
Report to: Council

Date of Meeting: 12th April 2018

Subject: Financial Regulations

Report by: Head of Resources and Governance

1.0 Purpose

- 1.1. To seek Council's approval of the revised Financial Regulations.

2.0 Recommendations

- 2.1. To agree to adopt the revised Financial Regulations.

3.0 Considerations

- 3.1. The Council's Financial Regulations were last revised in February 2008. In general the principles underpinning financial management in the Council have remained consistent, however terminology has become outdated and with the introduction of the Tech 1 Financial system a number of the processes that were detailed are no longer relevant.
- 3.2. The lengthy period of time between updates was due to various attempted drafts being prepared but not presented to Council because of anticipated changes to processes as result of introducing the new finance system which was being considered as early as 2010.
- 3.3. The revision of the Finance Regulations also aims to simplify the document by focussing on the main principles underpinning sound financial governance and, where appropriate, signposting to other policies or governance documents.
- 3.4. A cascade process alerting all staff to the updated financial regulations, but particularly those with financial responsibilities, will be undertaken by the Head of R&G during April and May using Connect, service team briefing and other existing internal communications channels. This will provide a high level briefing on the key issues that officers with financial responsibility must be aware of. The opportunity to use the leadership training identified in the Best Value implementation plan to improve awareness of Officers' personal accountability and financial management skills, based on the revised Regulations, will be taken forward to ensure that relevant staff have the skills they need to discharge their financial responsibilities effectively.

- 3.5. Options are also being explored with the Tech 1 team to implement reports or system enhancements that would prevent staff breaching finance regulations at source. This would include measures to prevent staff exceeding expenditure limits on particular contracts or authorising expenditure beyond their delegated authority.
- 3.6. In line with the principles adopted to the revision of the Local Code of Governance, a leaner process for keeping Financial Regulations up to date and relevant will be introduced whereby the Council can review Financial Regulations by exception on an annual basis, or as required, as part of the Annual Governance Review.
- 3.7. Internal Audit has been consulted and has contributed comments to the final draft. Any recommended changes to detail from either set of auditors in the light of their scrutiny work can be incorporated via the process identified in paragraph 3.6.
- 3.8. Changes to financial limits delegated to officers to reflect changes in circumstances and inflation over the 10 years since the limits were last reviewed are proposed as part of the revision and are detailed below.
- 3.9. Budget virement allows Chief Officers to manage budgets with a degree of flexibility within the overall approved revenue budget (para 5.2 of the Regulations) Changes to the value of Budget Virements delegated to Officers are as follows
- A Chief Officer in consultation with the Depute S95 Officer can vire a budget up to £50,000. This is an increase from £30,000.
 - The Chief Executive can authorise a virement between £50,000 and £100,000. This is an increase from the previous range of £30,000 to £60,000.
 - Any budget virement greater than £100,000 must be approved by the Council.
- 3.10. At paragraph 5.7 of the Regulations, the Council must approve any changes to the approved capital programme exceeding £100,000. The previous value was £30,000.
- 3.11. At paragraph 17.4 of the Regulations Chief Officers can authorise the disposal of surplus stock up to a value of £2000 which is an increase from £1000.
- 3.12. Paragraph 14.9 of the Regulations introduces a new control on the authorisation of extraordinary payments made to staff such as payments made for mutual termination, redundancy or severance. These must now be approved by the S95 Officer.

4.0 Sustainability Implications

- 4.1. None

5.0 Resource Implications

5.1. *Financial Details*

5.2. The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes

5.3. Finance has been consulted and has agreed the financial implications as set out in the report. Yes

5.4. *Staffing*

6.0 Exempt Reports

6.1. Is this report exempt? No

7.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities** (Please double click on the check box)

- Clackmannanshire will be attractive to businesses & people and ensure fair opportunities for all
- our families; children and young people will have the best possible start in life
- Women and girls will be confident and aspirational, and achieve their full potential
- Our communities will be resilient and empowered so that they can thrive and flourish

(2) **Council Policies** (Please detail)

8.0 Equalities Impact

8.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?
Yes No (Not applicable)

9.0 Legality

9.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

10.0 Appendices

10.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

11.0 Background Papers

11.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

NO (please list the documents below)

Author(s)

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Approved by

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Financial Regulations
April 2018



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DEFINITIONS

This section defines terminology used within the Financial Regulations.

The Council	Clackmannanshire Council
Section 95 Officer (S95 Officer)	As defined in the Council's current Scheme of Delegation
Depute Section 95 Officer (Dep S95 Officer)	As defined in the Council's current Scheme of Delegation
Chief Officer	A Senior officer responsible for the running in whole or in part a Service as defined in the Council's current Scheme of Delegation and employed in accordance with the Chief Officer terms and conditions
Emergency	An unplanned event that requires an immediate response to safeguard life, health or property.
Fleet manager	An officer so delegated who has the required professional qualifications and experience and holds the relevant accreditation with the Department of Transport
Guidelines / procedures	Any guideline, procedure, or similar document issued by the S95 Officer under the authority conferred by Financial Regulation 1.3.
Councillor	An Elected Member of the Council
Officer	An employee of the Council.
Senior Legal Officer	The Council's most senior legal officer as identified in the Scheme of Delegation
Council Policy	A formal policy approved by the Council or a sub-Committee, where powers have been delegated, which has to be followed by all parties referred to in the policy document.
Accountable Stationery	Any document that is of sufficient importance for audit and control purposes each document should be accounted for. This is done by having sequential numbers and controlling the issue and use of the documents.
Authorised Signatory	A person with authority delegated to them by a Chief Officer to authorise payments for goods and services. Depending on the circumstances, signature may be electronic or hard copy.
Relevant Committee	A committee identified in the Council's Standing Orders and Scheme of Delegation as the appropriate Committee to receive reports on financial performance related to Council overall or specific Services.

These Financial Regulations form part of the Standing Orders and Scheme of Delegation approved by the Council and must be read in conjunction with them.

SECTION A - INTRODUCTION

1. STATUS OF FINANCIAL REGULATIONS

- 1.1. The Council's Financial Regulations aim to ensure the highest standards of probity in dealing with public money and to assist and protect staff in such dealings.
- 1.2. Within the Scheme of Delegation, for the purposes of Section 95 of the Local Government (Scotland) Act 1973, the "Proper Officer", under the general direction of the Council and the Chief Executive, for the administration of the Council's financial affairs will be identified.
- 1.3. In addition to these Regulations, the S95 Officer may issue financial guidelines and instructions. Official guidelines, procedures etc issued by the S95 Officer have the same status as the Financial Regulations. Subject to the approval of the S95 Officer, Chief Officers may also issue financial guidelines for activities within their Service.
- 1.4. Every Committee, Sub-Committee, Councillor and officer of the Council must adhere to these Financial Regulations. Chief Officers will ensure that all officers in their reporting lines are made aware of the Regulations and the requirement to comply with them.
- 1.5. Only the Council can agree exceptions to these Financial Regulations or contract standing orders, other than where the powers have been delegated under the exception procedure set out in contract standing orders.
- 1.6. Any officer discovering a possible breach of these Financial Regulations must report the matter immediately to their line manager or to the S95 Officer. Failure by any officer to comply with the Regulations, or in the case of staff with supervisory responsibilities, failure to ensure the compliance of others, could be treated as misconduct which might give rise to disciplinary procedures up to and including dismissal. Some breaches of Financial Regulations may be treated as offences giving rise to criminal proceedings. The Council's Policy on Prevention and Detection of Fraud is to be treated as part of the Regulations.
- 1.7. Financial transactions are aggregated for the purposes of these Financial Regulations. Therefore, financial limits cannot be avoided by deliberately splitting transactions into smaller components.
- 1.8. An officer can incur expenditure which is essential to meet any immediate need created by an emergency, subject to any such action being reported to the appropriate Chief Officer at the earliest opportunity. This could include the prevention of the destruction of Council property, as well as non-property related expenditure.
- 1.9. The powers of a Chief Officer may be delegated in accordance with the Council's Scheme of Delegation

SECTION B – FINANCIAL ADMINISTRATION AND BUDGETING

2. FINANCIAL ADMINISTRATION

- 2.1. Meetings of the Council regulate and control its finances so as to comply with these Regulations. Officers will keep Councillors informed as to the state of the Council's finances and will report on the accounts of each financial year as soon as practicable.
- 2.2. The S95 Officer will:
- report to the Council on the level of financial resources proposed to be used in each financial year,
 - report to the relevant Committees as set out in the Council's Standing Orders and Scheme of Delegation, as well as meetings of the Council, regarding the Council's finances and financial performance.
- 2.3. Chief Officers must consult with the S95 Officer on the financial aspects of any report to Council or before any commitment is incurred which may significantly affect the finances of the Council. Chief Officers are responsible for ensuring that there are adequate internal controls in place for the conduct of all Council business in a correct and secure manner and in accordance with best practice. In respect of the Annual Accounts, the Chief Executive and Council Leader are required to sign an Annual Governance Statement, which will cover all arrangements for risk management, governance, and control.
- 2.4. It is the responsibility of Chief Officers to ensure that all staff within their Service are made aware of the existence of the Standing Orders, Scheme of Delegation, Contract Standing Orders and Financial Regulations. Staff should receive any training which may be required to perform their jobs according to the requirements of the Standing Orders, Contract Standing Orders, and Financial Regulations.
- 2.5. Chief Officers, in consultation with the S95 Officer, are also responsible for ensuring that necessary supporting procedures and guidance are in place to ensure that all staff have proper guidance regarding the systems they are using and procedures they are following. Where changes occur, procedures and guidance should be updated accordingly.
- 2.6. The Council manages its finances through an IT system, Tech One. The S95 officer will ensure that sufficient resources are made available to ensure that the system is maintained and continuously developed in line with the Council's IT strategy and policies on data security and privacy. The Depute S95 Officer has responsibility for ensuring that guidance notes and training are made available to ensure the efficient and effective use of the system and compliance with these Regulations.

3. BUDGETS

- 3.1. The S95 Officer will determine the format of the budget that is approved by the full Council. The format will comply with all legal requirements and with CIPFA's *Service Reporting Code of Practice*.
- 3.2. Chief Officers, in conjunction with the Depute S95 Officer, will prepare detailed revenue and capital budgets for consideration by the Council in compliance with accounting guidance provided by the S95 Officer.

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- 3.3. When drawing up draft budget requirements, Chief Officers will have regard to approved Council Policy requirements.
- 3.4. The draft revenue budgets will be submitted to the Council for approval no later than the date prescribed by statute, in order that Council Tax and Rent levels can be fixed.
- 3.5. The S95 Officer will prepare and submit reports to the Council on the resources available to fund aggregate spending plans over the medium term (3 years), and the implications for the level of Council Tax subject to that information being made available from the Scottish Government.
- 3.6. Chief Officers, in consultation with the S95 Officer, will integrate budget plans from service planning, so that budget plans can be supported by financial and non-financial performance measures. Budgets must include all financial aspects related to the delivery of Service plans, and consider the risks associated with delivery.
- 3.7. The inclusion of items in approved revenue or capital budgets will, assuming they comply with other requirements, such as Contract Standing Orders, constitute authority to the Committee or Chief Officer, as appropriate in terms of the Scheme of Delegation, to incur such expenditure.

4. BUDGETARY CONTROLS

- 4.1. The S95 Officer will establish an appropriate framework of budgetary management and control to ensure that:
 - budget management is exercised within annual budgeted limits;
 - Chief Officers are provided with up-to-date, real time information of income and expenditure in sufficient detail to enable managers to fulfil their budgetary responsibilities;
 - Significant forecast and actual over and underspends from approved budgets are investigated and reported by Chief Officers to the appropriate Committee.
- 4.2. Chief Officers will ensure that an accountable manager is identified to manage each element of the budget under their control.
- 4.3. The S95 Officer will submit regular performance statements of revenue and capital income and expenditure against budgets to the relevant Committee.
- 4.4. It is the Chief Officer's responsibility to report to S95 Officer significant overspends. The S95 Officer, after consultation with each Chief Officer, will arrange for a report to be submitted to the appropriate committee or to Council (for consent, if necessary) if it is forecast that the total revenue or capital income or expenditure for a Service is likely to vary significantly from the approved budget.

5. BUDGET TRANSFERS (VIREMENT) AND BUDGET CHANGES

- 5.1. Virement is intended to enable Chief Officers to manage budgets with a degree of flexibility within the overall approved revenue or capital budget.
- 5.2. Provided they do not relate to the funding of new Council services or changes in policy, budget virements, capital and revenue, must be approved as follows:

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- up to £50,000 by a Chief Officer in consultation with the Depute S95 Officer;
 - greater than £50,000 but less than or equal to £100,000 by the Chief Executive
 - greater than £100,000 by the Council.
- 5.3. Virement that is likely to impact on the level of service activity of more than one Chief Officer should be implemented only after the approval of all the relevant officers.
- 5.4. Any budget virements must be made by 31 March of the financial year to which it relates.
- 5.5. Schools must adhere to the virement and budget carry forward rules contained within the Scheme of Devolved School Management and note that virements must also be made by 31 March not the end of the academic year.
- 5.6. Where an approved budget is a lump-sum budget or contingency intended for allocation during the year, its allocation will not be treated as a virement.
- 5.7. For capital budgets, the Council must approve any changes to the approved capital programme exceeding £100,000. This is not required for the re-profiling of capital expenditure within the current capital plan.
- 5.8. New proposals not already in the capital plan must be approved by the Council. Any proposals that have revenue consequences must follow the limits on virement set out at 5.2 above.

6. ACCOUNTING

- 6.1. All accounts and accounting records of the Council will be compiled under the direction of the S95 Officer. The S95 Officer will exercise supervision over any financial records and financial systems maintained by individual Services, particularly with regard to ensuring uniformity.
- 6.2. The S95 Officer is responsible for the Council's financial statements which must be prepared in accordance with proper practices as set out in the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (the SORP) published by CIPFA and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC).
- 6.3. The S95 Officer will draw up the timetable for final accounts preparation and will advise staff and external auditors accordingly. Chief Officers will comply with accounting guidance provided by the S95 Officer and will supply information when required.
- 6.4. The S95 Officer will prepare for audit and publish the draft financial statements by the statutory deadline of 30 June in each financial year. The draft accounts will be presented to the relevant Committee prior to 30 June each financial year.
- 6.5. The S95 Officer will present the audited financial statements to the relevant Committee for approval at the first available meeting following completion of the annual audit and before the statutory 30 September deadline.

SECTION C – CONTROL ARRANGEMENTS

7. FINANCIAL DOCUMENT RETENTION

- 7.1. Chief Officers should ensure that arrangements are in place for the proper management of financial documents and that these documents are retained in accordance with any specific statutory requirements, including the Data Protection Act, the Freedom of Information (Scotland) Act, and any approved Council and / or management policies and procedures particularly the Council's Records Management Plan which includes its retention schedule and destruction arrangements.
- 7.2. The S95 Officer will determine the retention periods for specific documents.
- 7.3. The recommended retention periods for records are detailed in the Council's document retention schedule.
- 7.4. Invoices paid through the accounts payable section will be scanned and held electronically within the financial system and the paper copies destroyed.
- 7.5. Disposal of records should be carried out under controlled conditions by two persons, and an appropriate record should be completed, dated and signed by both as evidence.
- 7.6. The Scheme of Delegation will identify the Senior Legal Officer responsible for the custody of securities, property deeds, etc.

8. SEGREGATION OF DUTIES

- 8.1. No Officer should have sole responsibility for all elements of a financial transaction, for example the requisition, order, receipt, and payment for a good or service. It is Chief Officers' responsibility to ensure that appropriate segregation is applied between the key stages of every transaction, from beginning to end.
- 8.2. Ideally, there should be segregation between the Officers ordering and receipting / paying for goods and services. In exceptional circumstances, however, this may not be practical and, in those instances, the S95 Officer may approve exceptions (submitted formally and in writing), provided adequate compensating control and monitoring procedures are in place.
- 8.3. Officers involved in calculating and / or recording any income due to the Council should not collect or process the related income.
- 8.4. All cash collection and cash accounting records should be examined and checked by a second Officer, with periodic sample checks by line management as appropriate. All checks must be documented. Particular care must be taken to implement proper controls in all Council offices where Officers are required to collect and handle cash or valuables, in order to protect those individuals from suspicion or accusation.
- 8.5. Reference should be made to the Council's Guidance on Following the Public Pound covering all matters pertaining to funding given to external organisations. There should also be compliance with the COSLA / Accounts Commission Guidance.
- 8.6. Where any external organisation receives significant funding, as defined in the COSLA/ Accounts Commission Code of Practice on Following the Public Pound, it will be a

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condition of funding that Officers of the Council have such rights of access to the organisation's premises, records and staff as are necessary to form an opinion as to the adequacy of the organisation's internal control arrangements.

- 8.7. The S95 Officer may authorise funding transfers to external bodies of £30,000 per annum, providing that these transfers are made from approved budgets. Any transfer of funding above that limit required a decision of Council.
- 8.8. A register of ALEOs (Arms-Length External Organisations) who receive funding from the Council will be maintained by the S95 Officer.

SECTION D – INCOME AND EXPENDITURE

9. INCOME

- 9.1. Chief Officers will at least annually, and in consultation with the S95 Officer, review all scales of charges or tariffs relating to their Service. Appropriate steps will be taken to publicise all fees and charges.
- 9.2. Chief Officers are responsible for identifying all sources of income within their Service, for calculating the income due to the Council and for monitoring to ensure all income is received. The Depute S95 Officer may assist Services in the collection and monitoring of income.
- 9.3. Chief Officers will promptly provide the Depute S95 Officer with the details necessary to raise accounts for sums due to the Council.
- 9.4. All income received by an officer will immediately be acknowledged by the issue of an official receipt or other document approved by the S95 Officer. Exceptions to this rule may be permitted but only with the specific approval of the S95 Officer.
- 9.5. All receipts and other forms of stationery used to record income will be in a form approved by the S95 Officer. They should be treated as accountable stationery and will be ordered, controlled and issued under arrangements approved by the S95 Officer.
- 9.6. All money received by an officer on behalf of the Council must be paid in full and without delay into an official nominated bank account.
- 9.7. A clear, documented, audit trail must be maintained as evidence of proper income handling, administration, and banking.

10. DEBT MANAGEMENT

- 10.1. It is the responsibility of Chief Officers to ensure that the Council's Corporate Debt Policy is followed for the cancellation or write-off of all debts, and raising of credit notes.

11. PURCHASING OF GOODS AND SERVICES

- 11.1. Any officer who enters into an agreement for the supply of goods or services to the Council must ensure that the agreement complies with Contract Standing Orders and that they have the delegated authority to enter into such an agreement.
- 11.2. All strategies, policies, and operational procedures etc. issued by the Council's Procurement section must be adhered to at all times.

12. ORDERS FOR GOODS AND SERVICES

- 12.1. All official orders must be in a form approved by the S95 Officer. They should be treated as accountable stationery and will be ordered, controlled and issued under arrangements approved by the Depute S95 Officer.

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- 12.2. Official orders must be issued for all goods or services to be supplied to the Council, except as provided for in 12.3, below. Those who have authority to make purchases must ensure that official purchase orders are raised.
- 12.3. Official orders are not required where purchasing cards are used. Procedures for the issue of cards, authorisation limits and checking of statements sanctioned by the Depute S95 Officer must be followed at all times. The Depute S95 Officer must also be satisfied with the control arrangements in place. All purchasing and business credit card users must obtain receipts, both as an internal control and also to enable VAT to be reclaimed.
- 12.4. Orders must be provided to the supplier in advance of any work, goods or services being provided to the Council. Where a verbal order is provided, this must be confirmed in writing as soon as possible and marked "confirmation order". Exceptions can only be approved by the Depute S95 Officer. Verbal orders should only be used in genuine emergency situations.
- 12.5. All orders and internal requisitions to another Service must be signed by an authorised signatory. The Depute S95 Officer will maintain lists of approved officers and limits.
- 12.6. The officer authorising an order must be satisfied that:
- there is sufficient budget provision (this must always take precedence);
 - the expenditure is legal and within the power of the Council;
 - best value has been achieved;
 - the timing of the order and the quantities ordered are appropriate;
 - the price, quantity, and details pertaining to delivery have been agreed;
 - the nature and quantity of goods or services to be supplied are clearly stated on the order;
 - correct ledger codes have been provided;
 - the order is within their delegated authority limit;
 - the order does not contravene any other section of these Regulations or Contract Standing Orders;
 - all instructions, guidelines, advice, and best practice advised by the Council's Procurement Manager have been complied with.

13. PAYMENT FOR GOODS AND SERVICES

- 13.1. All payments, except those from imprests (petty cash) and advances or by purchasing cards, will be by the automated transfer of funds (BACS) from the Council's main bank accounts. Payment by cheque should be avoided wherever possible.
- 13.2. Any request for payment without an invoice must be supported by appropriate documentation signed by the authorised signatories who ordered the goods or services, and who approved the payment. In any instance where it is necessary to make a payment to account, a proper invoice for the full amount must subsequently be obtained.
- 13.3. All invoices must be approved by an authorised signatory. This will normally be by an appropriate authorised member of staff within the Service to which the payment pertains. The Depute S95 Officer will maintain lists of such authorised signatories. It is

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the responsibility of Chief Officers to supply and update the Depute S95 Officer with the names and specimen signatures of such authorised signatories. In all cases, except those referred to in 14.2, the invoice must be agreed and attached to a copy of the order form, prior to submission for payment.

- 13.4. The authorised signatory of the invoice must be different from the authorised signatory signing the related purchase order. This is referred to in Financial Regulation number 8.1.
- 13.5. The officer certifying an invoice or other payment must be satisfied that:
- the goods or services have been received, examined and approved;
 - the invoice price matches the purchase order price;
 - the arithmetic is correct including discounts, credits and VAT;
 - appropriate entries have been made in inventories or stock records, where relevant;
 - the invoice is in the name of Clackmannanshire Council, or an integral part of it or a body with which the Council has an agreement in respect of the management of its financial affairs;
 - the invoice is a proper liability of the Council;
 - the relevant expenditure has been properly incurred and is in accordance with all relevant sections of these Regulations;
 - the invoice complies with the requirements of HM Revenues and Customs, as regards VAT (e.g. must have VAT number, proper address, and all other relevant details); and
 - no additional charges have been added to the invoice if none were agreed at the time of the order.
- 13.6. Care must be taken to avoid making duplicate payments. Additional checks should be in place where the invoice to be processed is an invoice is a fax, copy invoice, photocopied invoice or the documentation is a statement. Where a copy invoice is received, for example, due to the loss of the original, the supplier should be requested to confirm that the invoice has not been paid. Furthermore, the invoice should be marked "Copy invoice. Original not paid." by the person authorising the invoice and duly signed.
- 13.7. Goods and services should not be paid for in advance. In exceptional circumstances, this may be undertaken where the advantages clearly outweigh the inherent risks of potential non-delivery of goods or services, or of the supplier company ceasing to trade. Only Chief Officers may authorise prepayments and must use judgement on what level of prepayment is appropriate given the circumstances of the case.
- 13.8. In all situations where discounts are available, care should be taken that the relevant time period is adhered to.
- 13.9. Certified invoices will be promptly input to the creditors payment system for payment. Lists of invoices which have been input by Services must be certified by an authorised signatory.
- 13.10. Payments to suppliers should normally be processed using the Council's standard weekly payment system.

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- 13.11. A payment may be made before the next scheduled payment run using the daily payment system in line with the following criteria which must be used for determining whether to bring forward the payment date:
- It is necessary to meet credit terms offered by a supplier or to achieve a discount.
 - It is necessary to comply with the requirements of the Late Payment of Commercial Debts (Interest) Act 1998.
 - It is necessary to fulfil a recognised Council policy or service objective.
- 13.12. Persons authorised to use the daily payment system shall clearly mark the authorisation document to indicate which of the above reasons apply. All requests must be countersigned by an authorised officer. Daily payments should only be used where absolutely necessary. Invoices must be obtained where possible.
- 13.13. Invoices will be processed as soon as they have been received by Accountancy Services.

14. SALARIES, WAGES, PENSIONS AND EXPENSE CLAIMS

- 14.1. The payment of all salaries, wages, pensions and other payments to officers or former officers of the Council will be made by the S95 Officer.
- 14.2. Any documents, physical or electronic, which form the basis of a payment must be approved by an authorised signatory as required. Chief Officers will supply and update the Depute S95 Officer with the names and specimen signatures of such authorised signatories.
- 14.3. Payments will wherever possible be claimed and authorised using the Council's HR management system.
- 14.4. The approving officer must be satisfied that:
- any payment conforms with approved terms and conditions for the employee concerned;
 - forms and claims have been completed accurately and are correct;
 - claims are not excessive or anomalous;
 - in the case of expense claims, journeys were necessary and authorised, expenses were properly and necessarily incurred and allowances were properly due. In addition, all receipts must be kept, both as verification and to enable VAT to be reclaimed. If receipts are not attached to the claim, the officer authorising it must obtain an acceptable explanation, and that must be submitted with the claim, prior to being approved by such officer;
 - in the case of any claims made in regard to additional payments for hours worked which attract a premium payment, the Officer was authorised in advance to work the additional hours and they were actually worked.
- 14.5. Chief Officers will notify Human Resources and the Depute S95 Officer as soon as possible of all matters affecting the payment of officers.
- 14.6. Appointments of all officers and changes to grades will be made in accordance with approved Council policies and accompanying procedures.

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- 14.7. The re-imbusement of travel and subsistence expenses must be in accordance with the Council's Policy, and any accompanying procedure and guidance. Claims may only be made in respect of expenditure that was actually incurred.
- 14.8. Claims should be submitted on a monthly basis with receipts attached. Claims submitted more than three months after the event will only be paid if authorised by the relevant Chief Officers .
- 14.9. Any extraordinary payments made to staff such as payments made for mutual termination, redundancy or severance must be approved by the S95 Officer.

15. PAYMENTS TO COUNCILLORS

- 15.1. Payments to Councillors, including co-opted Councillors, will be made by the S95 Officer or under arrangements approved by the S95 Officer. A properly completed standard claim form must be completed in accordance with:
- guidelines issued by the Council on Councillors Allowances;
 - Local Government (Scotland) Act 2004 and any regulations made under the Act;
 - Sections 46-49 (as amended) and any regulations made by the Scottish Ministers in terms of Section 50 of the Local Government (Scotland) Act 1973.
- 15.2. Councillors may claim travelling and subsistence allowances at the approved rates.
- 15.3. All claims for a financial year are to be submitted before the end of April in respect of the Financial Year Ending on 31 March (i.e. within one month of the Year End).

SECTION E – ASSETS AND SECURITY

16. INVENTORIES

- 16.1. Chief Officers will make arrangements for inventory lists to be drawn up. The inventory should include office equipment, furnishings, plant and machinery and any other valuable property. A purchase price of £ 500 may be used to determine if an item should be included on an inventory list, however other factors such as attractiveness and portability should be taken into consideration.
- 16.2. For insurance purposes, a copy of the inventory list should be kept off site.
- 16.3. Inventories should be kept up to date, with at least an annual check of all items. Any significant discrepancies should be reported to the Depute S95 Officer immediately.
- 16.4. Wherever practical, valuable property should be clearly marked as the property of the Council.
- 16.5. Council property should not be removed from Council premises, other than in the course of proper Council business, except with the specific authority of the relevant Chief Officer.
- 16.6. The ICT service should be consulted before disposing of any IT equipment. All disposals should be in compliance with ICT Security policies and WEEE (Waste Electrical and Electronic Equipment) directive. The disposal of other inventory items should be undertaken in accordance with Financial Regulation 17.4.

17. STOCKS AND STORES

- 17.1. Chief Officers are responsible for the control of their stocks and stores. They must ensure that:
- stock is securely stored;
 - stock levels are maintained at the minimum level required to meet operational requirements;
 - records are to be maintained for all stock items and updated for each stock transaction;
 - stock is counted at least once per year and checked by a person independent of the day-to-day administration of the stock. The appropriate Manager or Supervisor will sign the Final Stock Certificate to confirm agreement with the Final Valuation;
 - Any surpluses or deficiencies found on stocktaking or at any other time are investigated and reported to the responsible Manager within the Service, and, if material, to the Depute S95 Officer immediately.
- 17.2. All stock write-offs must be authorised in writing by a manager independent of the day-to-day administration of the stock. This in turn must be sanctioned in writing by the Depute S95 Officer.
- 17.3. Any significant stock losses or write-offs should be reported to the Depute S95 Officer immediately.

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17.4. Surplus stocks can be disposed of as follows:

- if the income realised is expected to be under £2,000, Chief Officers can authorise its disposal;
- if stock to be disposed of is valued in excess of over £2,000 disposal should be by competitive tender, public auction or equivalent;
- when appropriate, especially on electrical items, the disposal should be accompanied with a statement which clearly states that the Council does not accept any liability for anything that may go wrong with the item following the disposal.

18. VEHICLES

18.1. The officer responsible for fleet management identified in the scheme of delegation is responsible for ensuring that all vehicles are maintained in a satisfactory state of repair, and will take action or issue advice to ensure that all legal and safety requirements are complied with. "Vehicles" includes all those owned, leased, hired by, or otherwise in the custody or control of the Council.

18.2. The Council's policy in regard to the purchase, maintenance and disposal of fleet will be maintained by the officer responsible for fleet management and comply with these regulations and contract standing orders and be agreed with the S95 officer. This includes policy in regard to vehicle leasing, purchase, retention etc

19. ASSETS

19.1. The Depute S95 Officer will maintain a record of all vehicles, plant and equipment in an Asset Register. All assets will be valued and depreciated in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom. All Chief Officers will ensure that all purchases, sales, write-offs etc. of assets are promptly reported to the Depute S95 Officer to ensure that the register can be updated on an ongoing basis.

20. ESTATES AND PROPERTY SECURITY

20.1. A Chief Officer identified in the Scheme of Delegation will maintain a register of all properties owned or leased by the Council recording the purpose for which held, location, extent and plan reference, purchase details, particulars or nature of interest and rents payable and particulars of any tenancies granted. All properties will be revalued periodically, to ensure that market values continue to be reflected, and in line with the Code of Practice on Local Authority Accounting in the United Kingdom.

20.2. The Council's Senior Legal Officer will have the custody of all title deeds under secure arrangements.

20.3. Chief Officers are responsible for maintaining proper security of all buildings, stocks, stores, furniture, equipment, cash, etc. under their control.

21. CASH SECURITY

21.1. Chief Officers will advise the Depute S95 Officer of all changes in circumstances within the Service where cash is held or is otherwise under the control of officers of the

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Council. They will ensure that the minimum level of cash is held subject to the practicalities of individual circumstances.

- 21.2. Cash should never be used in any instance where a purchase order can be raised, and the goods or services paid for in the normal way through Creditors.
- 21.3. When cash is held, risk management and insurance implications must always be considered. All staff who have responsibility for handling cash should ensure that they are familiar with and comply with the Council's insurance policies.
- 21.4. Changes to the list of authorised signatories must be promptly notified to the Depute S95 Officer who is responsible for maintaining the central database.
- 21.5. The transfer of cash or incoming cheques through the Cash Offices should be evidenced by a receipt or written record.
- 21.6. Officers with specific authorisation given by the Depute S95 Officer are responsible for the security of safes and similar receptacles. Access should be limited to named officers and a security protocol for each safe should be developed taking into account the security requirements such as locations, sensitivity and value of contents and the numbers of staff requiring access. A register of keyholders for safes and similar receptacles is maintained by the Depute S95 Officer. The loss of any key should be reported immediately to the relevant Chief Officers and to the Depute S95 Officer.

SECTION F – INTERNAL AUDIT, RISK AND INSURANCE

22. INTERNAL AUDIT

- 22.1. The S95 Officer will make arrangements for a continuous and effective Internal Audit of the accounting, financial and other operations of the Council. The Internal Audit Charter (see Appendix 1) will define the role and responsibilities of Internal Audit.
- 22.2. The aim of the Internal Audit function is to provide an independent and objective opinion to the Council on the risk and control environment, comprising risk management, governance, and control, by evaluating its effectiveness in achieving the Council's objectives. It objectively examines, evaluates, and reports on the adequacy of the framework of internal controls as a contribution to the proper, economic, efficient, and effective use of resources.
- 22.3. The Internal Audit Manager is accountable to a Chief Officer identified within the Scheme of Delegation, but has the right where circumstances warrant it to report in their own name and without fear or favour to the Chief Executive and to all officers and members. In addition, the Internal Audit Manager presents reports on relevant topics, including the Annual Internal Audit Plan, Annual Assurance Report, and Progress Reports, to the relevant Committee. Internal Audit staff have freedom of access at all times to all officers, members, IT systems, documents, and other Council assets consistent with any requirements of Data Protection legislation.
- 22.4. Chief Officers are responsible for identifying and managing the risk of fraud and corruption, for ensuring that appropriate risk management, internal control, and governance arrangements are in place, and that best value is achieved. The Internal Audit Manager's Annual Assurance Report to the relevant Committee will provide an opinion on the overall adequacy and effectiveness of these arrangements.
- 22.5. Internal Audit will review and report on the adequacy and effectiveness of internal controls, and in particular:-
- The safeguarding of assets;
 - The economic, efficient and effective use of resources;
 - The suitability and reliability of management information;
 - Compliance with approved Council policies, plans, and procedures.
- 22.6. Internal Audit must comply with relevant professional guidance, currently the CIPFA / CIIA Public Sector Internal Audit Standards.
- 22.7. Where Internal Audit write a report with recommendations, Chief Officers must confirm, in writing, within the specified timescale the action to be taken. Alternatively, they must provide an explanation where no action will be taken. It should be clearly understood, that in all instances where no action is taken, for whatever reason, that management have accepted the risk that arises from failure to implement an Internal Audit recommendation. This is in line with the principles of risk management and corporate governance.
- 22.8. Chief Officers are required to notify Internal Audit of all proposed changes to systems, or the establishment of new systems, where these have an impact on financial control.

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- 22.9. All officers and Members of the Council are required to promptly notify the S95 Officer of all financial irregularities or of any circumstances that may suggest the possibility of irregularities. The S95 Officer, in conjunction with the Internal Audit Manager, will determine the form of any resultant investigation.
- 22.10. Any officer has the right to use the Council's Reporting Concerns at Work (whistleblowing) Policy on reporting serious concerns at work. This may include contacting the relevant Chief Officer with responsibility for Fraud, the Depute S95 Officer or Internal Audit Manager on any matter which gives them cause for concern.

23. RISK MANAGEMENT AND BUSINESS CONTINUITY

- 23.1. Chief Officers must ensure that appropriate Risk Management measures are taken within their Service. A Risk Register and Risk Management Plan will be drawn up and kept constantly updated. Chief Officers will maintain Risk Management Action Plans for their own areas and a Council-wide approach to risk management including the maintenance of a risk register will be co-ordinated by the Chief Executive.
- 23.2. Chief Officers must have a comprehensive Business Continuity Plan to cover all their operational activities and locations. Staff must be trained and the Plans must be tested periodically.
- 23.3. Updated copies of Business Continuity Plans must be passed to the service responsible for Emergency Planning, which will act in a corporate co-ordinating capacity for the Plans.

24. INSURANCE

- 24.1. The Depute S95 Officer will make appropriate insurance arrangements and will negotiate all claims via the Council's Insurers.
- 24.2. Staff must comply with any requirements imposed by the Council's insurers as a condition of the policies.
- 24.3. Chief Officers will notify the Depute S95 Officer promptly of any changes in properties, vehicles, equipment and other assets, any new or increased risks and any activities that might result in claims against the Council.
- 24.4. Chief Officers will immediately notify the Depute S95 Officer in writing of any loss, liability or damage or any event likely to lead to a claim. Chief Officers will inform the Police where there is a legal liability to do so or where the Insurance Section has advised them to do so.
- 24.5. Chief Officers will notify the Depute S95 Officer, and the Council's Senior Legal and HR officers of all cases involving personal injury.
- 24.6. All appropriate officers of the Council will be included in suitable fidelity guarantee insurance.
- 24.7. Chief Officers will consult the Depute S95 Officer and the Council's Senior Legal Officer regarding the terms of any indemnity that the Council is requested to give.

SECTION G – BANKING, TREASURY AND CAPITAL INVESTMENT

25. BANKING ARRANGEMENTS AND CHEQUES

- 25.1. All arrangements with the Council's bankers, including indemnities, will be made by, or under arrangements approved by, the Depute S95 Officer who is authorised to operate such bank accounts as may be considered necessary.
- 25.2. Cheques drawn on the Council's main bank accounts will be signed by the Depute S95 Officer or other officers formally authorised by the Depute S95 Officer, in line with delegated authority limits agreed with the bank.
- 25.3. All arrangements for transfer, receipt, or payment using any form of automated bank transfer will be made by, or under arrangements approved by, the S95 Officer.
- 25.4. Personal cheques cannot be cashed out of money held on behalf of the Council or substituted for cash collected on behalf of the Council.
- 25.5. The S95 Officer shall ensure that banking services are put out to tender every five years.
- 25.6. All Council bank accounts, and other bank accounts operated by Council staff as part of their work with the Council, must be reconciled at least once a month.

26. TREASURY MANAGEMENT

- 26.1. The Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice 2009 (as subsequently revised).
- 26.2. All borrowing and lending will be performed in the name of the Council.
- 26.3. All funds in the hands of the Council will be aggregated for the purposes of Treasury Management and will be under the control of the Depute S95 Officer.
- 26.4. All executive decisions on borrowing, investment or financing are managed in accordance with the Scheme of Delegation which makes provision for the S95 Officer to act on the Council's behalf and is required to act in accordance with the CIPFA Code and in particular:-
- all loans to the Council will be negotiated by the Depute S95 Officer and wherever possible will be paid direct by the lender or his agent to the Council's bank account;
 - all Council loan certificates will, prior to use, be in the custody of the Depute S95 Officer and issued only when required for completion;
 - All heritable securities which are the property of or in the name of the Council and the title deeds of all property in its ownership will be held in custody of the Senior Legal Officer;
 - Any trust funds will wherever possible be in the name of the Council.
- 26.5. The Council has adopted a Treasury Policy Statement. The Depute S95 Officer will report to the Council as follows:

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- an Annual Strategy at the commencement of each financial year;
- an Annual Review of the Treasury function for presentation by at the end of each year.

26.6. The Depute S95 Officer will be the Council's registrar of stocks, bonds and mortgages granted by the Council and will maintain records of all borrowing of money by the Council.

26.7. There will be no unlimited authorisation below Chief Officer level, and no authorisation level below Chief Officer level shall exceed £30,000, unless the S95 Officer authorises otherwise.

27. THE PRUDENTIAL CODE

27.1. This Council adopts CIPFA's Prudential Code for Capital Finance in Local Authorities.

27.2. The Depute S95 Officer is responsible for ensuring that all matters required to be taken into account are reported to Council in line with the Code, and will monitor performance.

27.3. Before the start of each financial year the Depute S95 Officer will prepare a report setting out the prudential indicators for the following three years. These will be based on the capital and revenue spending plans submitted for approval.

27.4. There will be no unlimited authorisation below Chief Officer level, and no authorisation level below Chief Officer level shall exceed £30,000, unless the S95 Officer authorises otherwise.

SECTION H – IMPRESTS, ADVANCES AND OTHER FUNDS

28. IMPRESTS / PETTY CASH

- 28.1. The S95 Officer will provide an amount of money, called an imprest, to nominated Officers of the Council, for the purpose of paying for minor petty cash expenditure.
- 28.2. Imprests will be operated in accordance with detailed procedures issued by the Depute S95 Officer.

29. ADVANCES

- 29.1. An advance can be issued to an officer who is likely to incur substantial expenditure on behalf of the Council out of their own pocket. This practice is not intended for routine expense claims that should not involve substantial amounts of money and should cover only reasonably anticipated expenditure.
- 29.2. Advances will be issued and operated in accordance with detailed procedures issued by the Depute S95 Officer.

30. INDEPENDENT FUNDS

- 30.1. Independent funds are those operated by Council officers authorised for that purpose by the Depute S95 Officer by reason of their employment with the Council. Examples include school funds, donation accounts and The Community Chest.
- 30.2. Funds should be operated in accordance with any specific guidance issued by the Depute S95 Officer.
- 30.3. Authorised Officers are responsible for:-
- authorising the establishment of funds;
 - maintaining a register of all funds and bank accounts;
 - ensuring that proper books of account and other records are maintained and are always up to date;
 - ensuring all funds with their own bank accounts are audited annually;
 - ensuring that any concerns are immediately notified to the appropriate Chief Officer, and, if involving concerns over potential financial irregularity, to the Depute S95 Officer.
- 30.4. All bank accounts, purchases, contracts etc must be in the name of the Council or, with the agreement of the Depute S95 Officer, the name of the establishment (e.g. the school name). The establishment's address must be used for all correspondence and for the delivery of all goods ordered and paid for from the account.
- 30.5. The Head of the Establishment is responsible for ensuring that income and expenditure is properly monitored and that accounts remain in credit at all times.
- 30.6. Independent Funds should be regarded as public money and therefore all purchases must comply with Public Procurement legislation and other requirements on fair competition, best value etc.

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31. CLIENT FUNDS

- 31.1. Any officer who, by reason of their employment with the Council, is responsible for the custody or management of cash or property belonging to a third party will employ standards of stewardship no less than those laid down elsewhere in these Regulations.
- 31.2. Officers will adhere to any guidance issued by their Chief Officer.
- 31.3. Each officer will, if so required by the Depute S95 Officer or by the Chief Officer concerned, provide immediately a full account of all cash and property received from, or on behalf of a third party.

32. PROTECTION OF PRIVATE PROPERTY

- 32.1. Circumstances may arise where the Council is required to assume legal responsibility over the movable property of a third party such as a list of personal possessions left in an abandoned house or where a client is moving into care.
- 32.2. Chief Officers must ensure that a detailed inventory of all such property is prepared. The inventory should be assessed for items of value or legal importance, and arrangements made for their safe custody and eventual disposal.
- 32.3. Chief Officers must have in place detailed procedures relevant to their services areas in regard to the management and protection of private property.

33. TRUST FUNDS

- 33.1. Trust funds are money or other assets to be used for the purpose(s) specified in the trust deed. Trust funds are commonly used as a method of donating money for the benefit of a community or project, for example bequests from the public.
- 33.2. Trust funds and bequests will be operated under the directions of the Depute S95 Officer and the Senior Legal Officer.
- 33.3. A trust deed setting out the terms and conditions of the trust must be deposited with the Senior Legal Officer.
- 33.4. Trustees are bound by the terms of the trust deed and trust legislation and when they have responsibility for cash or other assets should employ standards no less than those laid down elsewhere in these Regulations.

34. VARIATION OF FINANCIAL REGULATIONS

- 37.1. The S95 Officer shall be authorised to amend these Regulations as and when required, to take account of alterations in Financial Practice and Legislation. Such changes will be reported to Council.

APPENDIX 1 – INTERNAL AUDIT CHARTER

1. Introduction

- 1.1 This Internal Audit Charter sets out the role, authority, and responsibility of the Council's Internal Auditors, in accordance with the UK Public Sector Internal Audit Standards (PSIAS). The Charter will be reviewed annually.
- 1.2 It is a requirement of PSIAS that the Charter is approved by the 'Board'. Within Clackmannanshire Council, the Audit and Finance Committee is deemed to be the Board or as otherwise amended by Standing Orders.
- 1.3 Internal Audit is provided under a consortium audit agreement with Falkirk Council who will provide the overall supervision and management of the Council's audit programme drawing on Clackmannanshire resources as well utilising their own resources under a fee agreement in accordance with a service level agreement between the two Councils agreed by the Council's Audit and Finance Committee.
- 1.4 The Head of Internal Audit in Falkirk is designated the Chief Internal Audit Executive by the Council to comply with PSIAS regulations and for the purposes of managing Internal Audit in Clackmannanshire he/she will be designated "Internal Audit Manager".

2. Role of Internal Audit

- 2.1 Internal Audit is an independent and objective assurance and consulting activity that aims to add value to, and improve the operations of, Clackmannanshire Council.
- 2.2 The main objective of Internal Audit is to provide a high quality, independent, and innovative audit service, culminating in an Annual Assurance Report providing an opinion on the adequacy of the Council's arrangements for risk management, governance, and control.
- 2.3 In addition to this assurance role, Internal Audit will also:
- present periodic Progress Reports to relevant Committees;
 - provide ad hoc consultancy and advice to Services;
 - monitor and report on the implementation of Internal Audit recommendations;
 - help promote an anti-fraud and corruption culture, and assist with investigations as appropriate.
- 2.4 The Internal Audit Manager will support the relevant Chief Officers in the roles of Key Contact for the bi-annual National Fraud Initiative exercise and as the Council's Single Point Of Contact (SPOC) with Police Scotland in relation to Serious Organised Crime and Corruption.

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3. Professionalism

- 3.1 Internal Audit will adhere to the (Public Sector Internal Audit Standards) PSIAS. These Standards set out the fundamental requirements for the professional practice of Internal Auditing, and are based on the Institute of Internal Auditors' mandatory guidance. They also set out requirements in relation to evaluating the effectiveness of the Internal Audit Function's performance.
- 3.2 Internal Audit will adhere to Council policies, procedures, and guidance, and will operate in line with its own Internal Audit Manual.
- 3.3 All Internal Audit staff managed under the consortium audit arrangements participate in the Continuous Professional Development (CPD) requirements of the relevant Chartered Institute, and in their employing Council's personal development arrangements). To assist with compliance with these CPD requirements, Falkirk Council's Finance Service is an accredited CIPFA CPD employer, and its Internal Audit Section has been awarded the equivalent CIIA accreditation.
- 3.4 Internal Audit staff are also required to adhere to the Chartered Institute of Internal Auditors' Code of Ethics, and are reminded of this requirement on an annual basis.
- 3.5 Networking and sharing of good professional practice across Local Authorities is achieved through the Scottish Local Authorities Chief Internal Auditors' Group (SLACIAG) and its Computer Audit Sub-Group (CASG). Both of these Groups meet periodically throughout the year to discuss topical issues, emerging risks, and to progress specific initiatives.

4. Authority and Scope

- 4.1 The scope of Internal Audit allows for unrestricted coverage of the Council's activities. To allow the Service to be truly independent, all Internal Audit staff will have authority to:
- enter any Council premises or land;
 - access any records, documents, or correspondence (held in any format) relating to any matter which may have audit or assurance implications for the Council;
 - require explanations relating to any matter under review from any employee, including Chief Officers and elected Members; and
 - require any employee (or agent) of the Council to produce cash, stores, assets, or any other property under their control or to which they have access.
- 4.2 This access is on demand and need not be subject to prior notice. However IA staff are aware of their general responsibilities to maintain client confidentiality and specific responsibilities under the Data Protection act
- 4.3 In addition, the Internal Audit Manager will have unrestricted access to:
- the Chief Executive;

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- the Convener and Members of the Audit and Finance Committee;
- Chief Officers;
- all Council employees.

4.4 The Internal Audit Manager has the right to report directly to the Council in any instance where he/she deems it inappropriate to report to the Council's S95 Officer), Chief Executive, or Audit and Finance Committee.

4.5 Right of access to other bodies funded by the Council should be set out in the conditions of funding or relevant contractual arrangement.

5. Organisation

5.1 The Internal Audit Manager reports functionally to the Audit and Finance Committee and administratively to the relevant Chief Officer, who is a member of the Council's Corporate Management Team. The Internal Audit Manager meets with the Convener of the Audit and Finance Committee prior to each meeting of the Committee to discuss matters relating to the Agenda.

5.2 Functional reporting means that the Audit and Finance Committee will:

- approve the Internal Audit Charter;
- approve the annual risk based Internal Audit Plan;
- consider reports on Internal Audit activity, including an Annual Assurance Report;
- seek assurances from Chief Officers that appropriate action has been taken to address Internal Audit recommendations; and
- make enquiries of management and the Internal Audit Manager to identify any inappropriate scope or resource limitations.

5.3 The Internal Audit Manager, Senior Internal Auditors, and Internal Auditors are required to hold a relevant professional qualification and to be suitably experienced.

6. Independence and Objectivity

6.1 Internal Audit staff will act independently and objectively at all times. In addition, Internal Audit is not an extension of, or substitute for, the functions of line management and will remain free from any undue influence or other pressure affecting its actions and reporting.

6.2 Internal Auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment. They may, however, be consulted on the implementation of new systems or processes to ensure that, as far as possible, sound and proportionate arrangements for risk management, governance, and control are built in.

6.3 It is a Chief Officers' responsibility to:

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- maintain a robust framework of internal control within their area of responsibility;
- put in place arrangements to prevent, detect, and resolve instances of fraud or corruption;
- consider and act upon Internal Audit findings and recommendations, or accept the risk of not acting on these; and
- inform Internal Audit of any material proposed changes to systems or processes.

6.4 Internal Auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being reviewed. They must make a balanced assessment of all the relevant circumstances, and not be unduly influenced in forming judgments.

6.5 The Internal Audit Manager will report to Audit and Finance Committee in his/her own name, and will confirm, in the Annual Assurance Report, the organisational independence of the Internal Audit function.

7. Responsibility - Reporting Requirements

7.1 The scope of Internal Auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Council's risk management, governance, and control arrangements.

7.2 It is the responsibility of Internal Audit to complete sufficient work to allow an Annual Assurance Report to be presented to the Audit and Finance Committee. This report provides an annual, overall, opinion on the adequacy of arrangements for risk management, governance, and control, and informs the Council's Annual Governance Statement.

7.3 The Annual Assurance Report will be based on the range of risk based reviews set out in the Annual Internal Audit Plan, and will encompass:

- systems and processes for establishing and embedding effective risk management across the Council;
- corporate governance arrangements;
- routine business processes and central systems; and
- non-key processes.

7.4 In preparing the Annual Internal Audit Plan, cognisance will also be taken of information obtained from Internal Audit's own Audit Needs Assessment model, previous audit reviews, and from consultancy and advisory work. In addition, consideration will be given to information obtained through regular contact with Service managers, and from other independent review activities, such as external audit, and the work of external inspection agencies.

7.5 For each individual audit review, Internal Audit will develop a Terms of Reference and agree this with the relevant Service managers. Reviews are carried out using a risk based approach, taking account of the objectives of the activity being reviewed, risks to that activity, and the adequacy of existing risk management, governance, and control arrangements.

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- 7.6 Internal Audit will develop and document work programs for each review, setting out the approach to be taken for identifying, analysing, evaluating, and documenting information during the review. A detailed file will be kept as a record of work undertaken. This will be done in line with the standards set out in the Council's Internal Audit Manual.
- 7.7 Matters arising from each Internal Audit review will be reported to management in the form of a draft audit report. Each report will be reviewed by the Internal Audit Manager and will include a statement on the level of assurance that can be provided, as well as an action plan setting out any recommendations. The overall assurance will be provided in line with the definitions set out below.

Substantial assurance	Largely satisfactory risk, control, and governance systems are in place. There may be some scope for improvement as current arrangements may undermine the achievement of objectives or leave them vulnerable to error or abuse.
Limited assurance	Risk, control, and governance systems have some satisfactory aspects. There are, however, some significant weaknesses likely to undermine the achievement of objectives and leave them vulnerable to an unacceptable risk of error or abuse.
No assurance	The systems for risk, control, and governance are ineffectively designed and operated. Objectives are not being achieved and the risk of serious error or abuse is unacceptable. Significant improvements are required.

- 7.8 The report and completed Action Plan will form the final record of each audit.
- 7.9 Reports will be provided to the Audit and Finance Committee at meetings agreed at the start of the financial year and detailed in the Council's "Forward Plan". Reports will detail progress in completing the Annual Internal Audit Plan and highlighting any key matters arising. These progress reports will also provide information on any ad hoc or consultancy work undertaken by Internal Audit as well as any significant instances of theft, fraud, or irregularity considered by Internal Audit.
- 7.10 The Progress Reports will also provide information in relation to Internal Audit Recommendations that remain outstanding.
- 7.11 Internal Audit will capture on the Council's performance management system all recommendations made along with management responses provided. The reports are accessible to Chief Officers who have the responsibility to periodically provide an update on the recommendations falling within their area of responsibility. Any recommendations that have been fully implemented are noted with updates added where corrective action has commenced but not yet been completed.

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7.12 The report to the Audit and Finance Committee of recommendations that remain outstanding will focus on:

- recommendations where the agreed Action Date has lapsed; and
- where no revised (and reasonable) Action date has been agreed with Managers.

7.13 This approach allows any particular areas of risk or concern to be highlighted, and positive assurance to be provided where appropriate.

8. Responsibility – Consultancy Work and Fraud / Corruption

8.1 Internal Audit will include an allocation of ‘days’ in the annual Internal Audit Plan for Consultancy Work which may include work on Fraud and Corruption.

8.2 Consultancy work includes commenting on draft procedural guidance and responding to management requests for advice on risk and control issues. Approval will be sought from the Audit and Finance Committee if there is to be a significant variation in consultancy work above the allocation within the Internal Audit Plan.

8.3 As detailed in Finance Regulations, Chief Officers are responsible for identifying and managing the risk of fraud. Chief Officers are also, required to notify the S 95 Officer of all financial irregularities or of any circumstances that may suggest the possibility of irregularities. The S 95 Officer will form an opinion on the process to be followed on notification of an irregularity, and this may involve requesting that Internal Audit assist with, or take a lead on, any investigation. Ultimately, this decision will be taken with due regard to the Council’s Anti-Fraud and Corruption Strategy.

9. Quality Assurance

9.1 Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of the Function’s activity (and its compliance with PSIAS). This consists of an annual self assessment, ongoing performance monitoring, and a periodic external assessment.

9.2 The Internal Audit Manager is responsible for undertaking an annual self assessment and for reporting the results of this self assessment to the Audit and Finance Committee and will do so within the Internal Audit Annual Assurance Report.

9.3 External assessments will be conducted at least once every five years by a suitably qualified, independent, assessor. The Internal Audit Manager will discuss and agree options for these assessments with the S 95 Officer and Convener of the Audit and Finance Committee.