

Financial Procedures

1 Introduction

- 1.1 These financial procedures are written so that everyone has a clear understanding of how finances should be managed and how financial transactions should be undertaken. North Halifax Partnership particularly wishes to ensure that financial transactions are open and transparent.
- 1.2 This procedure should be read in conjunction with the Code of Conduct policy and it follows that a breach of Financial Procedures may lead to disciplinary action and possibly dismissal.
- 1.3 NHP is mainly in receipt of public sector funding which may bring additional requirements to the procedures detailed below and in which case additional working practice procedures may be required.

2 Eligible Expenditure

- 2.1 NHP's policy of not being involved in activities of a political nature or purely religious activities means that such activities cannot be funded. External funders, particularly public sector grants or contracts often bring with them definitions of eligible expenditure and they must be adhered to. The overriding requirement is to ensure that when dealing with multiple income streams, expenditure should be properly recorded against each funding stream and grant claims should not duplicate or effectively double fund an activity.
- 2.2 NHP is not a VAT registered Company and can legitimately reclaim VAT against public grants.

3 Authority Levels

- 3.1 The Board authorises the signatories on NHP bank account(s) and has agreed the principle of any 2 approved signatories to sign cheques. Those authorised signatories have delegated powers to approve other authority levels e.g view only access to the internet bank account, use of charge cards with a specified maximum spend. Whilst the bank will usually specify how such authorities will be approved, staff should follow the convention that 2 authorising signatories will be required. Staff must ensure that any

security requirements eg internet banking passwords, relevant to their authority, are stored in a secure place.

4 Separation of Financial Duties and Responsibilities

- 4.1 Instances of fraud are more likely to occur when one individual has total control of financial systems.
- 4.2 To avoid this situation all cheques issued by NHP must have two signatories. In order to ensure separation a minimum of two officers should be involved in all financial transactions.
- 4.3 When ordering goods and services one officer should be responsible for signing orders or letters requisitioning goods and services and then for authorising payment for the goods and services. This officer is effectively controlling the spend against a particular budget heading for which they have responsibility. The administrative function of writing out an order or letter, checking goods and services on delivery and then checking and processing the invoice should be carried out by a different officer (or officers). The latter officer will normally also ensure that expenditure is recorded on budget control records. Invoices processed for payment will therefore normally contain two signatures. One signing to indicate goods and services have been received and the financial details on the invoice have been checked. The other signatory will actually authorise the payment. Petty cash payments should be administered on the same basis to ensure no one person is both incurring petty cash expenditure then reimbursing himself or herself out of petty cash. This is achieved by two signatories on the petty cash slip. One receiving the payment and a second approving (and witnessing) payment.
- 4.4 With the increasing use of internet banking and the use of charge cards and BACS payments it is essential to ensure that a separate officer from those using charge cards or submitting BACS payments checks the bank statement. Similarly, it will be necessary to undertake a check on payroll transactions carried out through the bank account.
- 4.5 No officer should authorise payment to himself/herself.

5 Competitive Tendering and Quotations - general

- 5.1 Specific requirements of funding bodies on tendering and quotations need to be adhered to.

5.2 Where no such requirements exist, NHP will strive to achieve value for money ('best value') on all purchases and as a general rule, within a competitive market, will be able to demonstrate having tested the market for purchases over £500 and having sought verbal or written quotations from more than one supplier for purchases of over £1,000 (this can include sourcing a price from a catalogue or the internet). Therefore it is necessary to shop around when buying goods and services. In considering 'best value', this does not necessarily mean the lowest price. Consideration will need to be given to the quality of goods and services, the reliability of the supplier, whether goods and services are available when needed and aspects such as payment terms. In this respect and if accepting a quote from an organisation that is not offering the lowest price, it is necessary to make a file record of the reason for not accepting the lowest price quoted. It is accepted that for some services there is not a competitive market from which to purchase and this particularly applies to the provision of public funded services.

6 Formal Requirement for Competitive Tendering and Quotations

6.1 The formal requirement for competitive tendering and quotations is as follows:

6.1.1 For purchases or contracts with an estimated value of £2,500-£5,000 more than one written quotation must be obtained

6.1.2 For purchases or contracts with an estimated value of £5,000 to £35,000 at least 3 written quotations must be obtained.

6.1.3 For purchases or contracts with an estimated value of £35,000 to £100,000 a minimum of 14 days notice of tender should be placed in the local press and if appropriate in a relevant trade journal with an expected minimum 3 written quotations received.

6.1.4 For purchase or contracts with an estimated value of £100,000 or over a minimum of 14 days notice of tender should be placed in one or more newspapers or trade journals circulating amongst such persons as undertake such contracts. Again it would be expected that a minimum of 3 tender quotations should be received.

6.2 The following principles and practices should apply in following the formal requirements for tendering and quotations:

6.2.1 It will be normal practice to accept the lowest tender, however, note the comments on 'best value'.

- 6.2.2 The procedure for obtaining tendered quotes should be open and transparent.
- 6.2.3 Care should be taken when preparing tender specifications as it can be problematic trying to adjust a specification post tender.
- 6.2.4 Decisions need to be made on how tendered quotes are to be presented with a view to standardising the format wherever possible (to facilitate easy comparison between quotes).
- 6.2.5 Timescales on tendering are critical. Adverts or written invites to tender should state precisely where the tender should be submitted and the date and time by which the tender must be received. The submission date and time should be strictly adhered to.
- 6.2.6 For tenders with an estimated value of £5,000 or more written tenders should be submitted in a suitably marked envelope to ensure that it is not opened before the submission deadline.
- 6.2.7 A decision should be made in advance of who will be responsible for opening tenders and making decisions thereon. This would normally be a small panel of people but certainly more than one person.
- 6.2.8 Care needs to be taken when analysing tender submissions. Tenders should be checked carefully against the tender specification, including a check for mathematical errors.
- 6.2.9 Care needs to be taken on any post tender negotiations on price, timescales and specifically on any changes to the original specification (which should be avoided wherever possible). The principle of openness and transparency must be maintained in post tender negotiations so as to ensure no one firm is treated different to others.
- 6.2.10 When a tender has been accepted this needs to be confirmed in writing as soon as possible with the approved supplier.
- 6.2.11 A written record should be made and kept on file for each tendered contract. Such a record should contain the following information:
- Brief description of goods or services tendered for.
 - The method by which tenders were sought.
 - Details of tenders received (who from, price etc).
 - Details of the individuals or panel who made the decision.
 - Details of any post tender negotiations with a record of any changes made to the tendered submission and a rationale for such changes.
 - Details of the tender accepted and the reason for acceptance.

- A rationale for accepting a tender with a clear rationale when the tender accepted is not the lowest price submitted.

- 6.3 In the event of insufficient tenders or quotes being received it may be necessary to consider re-advertising the contract or sending invites to other known suppliers. Clearly judgments need to be made on whether there is time to seek new quotes, how the contract was advertised and/or how many firms were invited to submit a quote in the first instance. If the decision is not to re-advertise a written justification for that reason should be made.
- 6.4 In all cases it will be necessary to make a written rationale of the decision as to which tender / quote has been accepted.
- 6.5 Written records and documentation for all instances of seeking competitive quotations (both formal and informal procedure) should be retained for a minimum of 8 years.

7 Capital Assets and Asset Register

- 7.1 NHP will comply with funder's requirements for the maintenance of an assets register and the disposal of capital assets. Where no such requirements exist NHP will maintain a register of assets valued at more than £2,500. The register should show description of item, when purchased, purchase price, location of asset and where disposal/write off has occurred the date and rationale for that decision. In addition to the requirement to maintain an inventory of fixed assets NHP will maintain an office inventory register of furniture and equipment. Whilst individual items may be of relatively little value, when considered collectively e.g. in the case of fire or theft the potential loss may be significant. Furthermore the maintenance of an office inventory may assist an insurance claim. Clearly a balance needs to be achieved between maintaining an inventory of tangible assets and the administrative burden or recording such items. Therefore, the main office inventory should record items with a value of £50 or more. The inventory need only record a description of the item, its location and purchase price. A separate inventory should be kept for toys and equipment under £50 (not consumables).
- 7.2 For insurance purposes, NHP will annually review the value of office contents, prior to policy renewal, to ensure adequate insurance is in place.

8 Retention of Records

8.1 NHP will comply with funder's requirements for the retention of prime financial records, but in any event will retain hard copy records for a minimum of 8 years, after which time they can be safely destroyed.

9 Audit

9.1 It is the policy of NHP to submit its accounts for external audit by suitably qualified accountants on an annual basis.

10 Financial Irregularities

10.1 If any Board Member or employee suspects that there has been any financial irregularity this should be reported immediately to a senior manager or Board Member (see also Whistleblowing Policy).

10.2 All Board Members and Senior Management with financial responsibility will fill out a Trustee Eligibility and Declarations form on an annual basis.

11 Use of Cash

11.1 Cash transactions should be kept to a minimum. For income transactions payment by cheque or BACS should be encouraged. A petty cash account may be maintained for smaller transactions and usually for purchases of no more than £150. No more than £500 should be retained in the petty cash float at any one point in time. Income should be banked regularly, and particular care should be taken to bank sizeable cash income as soon as practical. To avoid confusion and mistake cash income should be stored separately from petty cash.

12 Declaration of Interest

12.1 Where an employee establishes that a friend or relative has been invited to submit an estimate or tender or is submitting an estimate or tender or has already submitted an estimate or tender for goods or services, they must declare an interest to the senior manager or the officer procuring the goods and services. Under no circumstances should the employee then be involved in the procurement or decision making on the award of the contract and subsequently they must not be involved in the authorisation or payment of invoices associated with the contract. To avoid doubt these principles apply to any transactions rather than just those governed by the formal procedure for tendering and quotations.