

## POLICY REVIEW AND DEVELOPMENT PANEL REPORT

REPORT TO:	Audit Committee		
DATE:	28 <sup>th</sup> November 2016		
TITLE:	Financial Regulations		
TYPE OF REPORT:	Update		
PORTFOLIO(S):	Cllr Brian Long, Leader		
REPORT AUTHOR:	Kate Littlewood, Audit Manager		
OPEN		WILL BE SUBJECT TO A FUTURE CABINET REPORT:	Yes

### **REPORT SUMMARY/COVER PAGE**

#### **PURPOSE OF REPORT/SUMMARY:**

Section 3 of the Accounts and Audit Regulations 2015 states that '*A relevant authority must ensure that it has a sound system of internal control which ensures that the financial and operational management of the authority is effective*'.

Financial Regulations are intended to ensure the Council meets its statutory obligations regarding financial management, especially in respect of the financial aspects of corporate governance. It is essential that the regulations properly reflect the structure of the Council in terms of roles and responsibilities and they provide proper direction for Members and Officers in the conduct of the Council's business.

Financial Regulations were last reviewed in 2011/12 and are overdue for review. In that time there have been a number of changes in the structure of the Council and new issues have arisen that need to be included in the regulations.

#### **KEY ISSUES:**

The draft Financial Regulations are attached without the tracked changes. A version containing tracked changes is available if required, but with changes to the sequencing of the sections and formatting, etc, the inclusion of tracked changes does not make it an easy document to read. This paper summarises the main changes.

Amendments to job titles have been made as required and the sequencing of the sections has been changed to produce a better flow to the document. Other minor amendments have been made to improve clarity or strengthen existing arrangements, especially in relation to the requirement to use Purchase Order Processing (POP) for raising purchase orders and the need to notify the Insurance Officer of anything that may affect the level of insurance provision.

The main changes to the regulations are:

New sections added include:

- 8 - Employment Status Indicator (ESI)
- 9 - Construction Industry Scheme (CIS)
- Appendix 2 – Inventory Procedures.
- Appendix 3 – ESI Procedures
- Appendix 4 – Cash Limit Rules

Other sections have been expanded to reflect increasing or, changes in, use:

- 2 - Reference to External Audit has been included to reflect the new appointment arrangements.
- 14 – Use of Credit Cards. Use of corporate credit cards is increasing, especially in

relation to internet orders. This section has been significantly expanded to incorporate instructions that were recently issued by Financial Services.

- 15 – Grants To and From External Organisations. This section did not previously refer to ‘Grants From’. This is an increasing source of funds for the Council and needs to be properly regulated.
- 18 – Travelling and Subsistence. This includes the use of Expenses on Demand and the new procedures for submitting VAT receipts that has recently been approved by Management Team.
- 19 – Insurance. It has become increasingly important to ensure that any changes that may affect the level of insurance cover are identified and communicated to the Insurance Officer. This also applies to changes in service provision.

The scope of the Financial Regulations has been extended to include the Council’s wholly owned companies, where the regulations are adopted by the Company Board.

No sections have been removed, although the section on Treasury Management has been largely replaced by a reference to the Treasury Management Strategy to avoid the necessity for more frequent updates of Financial Regulations.

**OPTIONS CONSIDERED:**

1. Adopt the revised Financial Regulations to ensure the Council has relevant and up-to-date regulations by which to conduct its financial affairs.

2. Remain with the existing Financial Regulations, which are no longer fully relevant or fit for purpose.

**RECOMMENDATIONS:**

Recommend the adoption of the revised Financial Regulations to Cabinet.

**REASONS FOR RECOMMENDATIONS:**

Financial Regulations are key to the way in which the Council conducts its financial affairs and it is essential that they are a robust platform to instruct officers and provide assurance of good governance.

**Financial Implications**

Inadequate Financial Regulations could have a financial impact if the business of the Council is not conducted in an appropriate manner.

**Any other Implications/Risks**

Increased risk of business of the Council not being conducted in an appropriate manner or regulatory obligations being breached if the regulations are not updated.

**Equal Opportunity Considerations**

None

**Consultation**

None

**Background Papers**

Financial Regulations approved at Council 26<sup>th</sup> January 2012.