

AGENDA ITEM:

SUMMARY



Report for:	Audit Committee
Date of meeting:	28 June 2017
PART:	1
If Part II, reason:	n/a

Title of report:	Financial Regulations Review
Contact:	Cllr Graeme Elliot, Portfolio Holder for Finance & Resources James Deane, Corporate Director (Finance & Operations) David Skinner, Assistant Director (Finance & Resources)
Purpose of report:	To provide Committee with an opportunity to scrutinise the updated Financial Regulations.
Recommendations	That Committee notes the content of the report, and provides feedback for Cabinet to consider when recommended to approve the revised Financial Regulations 2017.
Corporate objectives:	The efficacy of the Financial Regulations supports all of the Council's objectives.
Implications:	<u>Financial</u> Contained within the body of the report. <u>Value for Money</u> Contained within the body of the report.
Risk Implications:	Contained within the body of the report.
Monitoring Officer/ S.151 Officer Comments	Deputy S151 Officer This is a S151 Officer report. Deputy Monitoring Officer
Consultees:	Finance & Resources Overview & Scrutiny Committee, July 2017

Background papers:	None
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Introduction

1. The Financial Regulations provide the framework for managing the financial affairs of the Council. They are approved by the Council and they apply to every Member and employee of the Council, and to anyone acting on its behalf.
2. In accordance with good practice, the Financial Regulations are reviewed periodically to ensure that they remain relevant throughout any structural or operational changes within the Council.
3. All sections of the Regulations have been reviewed, and the following substantive amendments are proposed. (The fully revised Financial Regulations, including the recommended amendments, are attached at Appendix A.)

Recommended update relating to *reductions to invoice values*

4. **Section 2 of annex E** of the previously approved Financial Regulations contains the following paragraphs:

2.u) Invoices may be reduced in value if the services provided have been incorrectly charged at a higher level. Where the value of an invoice needs to be reduced, a written instruction must be provided to Financial Services detailing the reasons and the revised amount and signed by the relevant Assistant Director, (as defined under regulations defining responsibility for recovering the Council's income, above).

2.w) Where an invoice is cancelled, the reason for cancellation must be recorded in a written instruction and signed by the relevant Assistant Director. In all other circumstances where an invoice needs to be cancelled, the write off procedure must be used.

5. The proposed update makes the authorisation consistent with other authorisation hierarchies within Financial Regulations and still retains the existing control principles. The written instruction also covers any workflow arrangements that may be developed over time. This regulations have been updated to refer back to the scheme of delegation in Annex D:

2.u) Invoices may be reduced in value if the services provided have been incorrectly charged at a higher level. Where the value of an invoice needs to be reduced, a written instruction must be provided to Financial Services detailing the reasons and the revised amount and authorised in line with the Scheme of Delegation, Annex D.

2.w) Where an invoice is cancelled, the reason for cancellation must be recorded in a written instruction and authorised in line with the Scheme of Delegation, Annex D. In all other circumstances where an invoice needs to be cancelled, the write off procedure must be used.

6. Annex D previously stated:

The scheme shall cover authorisation of payments to be made to staff, contractors and suppliers, the collection of income and placing of orders including variations.

7. To reflect changes in invoice values being included in this scheme of delegation, this has been updated to:

The scheme shall cover authorisation of payments to be made to staff, contractors and suppliers, the collection of income and placing of orders including variations. The scheme shall also apply to the authorisation of Accounts Receivable credits and cancellation of invoices.

Recommended update relating to credit cards and electronic payment cards

8. **Section 3 of annex E** has been updated following the Councils move away from credit cards, and introduction of electronic purchasing cards. References to credit cards have been removed and updated to reflect the controls in place for electronic purchasing cards:

Regulations 3h) to 3k) previously stated:

3.h) Only the Section 151 Officer may apply for official credit cards. Credit cards will only be issued to and retained by officers who have a business need that cannot be satisfied by other means. The Section 151 Officer will review at least annually the business case for the issue and retention of each credit card and will, in consultation with the appropriate Corporate Director, withdraw all cards that seem to him/her to be no longer necessary.

3.i) Official credit cards will only be used for purchases of goods and services for the Council from third parties. They will never be used for personal transactions under any circumstances. They will not be used for expenses in relation to the running of any motor vehicle. Such matters being dealt with either through the issue of official orders and receipt of invoices or through personal expense claims. It is permissible for official credit cards to be used for expenses where the expense would be reimbursable in full on production of a receipt, such as for rail fares or hotels (accommodation only). In the event of any ambiguity regarding what is permissible expenditure, holders should consult the Section 151 Officer, whose decision shall be final.

3.j) Credit cards will never be used for obtaining cash advances.

3.k) Employees holding credit cards will ensure that VAT receipts are obtained, where relevant, for all transactions and that all supporting documentation is handed over promptly to permit the payment of credit card bills.

9. These regulations have been amended to:

3.h) Electronic Purchasing Cards (EPCs) will be issued to, and retained by officers who have a business need. Applications for Plastic Cards with Standard Spend Limits shall be counter-signed by the Group Manager of the relevant Department. In cases where the application is for a higher limit, these shall be counter-signed by the Assistant Director of the Department and

thereafter the Council's Section 151 Officer on the advice of the Group Manager (Financial Services).

3.i) The use of EPCs, standard limits and controls are set out in the Councils separate e-purchasing cards policy, available to employees on the intranet. Employees will only be issued with an EPC after formal training on the scheme, and signing a cardholder agreement detailing proper usage.

3.j) EPCs will never be used for obtaining cash advances.

3.k) Employees holding EPCs will ensure that VAT receipts are obtained, where relevant, for all transactions and that all supporting documentation is handed over promptly to permit the payment of credit card bills.

10. This recommendation reflects the controls that have been put in place following the introduction of electronic payment cards. The controls have been assessed by Internal Audit as providing a full level of assurance.

11. In order to reflect the introduction of embedded electronic purchasing cards, regulations 3.l) and 3.m) have been added. Embedded cards are a payment solution that allow faster payment of invoices, and provide the Council with a rebate from the card provider.:

3.l) In addition to plastic cards, the Council has the ability to lodge embedded cards with suppliers. Embedded Cards are recommended for high value transactions, and are to be used for the Council's larger contracts and where the Council will generate a significant rebate.

3.m) The suitability of a supplier for the use of an embedded card will be identified by Financial Services and will be approved by the Council's Section 151 Officer.

Recommended update relating to *disposal of assets*

12. The following limits are set out in Annex H of the previous version of the financial regulations:

Item 10. Disposal of equipment

The regulations relating to disposals within Section 2 of this annex apply to all assets specified in clause 2.a) with a value up to:

£5,000

Item 11. Major reusable items

Disposals of major reusable items must be authorised by the Cabinet where the disposal may achieve a receipt in excess of the following amount:

£10,000

Item 12. Disposals of other intangible assets

The appropriate Corporate Director will obtain Cabinet authorisation for the disposal of other intangible assets where the value of the asset(s) to be disposed of exceeds the following amount:

£10,000

13. It is recommended that the limits for items 10, 11 and 12 be increased to £50,000. This would bring approval limits in line with the Council's Procurement Standing Orders, approved by Full Council in July 2014, as well as Annex D of the Financial Regulations.

Committee scrutiny of the proposed amendments

14. The recommendations will be scrutinised by the Finance & Resources Overview and Scrutiny Committee (July 2017) before being presented to Cabinet.