses will be recorded including action taken and date of write-off authority. Write-off is the formal authority given to treat a transaction as a loss.

17. Risk Management

17.1 The Head of Corporate Services shall ensure that the Commission has a programme of risk management which will be approved and monitored by the A,R & IG Committee.

17.2 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) management processes to ensure 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;

- (d) contingency plans to offset the impact of adverse events;
- (e) audit arrangements including internal audit, operational audit and health and safety reviews;
- (f) arrangements to review the risk management programme.

The existence, integration and evaluation of the above elements will provide a basis to make a statement on the effectiveness of Internal Control.

- 17.3 The Commission is covered by the Scottish Government's Clinical Negligence and Other Risks Indemnity Scheme ([CNORIS](#)) which provides legal liability indemnity insurance cover

18. Retention of Documents

- 18.1 The Commission's Records Management Policy sets out an agreed approach for the management of records within the Mental Welfare Commission for Scotland (The Commission) to ensure compliance with the Public Records (Scotland) Act 2011, and ensuring compliance with relevant Data Protection and Freedom of Information legislation.
- 18.2 All Commission staff, Board members and other Public Appointees are responsible for ensuring that the records they create or maintain comply with the requirements specified in the Records Management Policy. Specific duties shall be written into job descriptions. The Chief Executive has ultimate responsibility for records management policy and procedures.
- 18.3 The documents held in archives shall be capable of retrieval by authorised persons.
- 18.4 Documents shall only be destroyed in line with the MWC Records Retention and Disposal Schedule.

19. Financial Authorisation Limits and Delegations

The following table, on page 13 outlines the financial scheme of delegation. It should be noted that staff deputising for other staff will assume the financial threshold applicable to the post they are covering.

19. **Financial Authorisation Limits and Delegations**

The financial authorisation limits related to the scheme of delegation are detailed below:

	Chair	Chief Exec	HOCS	Project Manager	Execs (excl HOCS)		Fin Mgr	HR Mgr	Comms Mgr	NCF DIM	CW Mgr	Office Mgr
1. Budget Virement Transfers between approved budgets; <ul style="list-style-type: none"> Up to £50,000 		✓										
<ul style="list-style-type: none"> Up to £5,000 			✓									
2. Assets Acquisition of assets; <ul style="list-style-type: none"> Up to £100,000* per asset *=Following approval from the Scottish Government where over £50,000 Sale of surplus assets where the value is more than 75% of its market value.		✓	✓									

	Chair	Chief Exec	HOCS	Project Manager	Execs (excl HOCS)		Fin Mgr	HR Mgr	Comms Mgr	NCF DIM	CW Mgr	Office Mgr
3. Staff Appointment of staff <ul style="list-style-type: none"> • Practitioner staff • Administrative staff Authorisation of overtime for administrative staff		✓	✓ ✓	✓	✓							
4. Ordering of Goods & Services												
• Up to £150,000		✓	✓									
• Up to £25,000				✓								
• Up to £10,000								✓				
• Up to £5,000									✓			
• Up to £2,000								✓			✓	✓
• Up to £1,000					✓							

	Chair	Chief Exec	HOCS	Project Manager	Execs (excl HOCS)		Fin Mgr	HR Mgr	Comms Mgr	NCF DIM	CW Mgr	Office Mgr
5. Tenders												
• Preparation and issue of Tender documents			✓	✓			✓					
• Receipt of Tender documents			✓	✓			✓					
Acceptance of Tenders		✓										
• Up to £50,000												
• Up to £30,000			✓	✓								
6. Employment of Management Consultants												
Contracts entered into after a competitive exercise and with a value up to £10,000		✓	✓	✓								
Contracts entered into on a single quote basis and with a value up to £10,000		✓	✓	✓								

	Chair	Chief Exec	HOCS	Project Manager	Execs (excl HOCS)		Fin Mgr	HR Mgr	Comms Mgr	NCF DIM	CW Mgr	Office Mgr
7. Study Courses and Conferences Authorisation of attendance;												
• Chair		✓										
• Board	✓											
• Chief Executive	✓											
• Executive Directors		✓										
• NCF Panel Members												
• Practitioner staff					✓							
• Administrative staff			✓	✓					✓		✓	
8. Travel & Subsistence Claims Authorisation of claim forms for payment;												
• Chair		✓										
• Board	✓		✓									
• Chief Executive	✓											

	Chair	Chief Exec	HOCS	Project Manager	Execs (excl HOCS)		Fin Mgr	HR Mgr	Comms Mgr	NCF DIM	CW Mgr	Office Mgr
• Executive Directors		✓										
• NCF Panel Members												
• Practitioner staff					✓							
• Administrative staff			✓	✓					✓		✓	
9. Authorisation of Payments to Suppliers												
• Up to £150,000		✓	✓									
• up to £25,000				✓								
• up to £10,000									✓			
• up to £5,000							✓					
• up to £2,000								✓		✓	✓	✓
• up to £1,000					✓							

	Chair	Chief Exec	HOCS	Project Manager	Execs (excl HOCS)		Fin Mgr	HR Mgr	Comms Mgr	NCF DIM	CW Mgr	Office Mgr
<p>10. Losses & Special Payments</p> <p>Write off losses and make special payments up to the limits detailed in the Memorandum of Agreement with the Scottish Government in 2018</p>		✓										