

REPORT TO: TAYSIDE VALUATION JOINT BOARD – 15 JUNE 2015

REPORT ON: REVIEW OF FINANCIAL REGULATIONS

REPORT BY: TREASURER

REPORT NO: TVJB 8-2015

1 PURPOSE OF REPORT

1.1 To present to the Joint Board the updated Financial Regulations, which are attached as appendices to this report.

2 RECOMMENDATIONS

2.1 The Joint Board is asked to note the contents of the updated Regulations.

3 FINANCIAL IMPLICATIONS

3.1 None

4 POLICY IMPLICATIONS

4.1 This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

5 BACKGROUND

5.1 The Board's Service Plan requires that the Financial Regulations are reviewed periodically to ensure that these are up to date and in line with principals of good governance.

5.2 The Financial Regulations have been reviewed by the Treasurer, in conjunction with the Assessor, and these are attached as Appendix 1. There are no significant departures from the previous regulations. The main changes are to reflect the fact that draft Budget and Accounts are routinely presented to the full Board (formerly these were considered by the General Purposes Sub Committee) and to update the title of Tayside Pension Fund (formerly known as the Superannuation Fund).

6 CONSULTATIONS

6.1 The Clerk and Assessor to the Joint Board have been consulted on this report.

7 BACKGROUND PAPERS

7.1 None.

05 June 2015

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FINANCIAL REGULATIONS

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FINANCIAL REGULATIONS

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FOREWORD

The main objectives of these Financial Regulations are to provide a formal document of the framework within which the Financial Administration of the Board is to be conducted and to outline the areas where financial controls should be operated. Balanced against these objectives, it is recognised that the Financial Regulations must be relevant to the needs of users and provide practical guidance.

The Financial Regulations have been written with the above in mind and are intended to provide information and guidance on the key areas of financial control which will assist both Board members and the Tayside Valuation Joint Board staff and officials in carrying out their duties.

1 INTRODUCTION

- 1.1 The Treasurer, being the proper officer for the purpose of Section 95 of the Local Government (Scotland) Act 1973, shall be responsible for the financial affairs of the Board. The Local Authority (Accounts) Regulations 1985 lay upon that officer, the obligation to determine the system of accounting control and form of accounts and supporting records and to ensure that the accounts and records are kept up to date.
- 1.2 The Treasurer shall report to the Board with respect to the level of financial resources proposed to be utilised in each financial year by the Board and shall keep it informed as to the detailed administration and application of such resources.
- 1.3 The Treasurer shall be entitled to report upon financial implications of any matter coming before the Board. To allow the Treasurer to fulfill his/her obligation, the Assessor will consult with the Treasurer on all matters with a potential financial implication which are likely to result in a report to the Board.
- 1.4 The Board shall at all times endeavour to secure the best value for the money it spends and encourage the use throughout the Assessor's Services of the best management techniques.
- 1.5 The Board and the Assessor's Services shall observe the Board's Financial Regulations in relation to expenditure, income, assets etc falling within their sphere of responsibility. Each member of the Board and every member of staff of the Assessor's Services shall have a responsibility to bring immediately to the notice of the Treasurer any suspected irregularity in regard to cash, stores, assets, other property or contract of the Board or any other related matter concerning the contravention of the Board's Financial Regulations.
- 1.6 The Financial Regulations may be altered or revoked by the Board, at any ordinary meeting provided such proposals are supported by a majority of the Board present and voting.
- 1.7 Although the Assessor and Treasurer are ultimately responsible for ensuring that their duties laid down in the Financial Regulations are fulfilled, in practice, it is acknowledged that some of the duties will be delegated to be undertaken by members of their respective staff within Dundee City Council and Tayside Valuation Joint Board.
- 1.8 The Treasurer is responsible for ensuring that financial systems exist to ensure proper financial control is exercised. The Treasurer is also responsible for ensuring that financial management systems exist to enable other Tayside Valuation Joint Board officers to make informed financial decisions, and take corrective action to deal with under or overspending, in order to achieve value for money and best value.

2 REVENUE BUDGET

- 2.1 The form of the Revenue Budget shall be determined by the Treasurer in accordance with the general directions of the Board.
- 2.2 The Assessor shall prepare estimates of income and expenditure on revenue accounts covering the specified period and shall provide the Treasurer with all necessary information regarding requirements on a timeous basis.
- 2.3 The annual budgetary procedure will include a review of charges for all users of the Assessor's Services (for which charges apply) with proposals, where appropriate, to increase these charges and the anticipated additional revenue which would accrue if implemented.

- 2.4 The Treasurer shall review the Revenue Budget and submit a report to the Board for detailed consideration.
- 2.5 The final approved Revenue Budget requires to be apportioned between the three constituent Councils on the basis approved by the Board. The agreed apportionment will determine the amount to be requisitioned from the constituent Councils.

3 CAPITAL BUDGET

- 3.1 The Treasurer shall submit a report to the Board which will detail the Board's proposed capital programme and how it is to be financed.
- 3.2 The final approved Capital Budget requires to be split equally between the three constituent Councils, unless otherwise agreed.

4 EXPENDITURE MONITORING

- 4.1 The primary responsibility for detailed monitoring and control of the Board's revenue and capital expenditure lies with the Assessor.
- 4.2 Revenue and Capital expenditure shall be restricted to that included in the appropriate Budget, unless proposals for additional expenditure have been approved by the Board.
- 4.3 The Assessor is authorised, in emergency situations, subject to advising the Convener, consulting with the Treasurer and reporting to the Board as soon as possible thereafter, to take such measures as may be required on any item for which Board approval would normally be required. The projected financial impact of any such decision shall be reported to the Board, along with any possible compensatory budgetary savings.
- 4.4 The Treasurer has a responsibility to ensure that revenue monitoring by the Assessor is carried out and that relevant financial information is provided in a format and within a timetable suitable to allow such monitoring.
- 4.5 The Treasurer shall report periodically within an agreed timetable, to the Board on its actual and projected expenditure for each financial year.

5 VIREMENT

- 5.1 Virement may be employed as a means of funding desirable or essential expenditure through identified budget underspendings. It should be noted, however, that no virement proposals should be used to finance a new service or change an existing Board policy without the agreement of the Board.
- 5.2 The Assessor shall consider the implications on future years' budgets when proposing to vire funds to finance purchases which have ongoing revenue implications.
- 5.3 All virement proposals should be notified to the Treasurer, who will monitor the overall use of virement and its effect on Revenue Budget performance.

6 ACCOUNTING

- 6.1 All accounting procedures and records of the Assessor's Services shall be determined by the Treasurer and all accounts of the Assessor's Services shall be compiled by the Treasurer or under his/her direction.

- 6.2 The following principles should be observed in the allocation of accounting duties:-
- a Duties of providing information regarding sums due to or from the Board and of calculating, checking and recording these sums shall be separated as completely as possible from the duty of collecting or disbursing them.
 - b Officers charged with the duties of examining and checking the accounts of cash transactions shall not themselves be engaged in any of these transactions.
- 6.3 The Treasurer shall be responsible for the compilation of an abstract of accounts in accordance with the requirements of the CIPFA/LAA(S)AC Code of Practice on Local Authority Accounting in Great Britain and Section 12 of the Local Government in Scotland Act 2003. The Treasurer shall submit to the Board and to the Controller of Audit, not later than the 30 June of each year, a draft Abstract of Accounts for the previous financial year. The Treasurer shall ensure that the audited copy of the abstract, together with the audit report, shall be laid before a meeting of the Board not later than three months after receipt of the audit certificate.

7 INTERNAL AUDIT

- 7.1 The continuous internal audit under the independent control and direction of the Treasurer shall be arranged to carry out an examination of accounting and financial operations of the Board and to ensure an adequate internal control function is in place as a contribution to the proper, economic, efficient and effective use of resources throughout the Board's activities.
- 7.2 The existence of Internal Audit does not diminish the responsibility of management to establish the extent of internal control in the Board's systems and management should not depend on Internal Audit as a substitute for effective controls.
- 7.3 The role of Internal Audit is to understand the key risks faced by the Board and to examine and evaluate the adequacy and effectiveness of the system of risk management and internal control as operated by the Board. Internal Audit has unrestricted access to all activities undertaken within the organisation in order to review, appraise and report on the areas detailed below:-
- The adequacy and effectiveness of the systems of financial, operational and management control and their operation in practice in relation to the business risks to be addressed.
 - The extent of compliance with, relevance of, and financial effect of, policies, standards, plans and procedures approved by the Board and the extent of compliance with external laws and regulations, including reporting requirements of regulatory bodies.
 - The extent to which the assets and interests are acquired economically, used efficiently, accounted for and safeguarded from losses of all kinds arising from waste, extravagance, inefficient administration, poor value for money, fraud or other cause and that adequate business continuity plans exist.
 - The suitability, accuracy, reliability and integrity of financial and other management information and the means used to identify, measure, classify and report such information.
 - The integrity of processes and systems, including those under development, to ensure that controls offer adequate protection against error, fraud and loss of all kinds and that the process aligns with the organisation's strategic goals.

- The adequacy of the framework of the units audited for carrying out their functions, to ensure that services are provided in a way which is economical, efficient and achieves the Board's policy objectives.
- The follow-up action taken to remedy weaknesses identified by Internal Audit, ensuring that good practice is identified and communicated widely.
- The operation of the Board's corporate governance arrangements.

7.4 The Board's Fraud Guidelines detail the approach and procedures in relation to the investigation of fraudulent activities. A summary of the key points within the Fraud Guidelines are provided below:-

- It is a management responsibility to maintain the internal control system and to ensure that the Joint Board's resources are properly applied in the manner and on the activities intended. This includes responsibility for the prevention and detection of fraud and other illegal acts.
- It is the responsibility of the Assessor to report all suspected cases of fraud to the Board's Internal Audit providers.
- All officers of the authority must be aware that he/she has a duty to refer any case where there is knowledge of a possible fraud to Internal Audit to document its occurrence.
- When a significant fraud is discovered and notified to Internal Audit, Internal Audit has a duty to immediately inform the Clerk and Treasurer.
- It is the responsibility of the Assessor to take action following the enquiry including disciplining or dismissing an employee.
- The Assessor and Treasurer must ensure that any weaknesses in the system of internal control highlighted as a result of the fraud investigation are addressed.

7.5 Any member of the Board or its staff has a duty to inform the Assessor and Treasurer of any suspected fraud or irregularity or of any circumstances which may suggest the possibility of such irregularities.

7.6 All draft Internal Audit reports shall be submitted to the Assessor in order to provide formal management responses to points arising. A copy of the draft report will also be circulated for information to the Treasurer and any other party as deemed appropriate.

- The finalised Internal Audit report which includes the management responses to the points arising will be issued to the Assessor who has responsibility for ensuring the action plan is implemented within the agreed time frame. A copy of the finalised report will also be issued, for information to the Treasurer, the Board's External Auditor and any other relevant party.
- All reports from either the Internal Auditor or External Auditor shall be submitted to the Board for its consideration.

7.7 The Treasurer or any member of his/her staff shall have access at all times to the books, accounts, invoices and other documents and records relating to the income and expenditure of the Board and shall be entitled to call for such explanations and background reports as deemed necessary. This level of access will also be made available to the Board's Internal Audit provider.

8 BANKING ARRANGEMENTS AND CONTROL OF CHEQUES

- 8.1 The daily management and operation of accounts shall be the responsibility of the Treasurer.
- 8.2 The Treasurer shall organise the creation and closure of any account.
- 8.3 The Treasurer shall control the issue of cheques and all cheques on the Board's banking accounts shall be of the facsimile signature of the Treasurer or be signed by the Treasurer or one of his/her nominated deputies.
- 8.4 The Treasurer shall be responsible for arranging any payments through the Bankers Automated Clearing System (BACS) and shall ensure that proper security control procedures are affected and reviewed.

9 ORDERS FOR WORKS, GOODS AND SERVICES

- 9.1 The Assessor shall be responsible for all orders issued by the Assessor's Services and for ensuring that the cost is allocated to an appropriate budget head and covered within the approved estimates.
- 9.2 Official orders shall be issued for all work, goods or services to be supplied to the Assessor's Services except for supplies of public utility services, for periodical payments such as rent and rates, for petty cash purposes or such other exceptions as the Treasurer may approve.
- 9.3 Official orders shall be in a form approved by the Treasurer and shall be raised only by officers authorised by the Assessor. The number of officers so authorised shall be determined in agreement with the Treasurer. A register of authorised signatories should be maintained by the Assessor.
- 9.4 Where applicable, the procedures for obtaining competitive tenders and Board approvals for all supplies and works as detailed in the Board's Tendering Procedures should be followed at all times.

10 PAYMENT OF ACCOUNTS

- 10.1 The Assessor is responsible for ensuring satisfactory systems are in place for the examination, verification and certification of invoices and similarly for any other payment vouchers, documents or accounts arising from sources within his service.
- 10.2 Where possible, the Assessor should arrange for the separation of the authorisation of orders as distinct from goods received notes or any other process which involves the certification of invoices. Variations to these arrangements are subject to the approval of the Treasurer. Each goods received note or electronic version should be approved by the appropriate receiving officer and should be authorised by the appropriate authorised signatory. The authorised signatory shall always be different from the receiving officer.
- 10.3 Duly certified invoices shall be passed for payment regularly and without delay. Payment should not be made on duplicate invoices, statements or photocopy invoices unless it has been certified in writing that the amount in question has not been previously paid.
- 10.4 Before certifying invoices, payment vouchers, goods received notes, documents or accounts the certifying officer shall satisfy himself/herself with regard to:-
 - a the receipt of goods being in accordance with the order.
 - b the correctness of prices, discounts and arithmetic.

- c non-duplication of payment.
 - d expenditure being within the estimates.
 - e allocation to the appropriate head of expenditure.
 - f appropriate entries having been made in inventories, stock records etc as required.
 - g work having been carried out to a satisfactory level.
- 10.5 The payment of all certified invoices etc shall be made by the Assessor, under arrangements approved and controlled by him/her.
- 10.6 Where applicable, the procedures for orders and authorisation of invoice detailed in the Board's Purchasing/Procurement Procedures should be followed at all times.
- 10.7 The Assessor shall, as soon as possible after 31 March, and not later than a date intimated by the Treasurer in each financial year, notify the treasurer of any outstanding expenditure relating to the previous financial year.

11 PAYROLL ADMINISTRATION

- 11.1 The payment of all salaries, wages, compensation and other emoluments to all employees or former employees of the Board shall be made by the Assessor under arrangements approved and controlled by him.
- 11.2 The Assessor shall ensure records are kept of all matters affecting the payment for such emoluments and in particular:-
- a appointments, promotions, resignations, dismissals, suspensions, secondments and transfers.
 - b absences from duty for sickness, holidays or other reasons.
 - c changes in remuneration, other than normal increments and pay awards and agreements of general application.
 - d information necessary to maintain records of service.
- 11.3 All time records or other pay documents shall be in a form prescribed or approved by the Assessor. A record of the names of officers authorised to sign such records should be maintained, together with specimen signatures and shall be amended on the occasion of any change.

12 INCOME

- 12.1 As and when required, the Assessor shall, in consultation with the Treasurer, prepare schemes of charges to be made for goods supplied or services rendered. The scheme of charges shall be approved by the Board. Charges for goods or services may be varied by the Assessor in consultation with the Treasurer.
- 12.2 It shall be the duty of the Treasurer to make adequate financial and accounting arrangements to ensure the proper recording of all monies due to the Board and for the proper collection, custody, control and banking of all cash in all sections of the Assessor's Services.
- 12.3 Invoices shall be raised at the time of the provision of goods or services or as soon as possible thereafter.

- 12.4 All receipts, forms, books, tickets and other such items used to record financial and related transactions shall be in a form approved by the Assessor and shall be ordered, controlled and issued by him/her or under arrangements approved by him/her.
- 12.5 All monies received on behalf of the Board shall be deposited promptly with the Assessor or the Board's bankers in accordance with the arrangements made by the Treasurer. No deduction may be made from such money except to the extent that the Assessor may specifically authorise.
- 12.6 Personal cheques shall not be cashed out of money held on behalf of the Board, nor shall personal cheques be substituted for cash collected on behalf of the Board.
- 12.7 All transfers of money from one member of staff to another will be evidenced in the records of the Assessor's Services by the signature of the receiving officer.

13 INSURANCE & RISK MANAGEMENT

- 13.1 The Assessor, in conjunction with the Treasurer, will ensure that the risks faced by the Board are identified and quantified and that effective measures are taken to reduce, eliminate or insure against them.
- 13.2 The Risk Management Strategy, Risk Register and Business Continuity Plan should be reviewed and updated annually by the Assessor and presented to the Board.
- 13.3 The Assessor, in conjunction with the Treasurer, shall effect insurance cover and negotiate all claims as necessary.
- 13.4 The Assessor is responsible for ensuring that there are adequate systems for the:-
- a prompt notification to the Treasurer of potential liabilities, property or vehicles which require to be insured or affect existing insurance arrangements.
 - b prompt notification in writing to the Treasurer of all incidents of loss, damage or injury which may give rise to a claim by or against the Board.
 - c prompt notification of disposal of assets insured
- 13.5 All relevant officers or employees shall be included under the Board's Fidelity Guarantee Insurance as determined by the Assessor in consultation with the Treasurer.
- 13.6 The Assessor, in conjunction with the Treasurer, shall annually or as necessary review all insurances.

14 STORES AND INVENTORIES

- 14.1 The safe custody of stores and equipment shall be the responsibility of the Assessor who will be required to make a return of all stocks, stores, furniture, fittings and equipment to the Treasurer at the end of each financial year or as requested.
- 14.2 The Assessor shall be responsible for maintaining an efficient system of stores accounting including stock control. Any alterations to such systems shall be submitted to the Treasurer for approval.
- 14.3 The Assessor is responsible for ensuring that asset inventories are maintained and updated timeously with additions and disposals.

- 14.4 The Assessor shall ensure that a sample of higher value, portable and desirable assets is physically checked on an annual basis.
- 14.5 The Board's property shall not be removed otherwise than in accordance with the ordinary course of the Board's business or used otherwise than for the Board's purposes except in accordance with specific formal directions issued by the Assessor.

15 **SECURITY**

- 15.1 The Assessor is responsible for maintaining proper security at all times for all buildings, stock, stores, furniture, equipment, cash, records etc under his control. The Assessor shall consult with the Treasurer in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- 15.2 Maximum limits for cash holding shall be agreed with the Treasurer and shall not be exceeded without his/her express permission.
- 15.3 Keys to safes and similar containers are the responsibility of the keyholder who shall make suitable arrangements for the security at all times. The loss of any such keys must be reported to the Assessor immediately. For insurance purposes, keys should be removed from the premises overnight.
- 15.4 The Assessor shall be responsible for ensuring proper security and confidentiality on information held in computer installations and in the use to which such information may be put. The Assessor shall make such arrangements as may be required to ensure confidentiality of information under the terms of the Data Protection Act.

16 **IMPREST ACCOUNTS**

- 16.1 The Assessor shall provide imprest facilities to specific officers as considered appropriate and shall issue guidance notes as to the operation of the imprest system.
- 16.2 Payments from imprest accounts shall only be made for minor items of expenditure and shall be supported by VAT receipts. The maximum limit for any one payment will be as determined by the Assessor.
- 16.3 The Assessor shall ensure adequate arrangements are in place for the security and correct operation of imprest accounts and shall, upon request, provide the Treasurer with a certificate of imprest held.

17 **TRAVELLING & SUBSISTENCE ALLOWANCES**

- 17.1 The Assessor shall establish arrangements to ensure the proper timeous payments of claims for travelling and subsistence allowances necessarily incurred in the carrying out of duties on behalf of the Board.
- 17.2 All claims for payments of car allowances, subsistence allowances, travelling and incidental expenses shall be submitted to the Assessor, duly certified on an approved form and made up to a specific day of each month. A record of the names of officers authorised to sign such records should be maintained, together with specimen signatures and shall be amended on the occasion of any change. Completed forms will be submitted to the Assessor in the form prescribed and in accordance with the agreed timetable. Claims submitted late will not be paid unless a legitimate reason is provided.

- 17.3 The certification by or on behalf of the Assessor shall be taken to mean that the certifying officer is satisfied that the journeys were authorised, the expense properly and necessarily incurred and that the allowances are properly payable by the Board.

18 OFFER OF GIFTS, GRATUITIES AND HOSPITALITY

- 18.1 Members and employees should comply with the provisions of their respective Codes of Conduct when offered gifts, gratuities and hospitality.
- 18.2 Members and employees should only accept gifts or hospitalities where the acceptance of such is at a level and amount which is deemed to be reasonable. In the event that doubt should exist over the appropriateness of any gift, hospitality, fee or commission, they should seek advice from the Assessor.
- 18.3 Significant gifts (which for indicative purposes should be considered to be gifts of a value of more than £30) should be recorded in the register kept for that purpose by the Clerk to the Board.
- 18.4 Excessive hospitality from businesses or organisations (irrespective of whether the Board does or does not do business with them), shall be viewed as unacceptable and leave the employee open to disciplinary action.
- 18.5 No persons employed by the Board shall be entitled to retain any fee, commission or other payment collected or received under colour of his/her office or employment except with the consent of the Assessor. Any employee who receives a fee, commission or other payment from a party who is or may expect to be under contract to the Board for the provision of any works goods or services, shall be liable to summary dismissal.

19 TREASURY MANAGEMENT

- 19.1 The Treasurer shall establish the arrangements for Treasury Management and shall observe the guidance laid down in the CIPFA Treasury Management Code of Practice.

20 TAYSIDE PENSION FUND

- 20.1 Tayside Valuation Joint Board are a scheduled body of the Tayside Pension Fund. All employees are entitled to join and contribute to the Fund which is administered by Dundee City Council.

21 RESERVES AND BALANCES

- 21.1 The Treasurer shall ensure all reserves are operated in accordance with the guidance laid down in the relevant professional guidance on Reserves and Balances. The Treasurer shall also ensure that any specific reserves are operated in accordance with the relevant legislation and for the specific intended purpose.
- 21.2 Any new expenditure proposals that require the use of any of the Board's reserves shall be subject to the prior approval of the Board and shall be clearly identified in the Financial Implications section of the specific Board report.
- 21.3 In the Annual Revenue Budget report that is considered by the Board, the Treasurer shall include:-
- a note highlighting the estimated opening and closing General Reserve balances for the financial year ahead.

- a note advising as to the adequacy of the General Reserve balances over the budget period(s) under consideration after taking into account the strategic, operational and financial risks facing the Board.
 - a note reporting on the annual review of earmarked reserves.
- 21.4 The Treasurer shall ensure that the position on the General Reserve shall be subject to continuous monitoring by the Treasurer and shall be included in the quarterly Revenue Monitoring reports to the Board.
- 21.5 The Treasurer shall include a statement showing the movement's in the Board's reserves in the Annual Statement of Accounts.

22 REVISION OF FINANCIAL REGULATIONS

- 22.1 The foregoing Financial Regulations may be altered or revoked by the Board, if the motion for alteration or revocation is supported by a majority of the Board members present and voting.
- 22.2 The Financial Regulations should be reviewed and updated regularly to reflect changes in legislation and working practices.