

Incurring and Authorising Expenditure Procedure

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Related Policy:		F02 Procurement	
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Owner:	Stuart Green	Job Title:	Head of Finance
To be issued to:		Board of Management ARK Management All Staff	
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Version Control

Date	Owner	Version	Reason for Change
Aug 2020	Stuart Green	2.1	Transfer to new format, rename, and Procedure due for renewal

Summary of Changes

Section	Change
Entire Policy	Transfer to new format and change name from F16 to F02b
2.1 and 2.2	Ability to incur expenditure now based on authorisation limits set within the updated Procurement policy [F02]. This allows budget holders to delegate approval of expenditure downwards (for lower value expenditure). Previously, procedure allowed other members of staff to check invoices, but budget holders were always required to sign off all expenditure.

2.2	Makes reference to expenditure now being approved electronically via email. Previously, procedure only referred to paper based authorisation.
2.3	Additional information around the weekly BACS payment runs, and what to do when staff need to bypass this payment route.
2.3	Previous procedure required certain grades of staff to approve payment based on value (over or under £100k) – new procedure allows any bankline approver to authorise, but that these users must be reviewed on a regular basis by the Director of Finance.
2.4	New section on the checks to be carried out by Finance staff before updating supplier bank details
2.5	New section referring to document retention policy.



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1.0 Introduction

The purpose of this procedure, and the policy which supports it, 'Procurement' [F02], is to set out our arrangements for ensuring that all expenditure has been correctly incurred and authorised, in accordance with the current levels of delegated authority and relevant procedures.

This procedure should be read in conjunction with the following policies and procedures:

- Standing Orders [G06], in particular the delegated levels of authority;
- Procurement policy [F02];
- Prices, Quotations and Tenders procedure [F02a]; and
- Recruitment and Selection procedure [HR01].

2.0 Incurring and Authorising Expenditure

2.1 Authority to Incur Expenditure

There are three stages in the process of incurring and authorising expenditure:

1. Incurring the commitment to spend, e.g. placing an order, accepting a quotation or tender, issuing a staff appointment letter;
2. Checking a request for payment, e.g. an invoice, contract valuation certificate, rent refund pro-forma, or monthly salary input details, before payment is made;
3. Authorising payment.

Authority to incur expenditure and authorise payments is, apart from a few exceptions, delegated by the Board of Management to the Chief Executive and through the Chief Executive to designated staff. The current limits of delegated authority are detailed in the Scheme of Financial Delegation which is part of the Association's 'Standing Orders' [G06].

At each stage in the process the member of staff involved will ensure that:

- They have the authority to undertake the task;
- They have the necessary information to enable them to carry out the task;
- The expenditure is covered by the current approved budget.

Where costs are not included in the current budget, expenditure can only be incurred on the authority of the Executive Team, Board of Management or Chair, as detailed in Ark's 'Procurement' [F02] policy.

As noted at section 7.2 of the 'Procurement' [F02] policy, any Ark employee can obtain quotations, however authorisation limits, noted within Appendix 2 of the policy, must be adhered to before any commitment to spend is made. Departmental expenditure should be within approved budget levels.

When authorising any expenditure, it is the responsibility of the individual signing any order or invoice to be accountable for that expenditure by confirming that the expenditure is legitimate, justified, and conforms to existing policies and procedures.

2.2 Checking Payments

Payments to suppliers will be in line with our normal payment terms, as set out in Ark's Financial Regulations [F01].

With the exception of salary payments to members of staff, the majority of payments will be checked and authorised by one of two methods:

- Budget holders* will receive a physical copy of the invoice requiring authorisation, along with a payment authorisation slip. This slip will be completed, signed, and returned to Finance, alongside the invoice;
- Budget holders* will receive an electronic copy of the invoice, sent from the Purchase Ledger (P/L) mailbox. The invoice should be checked and a return email to the P/L mailbox should be sent noting approval to pay.

*budget holders include the ET or SLT member of staff responsible for the budget for their area of the business, or a member of staff with delegated authority from the budget holder to check and authorise expenditure on their behalf, up to the authorisation limits set out in our 'Procurement' [F02] policy.

Where an invoice is not related to an official order, quote, or tender amount, checking of invoices will normally include a check of the calculations. For maintenance invoices from term contractors, sample calculation checks will be carried out from time to time, as determined by the Senior Maintenance Officer or other relevant member of the team.

The member of staff checking (and approving) the invoice will, where required, add the relevant expense code(s) to the authorisation slip or email.

Where discrepancies between the original order and invoice, or any inaccuracies in the calculations etc. have been identified, these will be investigated with the supplier by the member of staff incurring the expenditure. Where required, an explanation of any discrepancy will be attached to the invoice and slip.

Where the relevant member of staff is not available, approval may be authorised by a more senior member of staff within the same department, up to their authorisation limits, or by a member of the ET or SLT.

The Finance Department will hold sample signatures of all authorised signatories. Authorised signatories are updated as staff changes occur to ensure that signatories remain up to date.

A member of staff must not co-authorise a payment payable to himself/herself.

2.3 Making Payments

The below guidance refers to the majority of our payments, which are made via BACS, CHAPS, or bank transfer (“faster payment”) through our banks (Royal Bank of Scotland) online ‘Bankline’ platform. Payment by petty cash, corporate credit cards and cheques are set out in procedure ‘Expenditure by Cash, Cheques, and Credit Card’ [F02c].

2.3.1 BACS

Payments for the majority of invoices received will be made on a weekly basis, via BACS.

A payment run will be generated in the Finance system, producing a list of invoices to be paid. This will be based on the invoice due date.

The relevant Finance Business Partner (“FBP”) will review this list, selecting an appropriate number of invoices to sample, to ensure that the invoices have been appropriately authorised. The number of invoices selected as part of this sample will be based on the value of the payment run, the number of invoices due to be paid, and the judgement of the FBP.

If issues are identified at this stage, the FBP will request those invoices are removed from the payment run, and appropriate follow up action arranged. The FBP will also select an extended sample of invoices to review.

Once satisfied, the proposed payment run can be exported to the BACS system. From here, the payment run must be processed by a member of staff with access to the BACS system. This list will be maintained by the Finance Team and reviewed by the Director of Finance, at least on an annual basis. Requests for new users must be approved by the Director of Finance.

2.3.2 Bankline

Bankline payments include payments made via CHAPS, SWIFT, bank transfer (faster payment).

Faster Payments can be made up to a value of £250,000, and are a cost effective way of paying suppliers than CHAPS, in all cases, except where payment is required urgently, staff should select the ‘next day’ payment option. CHAPS payments are generally only used for high value payments. SWIFT payments are used for international money transfers, and are unlikely to be a common method of payment for the Organisation, so are not covered within this procedure.

In all cases, payment via BACS is the preferred method of paying our suppliers. Where payment is made via Bankline, to ensure we keep costs to a minimum, the preferred payment

option is 'next day' (transaction cost of £0.25). If an urgent payment is required, the 'immediate faster payment' (cost of £3.00) option is appropriate.

Any member of staff approving expenditure can request a payment via Bankline. However this will only be processed by the Finance team where a business requirement has been identified. In all cases, evidence of appropriate invoice authorisation must be provided alongside the request for payment. Examples of where payment outside of BACS may be necessary include:

- Salary related payments (including payment of monthly pension contributions and taxes due to HMRC);
- Where suppliers require urgent payment;
- The supplier is not set up on the Finance system;
- Where payment is required before delivery of goods or service.

Where invoices are paid outside of the BACS payment run but are still to be recorded on the Purchase Ledger, a member of the Finance team must ensure a duplicate payment does not occur. This is done by 'matching' the invoice to the payment on the Finance system before the next BACS payment run.

Staff who have access to the Bankline system are required to be classified as either a 'user' or 'approver'. Payments should be set up by a 'user', and authorised by two 'approvers'. The Director of Finance, or the Head of Finance in their absence, should ensure that, at all times, there are the appropriate number of Bankline 'users' and 'approvers', to allow for payments to be processed.

Authorisation for new staff members to be set up on Bankline, or changes to the existing levels of access, will be obtained from the Director of Finance, or Head of Finance in their absence.

On a regular basis, and at least annually, the Director of Finance will review the levels of access to Bankline across the organisation, ensuring that the number, and job profiles, of the users and approvers is appropriate to meet the needs of the business, while maintaining sound financial control.

For Care and Support bank accounts, authorisation for payment will come from Area Managers, Care and Support Managers, and Registered Operations Managers, according to the arrangements for each bank account.

2.4 New Suppliers

When setting up new suppliers on Ark's Finance system, the Finance team must obtain comfort that supplier details, such as banking, primary contact[s], and address, are correct.

Obtaining comfort can be achieved by contacting the supplier to confirm this information. Staff must not use any contact details provided, either by the member of Ark staff

requesting the set up of the supplier, or from an invoice received, as these may be fraudulent.

Instead, the relevant member of the Finance team should use an alternative source, such as an email address or phone number, or by searching the internet.

2.5 Changes to Supplier Details

From time to time our suppliers may notify us of a change in their banking details. As with new suppliers, before updating supplier banking details on Ark's Finance system, the Finance team must obtain comfort that the request is legitimate.

Obtaining comfort can be achieved by contacting the supplier to confirm the change request is legitimate. Staff must not use any contact details provided on the change request, as these may be fraudulent. Instead, the relevant member of the Finance team should use an alternative source, such as an email address or phone number, from a historic invoice, or from the suppliers website if appropriate.

Changes to supplier details recorded within the Finance system must be approved by the Finance Business Partner, or Head of Finance if unavailable.

2.6 Documentation

The Finance team will retain evidence of all payments, and authorisation for payments, in line with Ark's 'Retention of Documentation' [G17] policy.

3.0 Implementation and Review

3.1 Implementation

The Head of Finance will ensure that this procedure is followed by all relevant members of staff involved in the process for incurring and authorising expenditure.

3.2 Review

The Head of Finance will ensure that this procedure is reviewed at least every three years.

Appendix 1 – Scottish Housing Regulator

The following link gives access to the SHR's Regulatory Framework and statutory guidance which applies from 1 April 2019.

<https://www.scottishhousingregulator.gov.uk/what-we-do/how-we-regulate/our-regulatory-framework-1-april-2019>