

## APPENDIX 4 PRIME FINANCIAL POLICIES

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## **1. INTRODUCTION**

- 1.1 These Prime Financial Policies form part of the CCG's Constitution.
- 1.2 The Prime Financial Policies are part of the CCG'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.
- 1.3 The CCG will operate detailed financial policies which support the Prime Financial Policies. The detailed financial policies do not form part of the Constitution but must be followed.
- 1.4 These Prime Financial Policies identify the financial responsibilities which apply to everyone working for the CCG. They do not provide detailed procedural advice and should be read in conjunction with the detailed financial policies.
- 1.5 The CCG's detailed financial policies will be published on the CCG's website.
- 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 or Deputy 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 CCG's Constitution, Standing Orders, Scheme of Reservation and Delegation and Standing Financial Instructions.
- 1.7 Failure to comply with Prime Financial Policies or any of the CCG's detailed financial policies can in certain circumstances be regarded as a disciplinary matter that could result in dismissal.
- 1.8 References to the Governing Body may also include references to a Governing Body committee.

## **2. AMENDMENTS TO THE PRIME FINANCIAL POLICIES**

- 2.1 The Prime Financial Policies form part of the CCG's Constitution and any amendments will need to be approved as part of the Constitutional change process.

## **3. NON-COMPLIANCE WITH THE PRIME FINANCIAL POLICIES**

- 3.1 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 Audit Committee for referring action or ratification. All of the CCG's members, office holders, officers and employees have a duty to disclose any non-compliance with these Prime Financial Policies to the Chief Finance Officer as soon as possible.

## **4. ROLES AND DELEGATED AUTHORITIES**

- 4.1 The roles and responsibilities of the CCG's Member Practices, Governing Body members, office holders, employees, committee and sub-committee members and persons working on behalf of the CCG are set out in the Constitution.
- 4.2 The CCG has agreed a set of Standing Financial Instructions ('SFIs') which set out the delegated financial authority limits. The SFIs do not form part of the Constitution and may be amended or varied by the Governing Body without the need to formally amend the Constitution. A copy of the SFIs have been included in Schedule 2 of the Constitution for information purposes only.
- 4.3 Any contractor or employee of a contractor who is empowered by the CCG to commit the CCG 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.

## **5. INTERNAL CONTROL**

- 5.1 The CCG 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.
- 5.2 The Governing Body shall establish an Audit Committee with terms of reference agreed by the Governing Body.
- 5.3 The Accountable Officer has overall responsibility for the CCG's systems of internal control.
- 5.4 The Chief Finance Officer will ensure that:
- a) Financial policies are considered for review at appropriate periods and updated accordingly;
  - 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.

## **6. AUDIT**

- 6.1 The CCG will keep an effective and independent internal audit function and fully comply with the requirements of external audit and other statutory reviews.
- 6.2 In line with the terms of reference for the Governing Body's Audit Committee, the person appointed by the CCG to be responsible for internal audit and the 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.
- 6.3 The person appointed by the CCG 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.
- 6.4 The Chief Finance Officer will ensure that:
- a) The CCG has a professional and technically competent internal audit function; and

- b) The Audit Committee approves any changes to the provision or delivery of assurance services to the CCG.

## **7. FRAUD, BRIBERY AND CORRUPTION**

- 7.1 The CCG requires all staff to always act honestly and with integrity to safeguard the public resources they are responsible for. The CCG will not tolerate any fraud perpetrated against it and will actively chase any loss suffered.
- 7.2 The Audit Committee will satisfy itself that the CCG 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.
- 7.3 The Audit Committee will ensure that the CCG has arrangements in place to work effectively with NHS Counter Fraud Authority.
- 7.4 The Bribery Act 2010, which repealed existing corruption legislation, has introduced the offences of offering and receiving a bribe. It also places specific responsibility on organisations to have sufficient and adequate procedures in place to prevent bribery and corruption taking place. Under the Bribery Act 2010, bribery is defined as “Inducement for an action which is illegal, unethical or a breach of trust. Inducements can take the form of gifts, loans, rewards or other privileges”. Corruption is broadly defined as “the offering or acceptance of inducements, gifts, favours, payment or benefit-in-kind which may influence the action of any person. Corruption does not always result in a loss. The corrupt person may not benefit directly from the deeds; however, they may be unreasonably be using their position to give some advantage to another”.
- 7.5 To demonstrate that the organisation has sufficient and adequate procedures in place and to demonstrate openness and transparency, all staff are required to comply with the requirements of the Prime Financial Policies and the CCG’s anti-fraud and bribery policy. These documents are published on the CCG’s website and staff intranet.

## **8. EXPENDITURE CONTROL**

- 8.1 The CCG is required by statutory provisions 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 unless otherwise agreed by NHS England.
- 8.2 The Accountable Officer has overall executive responsibility for ensuring that the CCG complies with certain of its statutory obligations, including its financial and accounting obligations, and that it exercises its functions effectively, efficiently and economically and in a way which provides good value for money.
- 8.3 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 and drawn down 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 CCG to fulfil its statutory responsibility of not exceeding its expenditure limits, as set by direction of NHS England.

## **9. ALLOCATIONS**

- 9.1 The CCG’s Chief Finance Officer will:

- a) Periodically review the basis and assumptions used by NHS England for distributing allocations and ensure that these are reasonable and realistic and secure the CCG'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.

## **10. COMMISSIONING STRATEGY, BUDGETS, BUDGETARY CONTROL AND MONITORING**

- 10.1 The CCG will produce and publish an annual commissioning plan, or as otherwise directed by NHS England, that explains how it proposes to discharge its financial duties. The CCG will support this with comprehensive medium term financial plans and annual budgets.
- 10.2 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.
- 10.3 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.
- 10.4 The Chief Finance 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.
- 10.5 The Accountable Officer is responsible for ensuring that information relating to the CCG's accounts or to its income or expenditure, or its use of resources, is provided to NHS England as requested.
- 10.6 The Governing Body will approve engagement arrangements for the CCG's commissioning plan.

## **11. ANNUAL ACCOUNTS AND REPORTS**

- 11.1 The CCG will produce and submit to NHS England accounts and reports in accordance with all statutory obligations, relevant accounting standards and accounting best practice in the form and content and at the time required by NHS England.
- 11.2 The Chief Finance Officer will ensure the CCG:
  - a) Prepares a timetable for producing the annual report and accounts in accordance with NHS England requirements;
  - b) Prepares the accounts according to the required timetable;
  - c) Complies with statutory requirements and relevant directions for the publication of the 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 on the CCG's website.

## **12. INFORMATION TECHNOLOGY**

- 12.1 The CCG will ensure the accuracy and security of the CCG's computerised financial data.
- 12.2 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.

12.3 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.

### **13. ACCOUNTING SYSTEMS**

13.1 The CCG will run an accounting system that creates management and financial accounts.

13.2 The Chief Finance Officer will ensure:

- a) The CCG 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.

13.3 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.

### **14. BANK ACCOUNTS**

14.1 The CCG will keep enough liquidity to meet its current commitments.

14.2 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 directions, best practice and represent best value for money;
- b) Manage the CCG's banking arrangements and advise the CCG on the provision of banking services and operation of accounts;
- c) Prepare detailed instructions on the operation of bank accounts.

14.3 The Governing Body shall approve the banking arrangements.

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

15.1 The CCG will:

- a) Operate a sound system for prompt recording, invoicing and collection of all monies due;
- b) Seek to maximise its potential to raise additional income only to the extent that it does not interfere with the performance of the CCG or its functions;
- c) Ensure its power to make grants and loans is used to discharge its functions effectively.

15.2 The Chief Finance 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;
- 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) Developing effective arrangements for making grants or loans.

## **16. TENDERING AND CONTRACTING PROCEDURE**

16.1 The CCG will:

- a) Ensure that competition is legally compliant to ensure that the CCG incurs only budgeted , approved and necessary spending;
- b) Seek value for money for all goods and services;
- c) Ensure that competitive tenders are invited where and as appropriate for:
  - i. The supply of goods, materials and manufactured articles;
  - ii. 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 Social Care); and;
  - iii. The design, construction and maintenance of building and engineering works (including construction and maintenance of grounds and gardens) for disposals.

16.2 When the CCG is negotiating contracts it may only enter into contracts within the remit of its legal authority. The contacts shall comply with:

- a) The CCG's Constitution, supporting documents and policies;
- b) Public Contract Regulations as appropriate;
- c) NHS England/Improvement guidance where this does not conflict with 16.2(b) above;
- d) Any successor legislation and/or national guidance.

16.3 In all contracts entered into the CCG 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 CCG.

## **17. COMMISSIONING**

17.1 The CCG will work in partnership with relevant national and local stakeholders in its commissioning of certain health services to meet the reasonable requirements of the persons for whom it has responsibility.

17.2 The CCG will coordinate its work with NHS England, other Clinical Commissioning Groups, local providers of services, local authority and/or local authorities, including through Health & Wellbeing Boards, patients and their carers and the voluntary sector and others as appropriate to develop robust commissioning plans.

17.3 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 as required.

17.4 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.

## **18. RISK MANAGEMENT AND INSURANCE**

- 18.1 The CCG will put arrangements in place for evaluation and management of its risks.
- 18.2 The Accountable Officer shall ensure that the CCG has a programme of risk management, in accordance with assurance framework requirements, which is approved and monitored by the Audit Committee on behalf of the Governing Body.
- 18.3 The programme of risk management shall include:
- a) A risk management strategy, policy and process guide;
  - b) A process for identifying and quantifying risks and potential liabilities;
  - c) Engendering amongst all levels of staff a positive attitude towards the control of risk;
  - d) 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;
  - e) Contingency plans to offset the impact of adverse events;
  - f) Audit arrangements;
  - g) A clear indication of which risks shall be insured;
  - h) Arrangements to review the risk management programme.

## **19. INSURANCE THROUGH RISK POOLING SCHEMES ADMINISTERED BY NHS RESOLUTION**

- 19.1 The Governing Body shall decide if the CCG will insure through the risk pooling schemes administered by NHS Protect or self-insure for some or all of the risks covered by the risk pooling schemes. If the Governing Body decides not to use the risk pooling schemes for any of the risk areas (clinical, property and employer/third party liability) covered by the schemes this decision shall be reviewed annually.

## **20. PAYROLL**

- 20.1 The CCG will put arrangements in place for an effective payroll service.
- 20.2 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.
- 20.3 The Chief Finance Officer shall ensure there are comprehensive procedures for the effective processing of payroll.

## **21. NON-PAY EXPENDITURE**

- 21.1 The CCG will seek to obtain the best value for money for goods and services received.
- 21.2 The Governing Body will approve the level of non-pay expenditure on an annual basis and the Accountable Officer and Chief Finance Officer will determine managers' budgets.
- 21.3 The Accountable Officer shall set out procedures on the seeking of professional advice regarding the supply of goods and services.
- 21.4 The Chief Finance Officer will:
- a) Advise the Audit Committee 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 SFIs;

- 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.

## **22. CAPITAL INVESTMENT, FIXED ASSET REGISTERS AND SECURITY OF ASSETS**

22.1 The CCG 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 CCG's fixed assets.

22.2 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) Ensure that 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.

22.3 The Chief Finance Officer will prepare detailed procedures for the disposals of assets.

## **23. RETENTION OF RECORDS**

23.1 The CCG will put arrangements in place to retain all records in accordance with NHS Records Management Code of Practice for Health and Social Care 2016 or any successor guidance and other relevant notified guidance.

23.2 The Chief Finance Officer shall:

- a) Be responsible for maintaining all records required to be retained in accordance with NHS Records Management Code of Practice for Health and Social Care 2016 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.

## **24. TRUST FUNDS AND TRUSTEES**

24.1 The CCG will put arrangements in place to provide for the appointment of trustees if the group holds property on trust.

24.2 The Chief Finance Officer shall ensure that each trust fund which the CCG is responsible for managing is managed appropriately with regard to its purpose and to its requirements.