

Standing Financial Instructions

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1.0 Introduction

1.1 The Council has agreed a governance and assurance framework for the General Pharmaceutical Council (GPhC). Under this framework, the Council sets the organisation's strategic aims and the executive, led by the Chief Executive & Registrar (CE&R), has the role of achieving the aims set by the Council. It follows that appropriate financial matters should be delegated by way of Standing Financial Instructions. Standing Financial Instructions are maintained by the Senior Financial Officer. The role of Senior Financial Officer is designated by the Chief Executive and Registrar.

2.0 Purpose of policy

2.1 Standing Financial Instructions (SFIs) are a key mechanism for managing financial risks and for ensuring efficient working by delegating financial decisions to the lowest level competent to take them. The SFIs establish a framework within which the internal financial control systems are built. The SFIs are therefore an essential part of the governance structure which acts as a control against inappropriate expenditure and a protection against fraud.

3.0 Policy statement

3.0.1 These Standing Financial Instructions (SFIs) detail the financial responsibilities, policies and procedures adopted by the GPhC. They are designed to ensure that the GPhC's financial transactions are carried out in accordance with the responsibilities laid upon it by parliament and comply with good governance standards. They will be used in conjunction with the Scheme of Delegation adopted by the GPhC. The SFIs remain in force unless and until they are amended or revoked by the Council.

3.0.2 The SFIs identify the financial responsibilities which apply to Council members and employees of the GPhC. The SFIs are the primary source of guidance on financial control within the GPhC and override all other operational instructions and procedures on financial matters. All financial procedures must be approved by the Senior Financial Officer.

3.0.3 Should any difficulties arise regarding the interpretation or application of any of the SFIs, the advice of the Senior Financial Officer must be sought before acting.

3.0.4 Compliance with the SFIs is compulsory for all members and employees of the GPhC. Failure to comply can in certain circumstances be regarded as a disciplinary matter that could result in dismissal. Council members and employees are expected to know about and apply those sections of the SFIs

that are relevant to their day to day responsibilities. It is the duty of all managers in the GPhC to ensure that their staff observe these SFIs.

3.0.5 Overriding Standing Financial Instructions – If for any reason these SFIs 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 & Risk Committee for referring action or ratification. All members of the Council and employees have a duty to disclose any non-compliance with these SFIs to the Senior Financial Officer as soon as possible.

3.1 Responsibilities and delegation

3.1.1 The Council

The Council is responsible for:

- (a) Consulting on and setting fees;
- (b) Keeping accounts;
- (c) Preparing and publishing annual accounts in accordance with extant legislation applicable to corporate bodies;
- (d) Appointing auditors.

The Council exercises financial supervision and control by:

- (e) Formulating the financial strategy;
- (f) Requiring the submission and approval of budgets within approved overall income;
- (g) Defining and approving essential features in respect of important procedures and financial systems (including the need to obtain value for money); and
- (h) Defining specific responsibilities placed on the Council, committees and Chief Executive & Registrar as indicated in the Scheme of Delegation.

To assist it in the discharge of its financial and other responsibilities the Council shall establish three committees:

1. The Audit & Risk Committee
2. The Remuneration Committee
3. The Appointments Committee

The delegated powers of these committees are set out in the Scheme of Delegation.

3.1.2 The Council has resolved that certain powers and decisions may only be exercised by the Council in formal session. These are set out in the Scheme of Delegation. All other powers have been delegated to the Chief Executive & Registrar and such committees as the GPhC has established.

3.1.3 **The Chief Executive & Registrar and Senior Financial Officer**

The Chief Executive & Registrar (CE&R) and Senior Financial Officer will, as far as possible, delegate their detailed responsibilities. The CE&R, and the Senior Financial Officer through the CE&R, remain accountable to the Council for financial control.

Within the SFIs, it is acknowledged that the CE&R is ultimately accountable to the Council for ensuring that the Council meets its obligation to perform its functions within the available financial resources. The CE&R has overall executive responsibility for the GPhC's activities, is responsible to the Council for ensuring that its financial obligations and targets are met and has, through the Senior Financial Officer, overall responsibility for the GPhC's system of internal control.

3.1.4 It is a duty of the CE&R to ensure that Council members, employees and all new appointees are notified of, and put in a position to understand, their responsibilities within these Instructions.

3.1.5 **The Senior Financial Officer**

The Senior Financial Officer is responsible for:

- (a) implementing the GPhC's financial policies and for co-coordinating any corrective action necessary to further these policies;
- (b) maintaining an effective system of internal financial control including ensuring that detailed financial procedures and systems incorporating the principles of separation of duties and internal checks are prepared, documented and maintained to supplement these instructions;
- (c) ensuring that good financial practice is adopted by the GPhC, in accordance with accepted professional standards and taking account of advice received from the internal and external auditors;
- (d) ensuring that sufficient records are maintained to show and explain the GPhC's transactions, in order to disclose, with reasonable accuracy, the financial position of the GPhC at any time;

and, without prejudice to any other functions of the GPhC and employees of the GPhC, the duties of the Senior Financial Officer include:

- (e) the provision of financial advice to the Council, committees and employees of the GPhC;
- (f) the design, implementation and supervision of systems of internal financial control; and
- (g) the preparation and maintenance of such accounts, certificates, estimates, records and reports as the GPhC may require for the purpose of carrying out its statutory duties.

3.1.6 Council Members and Employees

All Council members and employees of the GPhC, severally and collectively, are responsible for:

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

3.1.7 Contractors and their employees

Any contractor or employee of a contractor who is empowered by the GPhC to commit the GPhC to expenditure or who is authorised to obtain income shall be covered by these instructions. It is the responsibility of the CE&R to ensure that such persons are made aware of this.

3.1.8 For all employees who carry out a financial function, the form in which financial records are kept and the manner in which employees discharge their duties must be to the satisfaction of the Senior Financial Officer.

3.2 Financial Procedure Manual

- (a) Despite being the primary source of financial guidance, it is undesirable that the SFIs outline all detailed financial procedures. Instead, detailed guidance on finance systems, controls and procedures is to be found in the Financial Procedure Manual.
- (b) The Senior Financial Officer will be responsible for maintenance of the Financial Procedure Manual.
- (c) Procedures should at all times comply with the requirements of the SFIs.

4. Audit

4.1 Audit & Risk Committee

- 4.1.1 An Audit & Risk Committee is a central means by which the Council ensures that effective internal control arrangements are in place. In addition, the Audit & Risk Committee provides a mechanism to assist the Council in holding the executive to account through the CE&R. The Council shall formally establish an Audit & Risk Committee with clearly defined terms of reference, which will include considering and making recommendations to the Council on the approval of the annual accounts.
- 4.1.2 The minutes of the Audit & Risk Committee meetings shall be formally recorded and circulated to the Council. The Committee will report to the Council annually on its work.
- 4.1.3 Where the Audit & Risk Committee considers 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 Audit & Risk Committee should raise the matter at a full meeting of the Council.

4.2 Audit

- 4.2.1 The Head of Governance is responsible for:
 - (a) ensuring there are arrangements to review, evaluate and report on the effectiveness of internal financial control including the establishment of an effective internal audit function;

- (b) ensuring that the internal audit function meets professional audit standards and provides sufficient independent and objective assurance to the Audit & Risk Committee and the CE&R;
 - (c) deciding at what stage to involve the police in cases of misappropriation and other irregularities not involving fraud or corruption; and
 - (d) ensuring that an annual internal audit report is prepared for the consideration of the Audit & Risk Committee. The report must cover:
 - (i) a clear opinion on the effectiveness of internal control in accordance with current assurance framework guidance including, for example, compliance with control criteria and standards;
 - (ii) major internal financial control weaknesses discovered;
 - (iii) progress on the implementation of internal audit recommendations;
 - (iv) progress against plan over the previous year;
 - (iv) a strategic audit plan covering the coming three years;
 - (vi) a detailed plan for the coming year.
- 4.2.2 The Head of Governance or designated internal or external auditor is entitled without necessarily giving prior notice to require and receive:
- (a) access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature;
 - (b) access at all reasonable times to any land, premises or Council member or employee of the GPhC;
 - (c) the production of any cash or other property of the GPhC under the control of a Council member or employee or other appointee; and
 - (d) explanations concerning any matter under investigation.

4.3 Role of Internal Audit

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

- (a) an independent and objective opinion to the CE&R, the Council, and the Audit & Risk Committee on the degree to which risk management and internal controls support the achievement of the organisation's agreed objectives;
- (b) an independent and objective consultancy service specifically to help line management improve the organisation's risk management and internal control arrangements.

4.3.2 Internal audit will review, appraise and report upon policies, procedures and operations in place to;

- (a) establish and monitor the achievement of the organisation's objectives;
- (b) identify, assess and manage the risks to achieving the organisation's objectives;
- (c) ensure the economical, effective and efficient use of resources;
- (d) ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws and regulations;
- (e) safeguard the organisation's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption;
- (f) ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.

4.3.3 The individual charged with responsibility for internal audit will provide to the Audit & Risk Committee;

- (a) a risk-based plan of internal audit work, agreed with management and for approval by the Audit & Risk Committee, based upon the management's assurance framework that will enable the auditors to collect sufficient evidence to give an opinion on the adequacy and effective operation of the organisation;

- (b) regular updates on the progress against plan;
 - (c) reports of management's progress on the implementation of action agreed as a result of internal audit findings;
 - (d) an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management and system of internal controls;
 - (e) additional reports as requested by the Audit & Risk Committee.
- 4.3.4 Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores, or other property or any suspected irregularity in the exercise of any function of a pecuniary nature, the Senior Financial Officer must be notified immediately.
- 4.3.5 The individual charged with responsibility for internal audit will normally attend Audit & Risk Committee meetings and has a right of access to all Audit & Risk Committee members, the GPhC Chair and the CE&R.
- 4.3.6 The individual charged with responsibility for internal audit is managed by the Head of Governance. The reporting system for internal audit shall be agreed by the Audit & Risk Committee, with advice from the Head of Governance and the individual charged with responsibility for internal audit.
- 4.3.7 The Audit & Risk Committee must consider the appointment of the internal audit service and make appropriate recommendations to the Council.

4.4 External Audit

The External Auditor is appointed by the Council of the GPhC. The Council must ensure that a person eligible for appointment as a statutory auditor under the Companies Act audits the Council's annual accounts. The Audit & Risk Committee must ensure an efficient and effective service through periodic review of service provision and authorise in advance any non-audit work carried out by the External Auditor. Competitive tenders should be subject to periodic review not more than every 5 years. The results of the tendering exercise should be reported to the CE&R.

4.5 Fraud and Corruption

- (a) Fraud, corruption and other irregularities are sensitive and damaging issues that can lead to financial loss, adverse publicity and loss of public confidence in the way an organisation's finances and resources are being used. It is therefore important that the GPhC has robust systems and procedures in place to ensure that the risk of impropriety is minimised as far as possible, and that where instances do occur, there is a prompt and effective response to them.
- (b) The GPhC expects all Council members and employees to report to the CE&R, Senior Financial Officer or GPhC Chair any suspicions they might have of fraudulent or corrupt behaviour.
- (c) The GPhC imposes an obligation that all gifts and hospitality with a value equal to or more than £20 given to staff in the course of their duties are centrally recorded on a gifts & hospitality register, maintained by the governance team.

5. Budgets, budgetary control and monitoring

5.1 Preparation and approval of financial plan and budgets

- 5.1.1 The Senior Financial Officer, on behalf of the CE&R, will compile and submit to the Council a financial plan which takes into account expected fee levels, financial targets and forecast limits of expenditure and resources. The plan will contain:
 - (a) a statement of the significant assumptions on which the plan is based;
 - (b) details of major changes in fees, workload, delivery of services or other resources required to achieve the plan.
- 5.1.2 Prior to the start of the financial year the Senior Financial Officer will, on behalf of the CE&R, prepare and submit budgets for approval by the Council. Such budgets will:
 - (a) be in accordance with the aims and objectives set out in the Council's strategic plan;
 - (b) accord with workload and manpower plans;

- (c) be produced following discussion with appropriate budget holders;
 - (d) be prepared within the limits of available funds;
 - (e) identify potential risks.
- 5.1.3 The Head of Finance shall monitor financial performance against budget and the financial plan, periodically review them, and report to the Senior Financial Officer who will report to the Council.
- 5.1.4 All budget holders must provide information as required by the Senior Financial Officer to enable budgets to be compiled.
- 5.1.5 The Head of Finance has a responsibility to ensure that adequate training is delivered on an on-going basis to budget holders to help them manage budgets successfully.
- 5.1.6 Budget holders shall consult the Senior Financial Officer or Head of Finance with respect to any new proposals which have financial implications that cannot be met from within agreed budgets; such consultation shall take place in sufficient time beforehand for due consideration to be given to the financial implications.
- 5.2 Budgetary Delegation**
- 5.2.1 The CE&R may delegate the management of a budget to permit the performance of a defined range of activities. This delegation must be in writing and be accompanied by a clear definition of:
- (a) the amount of the budget;
 - (b) the purpose(s) of each budget heading;
 - (c) individual and group responsibilities;
 - (d) authority to exercise virement;
 - (e) achievement of planned levels of service;
 - (f) the provision of regular reports.
- 5.2.2 The CE&R and delegated budget holders must not exceed the budgetary total set by the Council.

- 5.2.3 Any budgeted funds not required for their designated purpose(s) revert to the immediate control of the CE&R, subject to any authorised use of virement.
- 5.2.4 Non-recurring budgets should not be used to finance recurring expenditure without the authority in writing of the CE&R, as advised by the Senior Financial Officer.

5.3 Budgetary Control and Reporting

- 5.3.1 The Senior Financial Officer will devise and maintain systems of budgetary control. These will include:
- (a) regular financial reports to the Council in a form approved by the Council containing:
 - (i) income and expenditure to date showing trends and forecast year-end position;
 - (ii) movements in working capital;
 - (iii) movements in cash and capital;
 - (iv) capital project spend and projected outturn against plan;
 - (v) explanations of any material variances from plan;
 - (vi) details of any corrective action where necessary and the CE&R's and/or Senior Financial Officer's view of whether such actions are sufficient to correct the situation;
 - (b) the issue of timely, accurate and comprehensible advice and financial reports to each budget holder, covering the areas for which they are responsible;
 - (c) investigation and reporting of variances from financial, workload and manpower budgets;
 - (d) monitoring of management action to correct variances;
 - (e) arrangements for the authorisation of budget transfers.
- 5.3.2 Each budget holder is responsible for ensuring that:

- (a) any likely overspending or reduction of income which cannot be met by virement is not incurred without the prior consent of the Council;
- (b) the amount provided in the approved budget is not used in whole or in part for any purpose other than that specifically authorised, subject to the rules of virement;
- (c) no permanent employees are appointed without the approval of the CE&R other than those provided for within the available resources and manpower establishment as approved by the Council;
- (d) budget holders shall use the GPhC's accounting systems to enable effective monitoring of their budgets and shall ensure that expenditure and income are allocated to the appropriate activity in the accounts.

5.4 Capital Expenditure

- 5.4.1 The general rules applying to delegation and reporting shall also apply to capital expenditure. (The particular applications relating to capital are contained in SFI 14).

6. Annual Accounts

- 6.1 The Council must

- (a) keep accounts, which must be in such form as the Privy Council may determine; and
- (b) prepare annual accounts in respect of each financial year, which must be in such form and must be prepared by such date as the Privy Council determines.

- 6.2 The Senior Financial Officer, on behalf of the GPhC, will:

- (a) prepare the accounts in accordance with Privy Council requirements, accounting standards (including disclosures), the GPhC's accounting policies and generally accepted accounting practice;
- (b) submit the accounts to the Council.

- 6.3 The GPhC's annual accounts must be audited by a person eligible for appointment as a statutory auditor under the Companies Act.

- 6.4 The GPhC's audited annual accounts together with the report of the external auditor must be presented to the Council for approval.
- 6.5 As soon as is reasonably practicable after those accounts have been audited and approved, the Council will cause them to be published together with the report by the auditors.
- 6.6 The CE&R shall ensure that the Council is supplied with a statement on the effectiveness of internal controls within the annual accounts.
- 6.7 A copy of the annual accounts and the auditors' report will be sent to the Privy Council, which will place before each House of Parliament and before the Scottish Parliament a copy of the annual accounts and report on the accounts made by the appointed auditors.

7. Annual reports

- 7.1 The Council will publish the following reports and strategic plan in each calendar year, by such date as the Privy Council may determine:
- (a) a report on the exercise of its functions which includes a description of the arrangements that the Council has put in place to ensure that it adheres to good practice in relation to equality and diversity (and for these purposes 'equality' and 'diversity' have the meanings given in section 8(2) of the Equality Act 2006 (equality and diversity));
 - (b) a statistical report which indicates the efficiency and effectiveness of, and which includes a description of, the arrangements which the Council has put in place to protect members of the public from registrants whose fitness to practise is impaired, together with the Council's observations on the report; and
 - (c) a strategic plan for the Council in respect of such number of years as the Council determines.
- 7.2 The Council must submit copies of the reports and the plan published under sub-paragraph 7.1 to the Privy Council and the Privy Council must lay copies of the reports and the plan before each House of Parliament and before the Scottish Parliament.

8. Bank accounts

8.1 General

8.1.1 The CE&R shall approve the banking arrangements, including authorising the opening and closing of bank accounts.

8.1.2 The CE&R and Senior Financial Officer will maintain a list of employees who are on bank mandates and review these annually or as and when an employee leaves.

8.1.3 Transfers to and from accounts must be authorised in accordance with the bank mandates approved by the CE&R, by the Senior Financial Officer or his authorised deputy and a senior manager drawn from a panel of authorised signatories approved by the CE&R.

8.1.4 All cheque or individual electronic payments (eg Chaps) must be authorised by the Senior Financial Officer or authorised deputy in accordance with the bank mandates approved by the CE&R.

8.1.5 The Senior Financial Officer is responsible for:

- (a) The management of bank accounts, including arrangements for opening and closing accounts approved by the CE&R;
- (b) ensuring payments made from bank accounts do not exceed the amount credited to the account except where arrangements have been made;
- (c) reporting to the Council all arrangements made with the GPhC's bankers for accounts to be overdrawn in accordance with the borrowing levels approved by the Council, in accordance with the Scheme of Delegation.

8.1.6 The Head of Finance will prepare detailed instructions on the operation of bank accounts which must include:

- (a) the conditions under which each bank account is to be operated;
- (b) those authorised to sign cheques or other orders drawn on the GPhC's accounts.

8.1.7 The Head of Finance must advise the GPhC's bankers in writing of the conditions under which accounts will be operated.

8.2 Tendering and Review

8.2.1 The Senior Financial Officer and Head of Finance will review the banking arrangements of the GPhC and, to ensure that they continue to reflect best practice and represent best value for money; periodically seek competitive tenders for the GPhC's banking business.

8.2.2 Competitive tenders should be subject to periodic review not more than every 5 years. The results of the tendering exercise should be reported to the CE&R.

9. Income, fees and charges and security of cash, cheques and other negotiable instruments

9.1 Income systems

9.1.1 The Head of Finance is responsible for designing, maintaining and ensuring compliance with systems for the proper recording, invoicing, and collection and coding of all monies due.

9.1.2 The Head of Finance is also responsible for the prompt banking of all monies received. No deductions may be made from, or personal (or other) cheques cashed from, monies received.

9.1.3 All agreements, invoices, receipts and other documents relating to income receivable by the GPhC shall be in the name of the GPhC.

9.1.4 An official receipt shall be issued for all payments either by cash, cheque or electronic method whenever requested by the payer.

9.1.5 In the case of online receipts of monies, the Senior Financial Officer will ensure compliance with the Payment Card Data Security Standards (PCI DSS), which are a set of guidelines covering all transaction security and data protection to help protect against fraud. Compliance with the PCI DSS is mandatory for processing credit card transactions online. All staff dealing with online receipts must comply with the guidelines, unacceptable use of data or supply to third parties will result in disciplinary action.

9.2 Fees and Charges

- 9.2.1 The Senior Financial Officer is responsible for annually reviewing the level of all fees and charges and making recommendations to the Council. Independent professional advice on matters of valuation shall be taken as necessary.
- 9.2.2 The Council will be responsible for approving:
- (a) all statutory regulation fees following completion of consultation processes required by the Pharmacy Order 2010;
 - (b) all other fees and charges recommended by the Senior Financial Officer, in accordance with the Scheme of Delegation.
- 9.2.3 All employees who have the delegated authority to enter into transactions must inform Finance promptly of money due arising from transactions which they initiate/deal with, including all contracts, leases, tenancy agreements and other transactions.
- 9.3 Security of cash, cheques and other negotiable instruments**
- 9.3.1 The Senior Financial Officer is responsible for:
- (a) approving the form of all receipt books, agreement forms, or other means of officially acknowledging or recording monies received or receivable;
 - (b) ordering and securely controlling any such stationery;
 - (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 the GPhC.
- 9.3.2 Official money shall not under any circumstances be used for the encashment of private cheques or IOUs.
- 9.3.3 All cheques, postal orders, cash etc. shall be banked intact. Disbursements shall not be made from cash received except under arrangements approved by the Senior Financial Officer.

9.3.4 The holders of safe keys shall not accept unofficial funds for depositing in their safes unless such deposits are in special sealed envelopes or locked containers. It shall be made clear to the depositors that the GPhC is not to be held liable for any loss, and written indemnities must be obtained from the organisation or individuals absolving the GPhC from responsibility for any loss.

10. Tendering and contracting procedure

10.1 Duty to comply with Standing Financial Instructions

10.1.1 The procedure for making all contracts by or on behalf of the GPhC shall comply with these Standing Financial Instructions.

10.2 Formal Competitive Tendering

All procurement activities within the GPhC must comply with both the EU Procurement Directives and UK Public Contract Regulations 2015.

The detailed requirements are set out in the GPhC Procurement Policy which is the responsibility of the Head of Finance and Procurement. .

10.3 Compliance requirements for all contracts -The GPhC may only enter into contracts within its statutory powers and shall comply with:

(a) The GPhC's Standing Financial Instructions;

(b) EU Directives and other statutory provisions.

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.

In all contracts made by the GPhC, the GPhC shall endeavour to obtain best value for money by use of all systems in place. The CE&R shall nominate an employee who shall oversee and manage contracts on behalf of the GPhC.

10.4 Personnel and Agency or Temporary Staff Contracts - The CE&R shall nominate employees with delegated authority to enter into contracts of employment regarding staff, agency staff or temporary staff service contracts.

10.5 Disposals (See overlap with SFI no. 15) - Competitive tendering or quotation procedures shall not apply to the disposal of:

- (a) 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 CE&R or his nominee;
- (b) obsolete or redundant articles, which may be disposed of in accordance with the supplies policy of the GPhC;
- (c) items to be disposed of with an estimated sale value of less than £1,000, this figure to be reviewed on a periodic basis.

10.6 Outsourced Services

10.6.1 The CE&R shall be responsible for ensuring that best value for money can be demonstrated for all services provided on an outsourced basis. The CE&R may also determine from time to time that outsourced services should be market-tested by competitive tendering.

10.6.2 In all cases where the CE&R determines that outsourced services should be subject to competitive tendering the following group shall be set up:

- (a) Outsourced tender group, comprising a nominee of the CE&R, Senior Financial Officer or representative and technical support.

10.6.3 The Outsourced tender group shall make recommendations to the CE&R.

10.6.4 The CE&R shall nominate a member of staff to oversee and manage the contract on behalf of the GPhC.

11. Terms of service, allowances, and payment of employees and members of the GPhC Council

11.1 Remuneration and Terms of Service

11.1.1 The Council shall establish a Remuneration Committee, with clearly defined terms of reference, specifying which posts fall within its area of responsibility, its composition, and the arrangements for reporting.

11.1.2 The GPhC will pay allowances and expenses to the Chair and members of the Council in accordance with those established at the time of their

appointment by the Appointments Commission, as amended by the Council following subsequent recommendations of the Remuneration Committee

- 11.1.3 The Senior Financial Officer will be responsible for establishing procedures for the management of expense claims submitted by Council members, committee members, panellists, advisers or other appointees and employees.
- 11.1.4 All rates and regulations regarding expense claims by non-Council members shall be reviewed on a regular basis, at least annually by the Senior Financial Officer and approved by the CE&R., in accordance with the Scheme of Delegation.

11.2 Funded Establishment

- 11.2.1 The manpower plans incorporated within the annual budget will form the funded establishment.
- 11.2.2 The funded establishment of any department may not be varied without the approval of the CE&R.

11.3 Staff Appointments

- 11.3.1 No member of staff may engage, re-engage, or re-grade employees, either on a permanent or temporary nature, or hire agency staff, or agree to changes in any aspect of remuneration:
- (a) unless authorised to do so by the CE&R; and
 - (b) within the limit of their approved budget and funded establishment.

11.4 Processing Payroll

- 11.4.1 The Head 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 payable on each occasion;
 - (c) making payment on agreed dates;
 - (d) agreeing method of payment.

11.4.2 The Head of Finance will 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, social security and other authorised deductions from pay;
- (d) security and confidentiality of payroll information;
- (e) checks to be applied to completed payroll before and after payment;
- (f) authority to release payroll data under the provisions of the Data Protection Act;
- (g) methods of payment available to various categories of employee and others;
- (h) procedures for payment by cheque, bank credit, or cash to employees and others;
- (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;
- (m) a system to ensure the recovery from those leaving the employment of the GPhC of sums of money and property due by them to the GPhC.

11.4.3 Appropriately nominated employees within the finance department have delegated responsibility for:

- (a) submitting payroll notifications in accordance with agreed timetables;

- (b) completing payroll records and other notifications in accordance with the Head of Finance's instructions and in the form prescribed by the Head of Finance;
- (c) submitting termination notifications in the prescribed form immediately upon knowing the effective date of an employee's or other appointee's resignation, termination or retirement. Where an employee fails to report for duty in circumstances that suggest they have left without notice, the Senior Financial Officer must be informed immediately.

11.4.4 Regardless of the arrangements for providing the payroll service, the Senior Financial Officer shall ensure that the chosen method is supported by appropriate (contracted) terms and conditions, adequate internal controls and audit review procedures. The Head of Finance will make suitable arrangements for the collection of statutory payroll deductions and payment of these to appropriate bodies.

11.5 Contracts of Employment

11.5.1 The CE&R has responsibility for:

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

12 Non-Pay Expenditure

12.1 Delegation of Authority

12.1.1 The Council will approve the level of non-pay expenditure on an annual basis and the CE&R will determine the level of delegation to budget managers.

12.1.2 The CE&R will set out:

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

12.1.3 The CE&R shall set out procedures on the seeking of professional advice regarding the supply of goods and services.

12.2 Choice, Requisitioning, Ordering, Receipt and Payment for Goods and Services

12.2.1 Requisitioning - The requisitor, in choosing the item to be supplied or the service to be performed, shall always obtain the best value for money for the GPhC in accordance with the procurement policy.

12.2.2 System of Payment and Payment Verification - The Head of Finance shall be responsible for the prompt payment of accounts and claims. Payment of contract invoices shall be in accordance with agreed contract terms.

12.2.3 The Senior Financial Officer will:

- (a) advise the Council 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 procurement policy and regularly reviewed;
- (b) prepare procedural instructions or guidance 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;
- (d) be responsible for designing and maintaining a system of verification, recording and payment of all amounts payable. The system shall provide for:
 - (i) A list of employees (including specimens of their signatures) authorised to certify invoices either manually or electronically.
 - (ii) Certification that:
 - goods have been duly received, examined and are in accordance with specification and the prices are correct;
 - work done or services rendered have been satisfactorily carried out in accordance with the order, and, where applicable, the materials used are of the requisite standard and the charges are correct;

- in the case of contracts based on the measurement of time, materials or expenses, the time charged is in accordance with the time sheets, the rates of labour are in accordance with the appropriate rates, the materials have been checked as regards quantity, quality, and price and the charges for the use of vehicles, plant and machinery have been examined;
 - where appropriate, the expenditure is in accordance with regulations and all necessary authorisations have been obtained;
 - the account is arithmetically correct;
 - the account is in order for payment.
- (iii) A timetable and system for submission to the Head of Finance of accounts for payment; provision shall be made for the early submission of accounts subject to cash discounts or otherwise requiring early payment.
- (iv) Instructions to employees regarding the handling and payment of accounts within the Finance Department.
- (e) be responsible for ensuring that payment for goods and services is only made once the goods and services are received. The only exceptions are set out in SFI no. 12.2.4 below.

12.2.4 Prepayments - Prepayments are permitted subject to the following conditions:

- (a) Where the financial advantages outweigh the disadvantages;
- (b) The appropriate budget holder must provide, in the form of a written report, a case setting out all relevant circumstances of the purchase. The report must set out the effects on the GPhC if the supplier is at some time during the course of the prepayment agreement unable to meet his commitments;
- (c) The Senior Financial Officer will need to be satisfied with the proposed arrangements before contractual arrangements proceed;

- (d) The budget holder is responsible for ensuring that all items due under a prepayment contract are received and they must immediately inform the Senior Financial Officer or CE&R if problems are encountered.

12.2.5 Credit Finance arrangements including leases

- (a) No person other than the CE&R or the Senior Financial Officer can approve any contract or transaction which binds the GPhC to credit finance commitments on an on-going basis. One off, low value transactions (up to £10K) can be approved by those with the delegated authority to do so.
- (b) Prior to the signing of any agreement, cost comparisons should be carried out for buy, hire or lease options to demonstrate that value for money is being achieved.

12.2.6 Duties of budget holders - Budget holders must ensure that they comply fully with the guidance and limits specified by the Senior Financial Officer and that:

- (a) all contracts, leases, tenancy agreements and other commitments which may result in a liability are notified to the finance department in advance of any commitment being made;
- (b) 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;
- (c) no requisition/order is placed for any item or items for which there is no budget provision unless authorised by the Senior Financial Officer or the CE&R;
- (d) all goods, services, or works are ordered on an official order except works and services executed in accordance with a contract;

- (e) verbal orders must only be issued exceptionally - by an employee designated by the CE&R and only in cases of emergency or urgent necessity;
- (f) orders are not split or otherwise placed in a manner devised so as to avoid the financial thresholds;
- (g) goods are not taken on trial or loan in circumstances that could commit the GPhC to a future uncompetitive purchase;
- (h) changes to the list of employees authorised to certify invoices are notified to the Head of Finance who will update the delegated authority;
- (i) purchases from petty cash are restricted in value and by type of purchase in accordance with instructions issued by the Senior Financial Officer;
- (j) petty cash records are maintained in a form as determined by the Senior Financial Officer.

13. Financial Delegations

Financial delegations to employees of the GPhC should be set out by the CE&R. Financial delegations should be reviewed annually by the CE&R and any proposed changes approved by the Senior Financial Officer.

14. Capital investment, fixed asset registers and security of assets

14.1 Capital Investment

14.1.1 The CE&R:

- (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 plans;
- (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 availability of resources to finance all revenue consequences.

14.1.2 For every capital expenditure proposal, the CE&R shall ensure:

- (a) that a business case 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 Senior Financial Officer has reviewed and approved the business case and involved appropriate GPhC personnel and external agencies in the process.
- 14.1.3 For capital schemes where the contracts stipulate staged payments, the Senior Financial Officer will issue procedures for their management. The Head of Finance shall issue procedures for the regular reporting of expenditure and commitment against authorised expenditure.
- 14.1.4 The approval of a capital programme shall not constitute approval for expenditure on any scheme. The CE&R shall issue to the manager responsible for any scheme:
- (a) specific authority to commit expenditure;
 - (b) authority to proceed to tender (see overlap with SFI no. 10 et seq);
 - (c) approval to accept a successful tender (see overlap with SFI no. 10 et seq).
- 14.1.5 The Senior Financial Officer shall issue procedures governing the financial management, including variations to contract, of capital investment projects and valuation for accounting purposes.
- 14.2 Asset Registers** - Fixed assets are those individual tangible assets that will be in existence for more than 1 year and have a value greater than or equal to £1000. PC's and laptops costing less than £1000 will be added to the fixed asset register to ensure that they can be tracked and depreciated over 1 year from the date of purchase.
- 14.2.1 The Head of Finance is responsible for the maintenance of a register of fixed assets, furniture & fittings and equipment, updating, and arranging for a physical check of assets against the asset register to be conducted once a year.

- 14.2.2 Additions to the register must be clearly identified to an appropriate budget holder and be validated by reference to proof of acquisition (e.g. invoices, leases, deed).
- 14.2.3 Where assets and equipment 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).
- 14.2.4 The Head of Finance shall approve procedures for reconciling balances on fixed assets accounts in ledger to the fixed asset balances recorded in the register.
- 14.2.5 Where required the value of each asset shall be revalued, indexed and depreciated in accordance with methods specified by the Senior Financial Officer taking into account accounting standards and practice.

14.3 Security of property and assets including equipment

- 14.3.1 The Senior Financial Officer will keep a record of all rights to titles to real property and rights to occupy premises and ensure safe custody of title deeds and associated documents.
- 14.3.2 The Senior Financial Officer is responsible for ensuring that all GPhC property is adequately maintained and that, at all times, the GPhC complies with the terms of its property leases, as well as the regulations relating to Health & Safety.
- 14.3.3 The Senior Financial Officer is responsible for the preparation of a maintenance plan and of annual estimates of the costs of repair and maintenance of GPhC property, including leased office premises.
- 14.3.4 All staff of the GPhC have an individual and collective responsibility to safeguard the financial resources of the GPhC. These resources may take the obvious tangible form of fixed assets or cash, as well as less tangible items such as lost opportunities to earn or recover income that is due. Further to this requirement, each member of staff has an individual and collective responsibility for the security of property.
- 14.3.5 The overall control of fixed assets is the responsibility of the CE&R.
- 14.3.6 Asset control procedures (including fixed assets, cash, cheques and negotiable instruments and also including donated assets) must be approved by the Senior Financial Officer. This procedure shall make provision for:

- (a) recording managerial responsibility for each asset;
 - (b) identification of additions and disposals;
 - (c) identification of all repairs and maintenance expenses;
 - (d) physical security of assets;
 - (e) periodic verification of the existence of, condition of, and title to, assets recorded;
 - (f) identification and reporting of all costs associated with the retention of an asset;
 - (g) reporting, recording and safekeeping of cash, cheques, and negotiable instruments.
- 14.3.7 All discrepancies revealed by verification of physical assets to fixed asset register shall be notified to the Senior Financial Officer.
- 14.3.8 Whilst each employee has a responsibility for the security of property of the GPhC, it is the responsibility of Council members and senior employees in all disciplines to apply such appropriate routine security practices in relation to GPhC property as may be determined by the CE&R. Any breach of agreed security practices must be reported in accordance with agreed procedures.
- 14.3.9 Any damage to the GPhC's premises, vehicles and equipment, or any loss of equipment, stores or supplies must be reported by Council members, employees and other appointees in accordance with the procedure for reporting losses.
- 14.3.10 Where practical, assets should be marked as GPhC property.

15. Disposals and condemnations, losses and special payments

15.1 Disposals and Condemnations

- 15.1.1 The Senior Financial Officer must prepare detailed procedures for the disposal of assets including condemnations, and ensure that these are notified to managers.

- 15.1.2 When it is decided to dispose of GPhC assets or equipment, the Head of Department or authorised deputy will determine and advise the Senior Financial Officer of the estimated market value of the item, taking account of professional advice where appropriate. The disposal of obsolete or surplus stock, equipment or furniture with a net book value of less than £2,000 (collective value of items) shall occur only with the prior approval of the Head of Finance. Items with a net book value in excess of £2,000 shall only be disposed of with the prior approval of the Senior Financial Officer. The disposal of items with a net book value in excess of £50,000 shall require the prior approval of the CE&R.
- 15.1.3 All unserviceable articles shall be:
- (a) condemned or otherwise disposed of by an employee (Condemning Officer) authorised for that purpose by the Senior Financial Officer;
 - (b) recorded by the Condemning Officer in a form approved by the Senior Financial Officer which will indicate whether the articles are to be converted, destroyed or otherwise disposed of. All entries shall be confirmed by the countersignature of a second employee (approving officer) authorised for the purpose by the Senior Financial Officer.
- 15.1.4 The approving officer shall determine as to whether or not there is evidence of negligence in use and shall report any such evidence to the Senior Financial Officer who will take the appropriate action.

15.2 Losses

- 15.2.1 **Procedures** - The Senior Financial Officer must prepare procedural instructions on the recording of and accounting for condemnations and losses.
- 15.2.2 Any employee discovering or suspecting a loss of any kind must either immediately inform their Head of Department, who must immediately inform the CE&R and the Senior Financial Officer or inform an employee charged with responsibility for responding to concerns involving loss. This employee will then appropriately inform the Senior Financial Officer and/or CE&R. Where a criminal offence is suspected, the Senior Financial Officer must immediately inform the police.
- 15.2.3 **Suspected fraud** - The Senior Financial Officer must notify the external and internal auditor of all frauds.

- 15.2.4 For losses apparently caused by theft, arson, neglect of duty or gross carelessness, except if trivial, the Senior Financial Officer must immediately notify:
- (a) the Audit & Risk Committee;
 - (b) the external auditor.
- 15.2.5 The Senior Financial Officer shall take any necessary steps to safeguard the GPhC's interests in bankruptcies and company liquidations.
- 15.2.6 For any loss, the Senior Financial Officer should consider whether any insurance claim can be made.
- 15.2.7 The Senior Financial Officer shall maintain a Losses Register in which write-off action is recorded.
- 15.2.8 All non-trivial losses must be reported to the Audit & Risk Committee at its next meeting.

16. Information Technology

16.1 Responsibilities and duties of the Senior Financial Officer

- 16.1.1 The Senior Financial Officer, who is responsible for the accuracy and security of the computerised financial data of the GPhC, shall:
- (a) devise and implement any necessary procedures to ensure adequate (reasonable) protection of the GPhC's 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, 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 Director may consider necessary are being carried out.

- 16.1.2 The Senior Financial Officer 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.
- 16.1.3 The Head of Governance shall publish and maintain a Freedom of Information Publication Scheme. A Publication Scheme is a complete guide to the information routinely published by a public authority. It describes the classes or types of information about the GPhC that should be publicly available.

16.2 Contracts for computer services outside agencies

The Senior Financial Officer shall ensure that contracts for computer services for financial applications with an agency shall clearly define the responsibility of all parties for the security, privacy, accuracy, completeness, and timeliness of data during processing, transmission, storage and disaster recovery. The contract should also ensure rights of access for audit purposes. Where an agency provides a computer service for financial applications, the Senior Financial Officer shall periodically seek assurances that adequate controls are in operation.

16.3 Requirements for computer systems which have an impact on corporate financial systems

Where computer systems have an impact on corporate financial systems the Senior Financial Officer shall need to be satisfied that:

- (a) systems acquisition, development and maintenance are in line with corporate policies;
- (b) data produced for use with financial systems is adequate, accurate, complete and timely, and that a management (audit) trail exists;
- (c) the relevant staff have access to such data;
- (d) such computer audit reviews as are considered necessary are being carried out.

17. Acceptance of gifts by staff and link to standards of business conduct

17.1 The Senior Financial Officer shall ensure that all staff are made aware of the GPhC policy on acceptance of gifts and other benefits in kind by staff.

17.2 Council members and staff shall immediately disclose to the Senior Financial Officer or his nominee

- any family or close relationship they have with any other member of GPhC's staff, any Council member, committee member, panellist or any provider of goods or services to the GPhC;
- any financial or other interest of benefit to that person from a transaction or financial arrangement of the GPhC, including any interest in a business trading with the GPhC.

17.3 No member of staff may establish a company or commercial enterprise of any kind intended to exploit any activity carried on by the GPhC or on the GPhC's premises or to exploit any rights belonging to the GPhC.

17.4 A register of interests is to be maintained by the CE&R for Council members and employees.

18. Maintenance of, and access to, records

18.1 The Senior Financial Officer shall be responsible for the maintenance of the accounting and payroll records and the provision of any relevant information to authorities, including HMRC, that are entitled to receive it.

18.2 No unauthorised person is allowed access to the financial or payroll records, including records held in the computer system.

18.3 The GPhC will ensure that it meets all legal requirements relating to the retention of prime documents and minor accounting records. These legal requirements should be clearly set out in writing and communicated to all employees. Examples of prime documentation are:

- Purchase invoices
- Sales invoices and copies of receipts
- Tax and VAT records
- Bank statements

- Salaries and wage records
- Pension records.

18.4 The timing of destruction and or disposal of documents and records will be in accordance with the legal requirements for retention of documents and the GPhC's information retention policy. No employee may dispose of or destroy a financial record of the GPhC without the prior authorisation of the Senior Financial Officer. Records shall be maintained of documents disposed of or destroyed.

18.5 The Senior Financial Officer shall:

- have access to all records, documents, correspondence and explanations relating to any financial transactions of the Council; and
- require to be produced, cash, stores or any other GPhC property controlled by any Council or committee member, panellist, member of staff or other appointee.

19. Risk management and insurance

19.1 Programme of Risk Management

The CE&R shall ensure that the GPhC has a programme of risk management, in accordance with best practice, which must be approved by the Council and monitored by the Audit & Risk Committee.

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, health and safety review;

- (f) a clear indication of which risks shall be insured;
- (g) arrangements to review the risk management programme.

The existence, integration and evaluation of the above elements will assist in providing a basis to make a statement on the effectiveness of internal control within the annual reports and accounts.

19.2 Insurance

- 19.2.1 The Senior Financial Officer shall arrange all insurance cover and negotiate all claims in consultation with other staff where necessary. The Senior Financial Officer shall ensure that the Certificate of Insurance and other necessary insurance records are maintained and securely stored.
- 19.2.2 Budget managers shall be responsible for minimising any insurable risks within their areas, and give prompt notification to the Senior Financial Officer of any new risks which require to be insured and of any alterations affecting existing insurance.
- 19.2.3 Budget managers shall notify the Senior Financial Officer in writing as soon as possible, of any loss, liability or damage, or of any event likely to lead to a claim.
- 19.2.4 The Senior Financial Officer shall annually, or after such shorter period as may be considered necessary, carry out a risk assessment and review all insurance, in consultation with budget managers as appropriate. Independent advisers should also be consulted as necessary.

20. Application of Standing Financial Instructions

- 20.1 The CE&R will be responsible for the application of the SFIs.

21. Measurement and Evaluation

- 21.1 The SFIs will be evaluated through the performance monitoring and evaluation framework for the organisation and, in particular, through review of the organisation's financial performance.

Ruth McGregor, Head of Finance and Procurement

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