

# THE NATIONAL GALLERY

## EXPENDITURE AND CONTRACT AUTHORISATION RISK MANAGEMENT STATEMENT

## **EXPENDITURE AND CONTRACT AUTHORISATION March 2012**

Policy owner: Head of Finance

### **Introduction**

Expenditure is incurred by all departments in the Gallery, with authorisation delegated to each budget holder.

### **Risks**

The risks of not having a clear policy for authorisation of expenditure and entering into contracts include:

- fraud and other financial loss
- commitments in excess of resources
- poor value for money
- contingent liabilities
- contractual obligations that are not in accordance with charitable or strategic objectives
- reputational loss arising from any of the above.

### **Policies and procedures**

#### **Financial**

1. The Trustees and Accounting Officer delegate authority for expenditure to budget holders, who in turn, may delegate authority to their own staff.
2. All such delegation should be properly recorded and authorisation limits should be applied to both orders (commitments) and invoice payments. The general limits applicable require prior approval by the Executive Committee. A list of all authorised persons plus their individual limit and sample signature is kept by Finance.
3. All orders to procure goods and services, excluding picture acquisitions and subject to paragraph 4 below, should be made using the Gallery's standard terms and conditions, which are printed on the reverse of the purchase order.
4. In certain circumstances, a separate contract may be required (in relation to income or expenditure). All significant contracts (for expenditure or income exceeding £10,000 over the life of the contract) must be reviewed by a member of the Executive Committee and legal advice should be taken if advised. The Procurement and Contracts Manager should review all expenditure contracts to ensure compliance with procurement guidelines. These reviews must be evidenced.

5. Authority and limits for the signing of contracts are the same as for other orders, subject to the above reviews.
6. The member of staff placing any order must be aware of the need to obtain value for money. The orderer must comply with the rules in place (in the Budget Holder's Guide and Procurement Manual) for seeking quotes, formal tenders, and EU procurement regulations. As a general rule, arrangements and prices from regular suppliers should be examined every three years.

### **Picture acquisitions**

7. Accessioning paintings will require the prior approval of the Board of Trustees, subject to paragraph 8 below.
8. In certain circumstances the Gallery may wish to purchase a picture at short notice (i.e. before the next meeting of the Board). An acquisition paper must be sent to the full Board including the price and description of the painting, a funding paper and a deadline for response. Approval from the Chairman and at least two other Trustees would constitute authorisation for the Director to proceed with the acquisition. In the event that any objection to the proposed acquisition is made, the Chairman should consult more widely to establish whether there is a majority in favour.
9. Contracts for picture acquisitions must be reviewed by the Secretary to the Board prior to signature.

### **Non-financial**

10. The Trustees and Accounting Officer delegate authority to the Executive Committee, who in turn may delegate authority to appropriate individuals, to sign other contracts and agreements on their behalf. Such contracts include, for example, joint venture agreements, loan agreements, gratuitous image licensing agreements or joint exhibition agreements.
11. A list of individuals with delegated responsibility for signing non-financial contracts and agreements should be approved by the Executive Committee and maintained by Finance.
12. Wherever possible, the Gallery should have in place standard agreements, on which legal advice has been taken (e.g. loan agreements). All novel or contentious non-financial contracts should be reviewed by an Executive Committee member prior to signature, with legal advice being taken where necessary.

### **Contracts under seal**

13. The Trustees delegate authority to the Director and the Deputy Director to sign contracts under seal on their behalf.