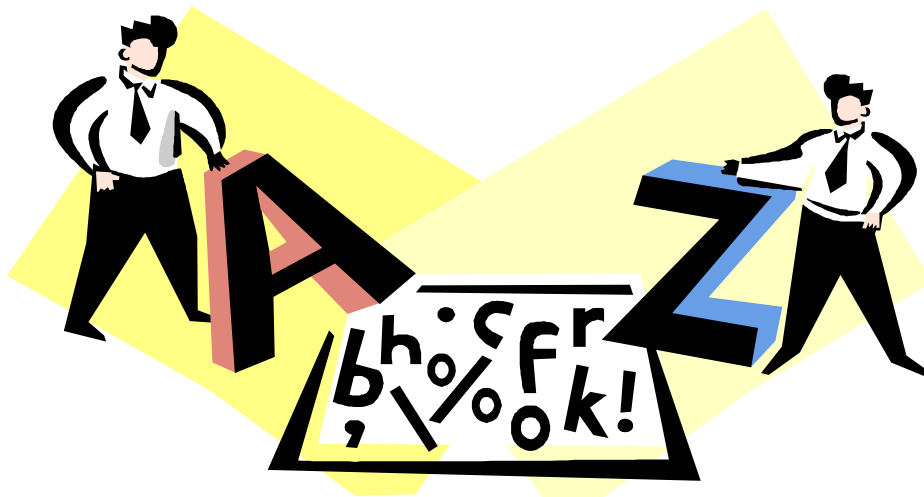


HIGHLAND COUNCIL

FINANCIAL REGULATIONS

Highland Council Committee
Approved 6 September 2007



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Financial Regulations		
Index		
		Page
Part 1 - Overview		1 – 7
1	Scope and Observation	1
2	Responsibilities	2 – 3
	2.1 Council/Committees	2
	2.2 Director of Finance	2
	2.3 Service Directors	2
	2.4 Personal Responsibilities	2 – 3
3	Corporate Governance	4
4	Framework for Financial Administration	5
5	Review of Financial Regulations	6
6	Legal Interpretation	7
Part 2 – Financial Management		8 – 12
7	Accounting Procedures and Reporting	8
8	Capital Planning	9
9	Control of Capital Expenditure	10
10	Revenue Estimates	11
11	Control of Revenue Expenditure including Virement	12
Part 3 – Financial Governance		13 – 47
12	Banking Arrangements	13
13	Contracts for Supply of Goods, Services and Works	14
14	Council Tax and Non Domestic Rates	15 – 16
15	Income	17 – 18
16	Insurance, Risk Management and Business Continuity Planning	20
17	Internal and External Audit	21
18	Internal Control and Authorisation	22 – 24
19	Inventories and Stores	25
20	Members Allowance and Expenses	26
21	Orders for Works, Goods and Services	27

22	Partnership and Other External Arrangements	28 – 30
23	Payroll, Pensions and Travel and Subsistence	31 – 32
24	Payments of Accounts, Grants, Contributions and Subscriptions	33 – 34
25	Performance Indicators	35
26	Petty Cash (Imprests)	36
27	Prevention and Detection of Fraud and Corruption	37
28	Property and Security	38 – 39
29	Receipt of Gifts, Gratuities and Hospitality etc	40
30	Retention of Financial Documents	41 – 42
31	Stewardship of Common Good, Charitable Trust Funds and Financial Guardianships etc	43
32	Tax and VAT Management	44
33	Treasury Management	45 – 47
34	Voluntary and Unofficial Funds	48
Part 4 – Glossary of Terms		49 - 50
PART 5 – Index of Supporting Documentation		51 – 52

Section 1 – Overview

1. **SCOPE AND OBSERVANCE**

- 1.1 Section 95 of the Local Government (Scotland) Act 1973, (“the 1973 act”) requires all Local Authorities in Scotland to have adequate systems and controls in place to ensure the “proper administration of their financial affairs”, including the appointment of an appropriate officer (“the Proper Officer”) with full responsibility for their governance.

The Local Authority Accounts (Scotland) Regulations 1985 (“the 1985 Regulations) places upon the “Proper Officer” the duty to determine the system of accounting control and the form of accounts and supporting records, and to ensure that these accounts and records are kept up to date.

For the purposes of “the 1973 Act and “the 1985 Regulations”, the “Proper Officer” is the Director of Finance of the Highland Council. These Regulations are part of the “proper administration of the Council’s financial affairs”.

- 1.2 The Council, its Members and Officials shall observe these Regulations and supporting Guidance Notes.
- 1.3 Any contravention of or potential non-compliance with these Regulations will be reported immediately to the Director of Finance, who may discuss the matter with the Chief Executive and any other Service Director as appropriate, to determine any action to be taken.
- 1.4 These Regulations will be applied and interpreted in a manner which takes account of the obligations contained within the Council’s Contract Standing Orders and the Scheme of Delegation.
- 1.5 Any officer acting within the terms of a Joint Committee or Partnership should refer to the Guidance Note relevant to that Committee/Partnership, in addition to these Regulations.

2 RESPONSIBILITIES

2.1 Council/Committees

- 2.1.1 The Council through its Committees will continuously strive to secure best value for money by way of economic, efficient and effective use of resources.
- 2.1.2 Subject to the reserved powers of “the Council”, the Resources Committee will be responsible for overseeing the Council’s financial management arrangements.
- 2.1.3 The Director of Finance, in consultation with the Chief Executive and other Service Directors as appropriate will advise the Council and all other Strategic Committees on the financial implications of the Resource Committee’s activities.

2.2 Director of Finance

- 2.2.1 These Financial Regulations detail the responsibilities of the Director of Finance who has been appointed as the “Proper Officer”, of the Council, in terms of Section 95 of the Local Government (Scotland) Act 1973. The post holder is responsible for the proper financial administration of the Council’s affairs, and acts as financial adviser to the Council, and to such other Bodies, Trusts and Organisations, as the Council shall approve.
- 2.2.2 Any reference in these Regulations to the Director of Finance includes those specifically authorised by him to undertake the various functions concerned.

2.3 Service Directors

- 2.3.1 Service Directors will ensure that all relevant employees are aware of these Regulations and that they are fully complied with.
- 2.3.2 All actions affecting the Council’s finances should only be conducted by properly authorised employees. In respect of delegated activity Service Directors will establish a clear and effective framework of authorisation for their Services.
- 2.3.3 Service Directors and other authorised persons will ensure that only expenditure within the legal powers of the Council is incurred. Where this is not clear, the authorised person will consult the Director of Corporate Services prior to incurring such expenditure. Similarly, the legality of expenditure relating to new service developments, initial contributions to other organisations and responses to new emergency situations will also be clarified prior to any related expenditure being incurred.
- 2.3.4 Service Directors will ensure that all spending within capital and revenue estimates conforms to proper accounting standards and will seek clarification of the proper classification, if required, from the Director of Finance.
- 2.3.5 In the case of emergency situations the Chief Executive has delegated powers from the Resources Committee (21 April 2004) to authorise any necessary expenditure. In terms of Section 11.4 of these Regulations, the Director of Finance should report such expenditure to the first available meeting of the Resources Committee.

2.4 Personal Responsibilities

- 2.4.1 All elected Members and employees of the Council are responsible for ensuring that they use the equipment, materials and resources entrusted to them in a responsible and lawful manner. They should inform themselves of the Council’s requirements under these Regulations and other similar policies, for example the policy on the personal use of computer equipment. (See Policy on Acceptable Usage of Information Systems and Technology).

If anyone is in any doubt as to their obligations, they should seek advice from their

line Manager. Any unresolved questions of interpretation should be referred to the Head of Internal Audit and Risk Management.

- 2.4.2 All elected Members and employees of the Council should strive to achieve best value for money and avoid legal challenge to the Council. These responsibilities similarly apply when members or employees are representing the Council on external bodies and Joint Ventures.
- 2.4.3 In the course of their duties Members and Officers will see financial and other materials of a confidential nature. There is a general responsibility that all such matters are not disclosed except to authorised personnel.
- 2.4.4 Members and Officers who serve in a decision-making capacity as members of outside bodies, whether Companies, Trusts or other Associations owe duties and responsibilities to those bodies which are separate and distinct from their duties owed to the Council. On occasions, it is likely that their duties owed to the outside body and to the Council will conflict. The Council has approved guidance on this subject, entitled Guidance to Councillors and Officers who serve on Outside Bodies which should be followed.
- 2.4.5 All employees must report to their line Manager any illegality, impropriety, breach of procedure or serious deficiency in the provision of service. Employees are able to do this without fear of recrimination providing they act in good faith via the Council's Whistleblowing policy.

3. **CORPORATE GOVERNANCE**

3.1 Corporate governance is about the structures and processes for decision making and accountability, controls and behaviour throughout the Council. The fundamental principles of corporate governance are:

Openness: anyone with an interest in the Council's affairs should have confidence in the decision-making and management processes and the individuals involved in them. This confidence is gained through openness in the Council's affairs and by providing full, accurate and clear information which leads to effective and timely action and scrutiny.

Integrity: there should be honesty, selflessness and objectivity and high standards of propriety and probity in the stewardship of the Council's funds and the management of the Council's affairs. Integrity is dependent on the effectiveness of the control framework and on the personal standards and professionalism of Members and employees.

Accountability: there needs to be a clear understanding by everyone involved in the Council's affairs of their roles and responsibilities. There should also be a process which provides appropriate external scrutiny of the decisions and actions of those involved in the Council's affairs including the stewardship of the Council's funds and performance.

These Financial Regulations supported by Guidance Notes are an essential component of the Corporate Governance of the Council.

However in order to demonstrate that they are complying with these fundamental principles the Council will need to ensure that their systems and processes are:

- ◆ monitored for their effectiveness in practice; and
- ◆ subject to review on a continuous basis to ensure that they are current.

In order to ensure compliance with good governance the Chief Executive is responsible for providing the Audit and Scrutiny Committee with a review of the Local Code of Corporate Governance on an annual basis, and annually provides a Governance Assurance Statement to the Council.

4. FRAMEWORK FOR FINANCIAL ADMINISTRATION

- 4.1 These Regulations detail the responsibilities of Members and Service Directors within the context of the Council's political management framework. These Regulations may only be amended by the Council, following advice from the Audit and Scrutiny Committee.
- 4.2. The Director of Finance as the 'Proper Officer' for the proper administration of the Council's financial affairs will oversee the operation of these Regulations within the Council. These, together with supporting Guidance Notes, provide all Members, Service Directors and Employees with the written framework which governs the Council's financial affairs.
- 4.3 All Guidance Notes issued in terms of these Regulations are issued with the same status and authority as if they were contained within these Regulations. Compliance with them is mandatory in the same way as the Regulations.
- 4.4 As with most instructions these Regulations and supporting Guidance Notes are not exhaustive and supplementary guidance will be made available by way of manuals, procedures and policy documents. However, not every eventuality can be foreseen or every circumstance taken into account. As such there is a general responsibility for all Officers to act properly where instances of uncertainty arise and to seek advice from staff of the Finance Service.

5. REVIEW OF FINANCIAL REGULATIONS

- 5.1 These Regulations may be varied or revoked by the Council and any variation or revocation will be effective from the first working day after the conclusion of the Council meeting at which approved.

6. LEGAL INTERPRETATION

6.1. Any matters requiring legal interpretation will be referred to the Chief Executive.

Section 2 - FINANCIAL MANAGEMENT

7. ACCOUNTING PROCEDURES AND REPORTING

Introduction

This Section gives advice on the Council's requirements for accounting procedures and records, production and publication of Annual Accounts, maintenance of an asset register and the presentation of External Audit reports to the Audit and Scrutiny Committee.

Guidance Note: Significant Trading Operation

- 7.1 The accounting procedures, records of the Council, and accounting records will be prepared in accordance with directions provided by the Director of Finance.
- 7.2 The Annual Accounts will be prepared in accordance with the Code of Practice on Local Authority Accounting in the UK (SORP), reporting the Council's financial performance to the end of the financial year being reported (to 31st March). The completed Accounts must be forwarded to the Controller of Audit no later than the 30th June of the same year and to the next available meeting of the Audit and Scrutiny Committee.
- 7.3 Service Directors must provide any information necessary for the closure of the Accounts and within prescribed timescales. Details of the information required and procedures to be followed will be issued annually by the Director of Finance.
- 7.4 In accordance with statutory requirements, the Director of Finance will ensure that a register of all assets owned by the Council is maintained. To enable the asset register to be updated and maintained, all Service Directors must comply with any procedures and requirements issued by the Director of Finance (or any person to whom maintenance of the register is delegated) in respect of all assets under their control.
- 7.5 The Director of Finance will arrange the presentation of all External Audit reports including reports on the audited Annual Accounts to the Audit and Scrutiny Committee, and make appropriate arrangements for the public inspection of the Council's Accounts.
- 7.6 In accordance with statutory requirements the Director of Finance will prepare annual accounts for each Significant Trading Operation. Service Directors responsible for Trading Operations will timeously provide any information required for their completion. They will be presented to the relevant Strategic Committee.
- 7.7 Any matter which is liable to have a material effect on the Council's finances must be discussed with the Director of Finance before any provisional or other commitment is incurred, or before any reporting details to the appropriate Committee.
- 7.8 Committee reports, which should detail the financial implications to the Council, of the matter under review, must be the subject of consultation with the Director of Finance, prior to being placed on any agenda. Such reports should be available to the Director of Finance at least three working days before distribution to Members.

8. CAPITAL PLANNING

Introduction

This Section details the Council's requirements in relation to the General Fund and Housing Capital Plans.

Councils must have regard to the Prudential Code for Capital Finance in Local Authorities when determining capital expenditure and borrowing levels. This is a professional Code that sets out a framework for self-regulation of capital spending; in effect allowing councils to invest in capital projects to properly deliver quality public services without any limit so long as they are affordable, prudent and sustainable. Capital investment is however subject to Parliamentary reserve powers to restrict borrowing for national economic reasons.

To facilitate the decision making process and support capital investment decisions, the Prudential Code requires Councils to agree and monitor a number of prudential indicators. Separate indicators are required for Housing Revenue Account (HRA) and the General Fund capital investment.

Guidance Note: Definition of Capital Expenditure

- 8.1 The following procedures apply to the preparation of the Council's Capital Plans:
- 8.1.1 The Director of Finance in consultation with the Chief Executive, and other Service Directors as necessary, will co-ordinate the preparation of the General (non-Housing) Capital Plan.
 - 8.1.2 The Director of Housing and Property in consultation with the Chief Executive and Director of Finance will co-ordinate the preparation of the Housing Capital Plan.
 - 8.1.3 In order to prepare the above plans Service Directors will provide any information as required, including detailed reports for all new projects where additional revenue expenditure will be incurred. The information will be consistent with Service Plans and so far as practicable the Estimates and Service Plan processes will be integrated.
 - 8.1.4 The General Fund (non-Housing) and the Housing Revenue Account, Capital Plans will be submitted to Council for approval and, where required, the approved Capital Plan(s) will be submitted to the Scottish Ministers by the Director of Finance.
- 8.2 The Council will review and approve the Annual Capital Budget and the Strategic Committees will approve relevant operational Capital Programmes (containing the estimated capital expenditure for each project) covering five financial years with regard to:
- (a) the Council's corporate values and priorities;
 - (b) the nature and scale of local investment needs; and
 - (c) the availability of capital resources.
- 8.3 Once the Capital Programmes have been approved by the Council, Service Directors will ensure that all statutory and non statutory approvals and permissions, including legal entry to any land or buildings, are available in due time.
- 8.4 Subject to Section No 11.4 and 11.5 (Emergencies) approval of the operational capital programme gives Service Directors authority to incur expenditure on specific projects.

9. CONTROL OF CAPITAL EXPENDITURE

Introduction

This Section details the Council's requirements for monitoring Capital Expenditure in relation to the Capital Programmes approved. It also provides guidance for dealing with emergencies and necessary approvals. Any matter having a material effect on the Council's finances should be discussed with the Director of Finance before any provisional or other commitment is incurred, or before reporting details to relevant Committees.

- 9.1 All Committees will monitor and regulate the financial performance of the Capital Programmes for which they are responsible.
- 9.2 Service Directors will ensure that all relevant Government approvals have been obtained before the commencement of all capital projects, including those projects subject to grants for Partnership, specific Scottish or UK Grants and European Grants.
- 9.3 Subject to Section 11.4 and 11.5 (Emergencies) of this section, capital expenditure will only be incurred on projects included in the Capital Programme, unless a report revising the programme has been submitted by the appropriate Service Director and approved by the relevant Committee and the Council for incurring expenditure in that year.
- 9.4 Service Directors, after consultation with the Director of Finance, may alter a Capital Programme of a particular Service in either of the following ways:
- by accelerating the progress on a project by deferring the start of other projects within the programme; or
 - by spending on a project programmed to start at a later date in the year where delays are occurring generally in the Programme.

Any changes made should be reported to the next relevant Committee.

- 9.5 The Service Directors, in consultation with the Director of Finance, will provide regular budget monitoring statements comparing estimated with actual financial performance to all relevant Strategic Committees and an overview to the Resources Committee. Explanations for any significant variances will be provided by Service Directors who must ensure that the provision in the Capital Estimates is not exceeded and that the expenditure conforms to the requirements of these Codes. At the completion of each project on the Capital Programme, Service Directors will provide relevant Strategic Committees with a report on the total cost of the project against the original budget.

10. REVENUE ESTIMATES

Introduction

This Section details the Council's requirements for the preparation of Revenue Estimates covering three financial years. Service Directors have a key role to play in supplying the Director of Finance with accurate and timeous information, in order to ensure that realistic Budgets are set for Service activity levels. The approval of the Revenue Estimates by the Council gives Service Directors the authority to incur appropriate expenditure.

- 10.1 The format of the Revenue Estimates will be determined by the Director of Finance.
- The Director of Finance will issue detailed guidance to Service Directors on the preparation of revenue estimates. The guidance to be issued will be reviewed on an annual basis to ensure its appropriateness in light of current circumstances.
- 10.2 The Director of Finance will annually prepare revenue estimates of income and expenditure for the forthcoming financial year. In addition, revenue estimates will be prepared on a cycle that reflects central government's three year settlement periods. In order to timeously complete these estimates, Service Directors will provide all information required within the prescribed timescales. Service Directors should ensure that revenue estimates meet, as far as is practicable, Service and Corporate Plan objectives.
- 10.3 The Council will delegate detailed consideration of the Council's General Fund revenue estimates to the Budget Working Group. The Council will delegate detailed consideration of the Council's Housing Revenue Account estimates to the Housing and Social Work Committee. The Budget Working Group and Housing and Social Work Committee will make recommendations to the Council on revenue estimates.
- 10.4 The Council will review and approve the Revenue Estimates, with any revisions as necessary, and determine the Council Tax and Housing Rents and other charges.
- 10.5 Approval of the Revenue Estimates gives Service Directors authority to incur expenditure and to raise income, within the scope of Council policy to the extent of the budget amount. This authority is subject to any terms of the Council's Scheme of Administration and any other restrictions that the Council may impose.

11. CONTROL OF REVENUE EXPENDITURE INCLUDING VIREMENT

Introduction

This Section provides details of the Council's requirements for budgetary control, and virement, and delegated powers in respect of expenditure to be incurred in emergency situations.

Budget monitoring is an essential tool in developing a business and management culture which continually monitors and reviews the use of resources in seeking to achieve the strategic aims of the Council.

Guidance Notes: Budgetary Control Journal Entries Budget Virement

- 11.1 It will be the duty of Service Directors to monitor and control Revenue budgets for their Service, and if necessary submit requests for supplementary estimates to the relevant Committee. In particular they should ensure that an accountable budget holder is identified for each item of income and expenditure (grouped together in cost centres), for the Service.
- 11.2 In order to assist in this matter the Director of Finance will ensure that an appropriate framework for budgetary management and control is in place, and that regular monitoring statements are produced in an appropriate format for monitoring purposes.
- 11.3 Service Directors in consultation with the Director of Finance will produce summarised monitoring reports for each Committee. These reports will include details of any significant variances between known, or perceived actual, areas of expenditure and income, and the Revenue Budget, and recommend remedial action.
- 11.4 The Director of Finance should report on any expenditure which is incurred under Section 84 of the 1973 Act (as amended), relating to emergencies or disasters involving destruction of or danger to life or property. Such expenditure should be reported to the first meeting of the Resources Committee, after the expenditure has been incurred.
- 11.5 The Chief Executive has the following delegated powers in respect of expenditure of an emergency nature:
- To authorise expenditure of an emergency nature in consultation with the Director of Finance, provided that the authorisation is reported to the first available meeting of the appropriate Committee.
 - To take such immediate action, as may be necessary to protect the interests of the Council in relation to:
 - i. Emergencies arising from industrial action by employees, or groups of the Council,
 - ii. Any other emergency which, in the opinion of the Chief Executive, requires such action, in consultation with the appropriate officers and elected Members.
- 11.6 Service Directors and budget holders have the responsibility to ensure that the principles outlined in the Guidance Notes on Budgetary Control and Budget Virement are incorporated within working practices.
- 11.7 Maintenance of appropriate costing systems is essential for the regular monitoring of performance and allocation of costs in the financial ledger. Reconciliation of any costing systems not linked to the financial ledger system will be carried out by Services on a regular basis.

SECTION 3 – FINANCIAL GOVERNANCE

12. BANKING ARRANGEMENTS

Introduction

This Section details the Council's requirements for banking including:

- Appointment of bankers
- Opening/Closing of bank accounts
- Cheques and Cheque control
- Banking of income
- Payments by BACS and CHAPS

Guidance Note: Receipt of Income

- 12.1 The Director of Finance will be responsible for the appointment of the Council's bankers, and for ensuring that the Council regularly tests the market by way of competitive tender, to ensure that the best value for money is obtained for banking services.
- 12.2 All arrangements with the Council's bankers will be made by the Director of Finance who will open or close bank accounts, including Girobank accounts as necessary. All requests to open or close bank accounts must be made to the Director of Finance.
- 12.3 Bank Accounts shall be in the name, or incorporate the name, of The Highland Council, and not in the name of any officer or designation.
- 12.4 All cheques including Girobank payment forms will be ordered on the authority of the Director of Finance who will make the necessary arrangements for their safe custody.
- 12.5 Cheques on the Council's bank accounts, including Girobank accounts, will bear the facsimile signature of, or be signed by the Director of Finance or other designated signatory, approved by the Resources Committee to undertake this task.
- 12.6 All Council employees involved in cheque handling or control will be made aware that:
- 12.6.1 Under no circumstances will any of the Council's cheques be altered. Any cheque which has been altered will be treated as a fraudulent attempt to obtain payment.
- 12.6.2 Requests to issue or re-issue a cheque to a third party will normally be refused. The Council is bound to pay its creditors but not to settle affairs on their behalf. However, under exceptional circumstances the Director of Finance may alter the name of the payee and delete the crossing, only.
- 12.6.3 Where a creditor reports the non-receipt or loss of a cheque, the Creditors Section of the Finance Service will check whether the cheque has been cashed and put a 'stop' on it with the bank. Replacement cheques will be issued only where cheques have not been cashed, and, if the bank has 'stopped' the cheque and an indemnity certificate have been completed by the creditor. Similar arrangements will be put in place for Housing Benefit cheques to enable Finance Team Leaders to undertake this action.
- 12.7 The Director of Finance will make all necessary arrangements to enable appropriate payments to be made through the Bankers Automated Clearing System (BACS) and the Clearing House Automated Payments System (CHAPS).
- 12.8 The Director of Finance shall be responsible for giving any indemnity required by the Council's bank regarding the signature of cheques by mechanical means, or pre-signed computer cheques, or where the services of a security firm is used for the deposit or receipt of cash to the bank.
- 12.9 All income received should be banked intact and without delay in line with instructions issued in the Guidance Note: Receipt of Income.

13. **CONTRACTS FOR BUILDING, ENGINEERING AND ASSOCIATED WORKS**

Introduction

This Section introduces the Council's procedures that are designed to ensure that there is appropriate administration activity to the entering into by the Council or on its behalf, of contracts for the supply, or lease, of Supplies, Services, and Works.

Full details on this subject are available with the Council's Policy Document entitled, Standing Orders Relating to Contracts.

14. COUNCIL TAX AND NON-DOMESTIC RATES

Introduction

This Section sets out the Council's policies in relation to the billing and collection of Council Tax and Non-Domestic Rates in order to ensure that the maximum amount of income is collected at the minimum cost to the Council. It includes:

- **the arrangements for the Billing and Collection of Council Tax**
- **the arrangements for the Billing and Collection of Non Domestic Rates**

14.1 It shall be the duty of the Director of Finance to make adequate financial and accounting arrangements for such income to ensure the proper recording of all monies due to the Council and for the proper and timeous collection of all such income.

14.2 Council Tax

The Director of Finance will ensure that:

14.2.1 An accurate Council Tax bill is issued to every property contained in the valuation list based on the Banding determined by the Highlands and Western Isles Valuation Joint Board, levying the Council Tax charge for that band as declared by the Council and applying such reliefs, exemptions and discounts as are due to the Council Tax Payer.

14.2.2 There are proper accounting arrangements and payment facilities in place to enable payments to be posted to and accounted against the Council Tax Payers' accounts and issue appropriate receipts, where requested.

14.2.3 There are arrangements in place for appropriate recovery action of unpaid sums.

14.2.4 Appropriate arrangements are in place to ensure that in the event of non payment, agents can be employed to effect appropriate diligence to effect recovery.

14.2.5 There are arrangements in place to refund sums overpaid, or to arrange a transfer to other appropriate accounts.

14.2.6 Information is provided to individuals regarding their entitlement to reliefs and discounts.

14.2.7 There are arrangements in place to regularly review all exemptions, discounts, reliefs awarded, in order to ensure that they are only awarded in valid circumstances.

14.3 Non Domestic Rates

The Director of Finance will ensure that:

14.3.1 An accurate Non Domestic Rates bill is issued to every property in the Valuation Roll based on the Rateable Value determined by the Highlands and Western Isles Valuation Joint Board, levying the Non Domestic Rates declared by the Scottish Executive and applying any reliefs due by the Ratepayer.

14.3.2 There are proper accounting arrangements and payment facilities in place to enable payments to be posted to and accounted against Rate Payers' accounts and issue appropriate receipts, where requested.

14.3.3 There are arrangements in place for appropriate recovery action.

14.3.4 Appropriate arrangements are in place to ensure that in the event of non payment, agents can be employed to effect appropriate diligence to effect recovery.

- 14.3.5 There are arrangements in place to refund sums overpaid, or to arrange a transfer to other appropriate accounts.
- 14.3.6 Information is provided to Rate Payers regarding their entitlement to reliefs and discounts.
- 14.3.7 There are arrangements in place to regularly review all reliefs awarded, in order to ensure that they remain valid.

15 **INCOME**

Introduction

This Section details the Council's requirements for income. It includes:

- **a review of charges at least annually**
- **arrangements for collection, custody, control and banking of income**
- **notification of relevant information for submission or certification of grant claims to the Director of Finance**

**Guidance Notes: Receipt of Income
Grant Claim Financial Procedures
Issues of Debtors Accounts**

- 15.1 Unless prescribed by statute the Council will determine the rates to be charged for goods and services supplied to the public and other organisations.
- As part of the annual budgetary process every Director will review the charges for goods or services provided by their Service and, except where the charge is fixed externally, and unless otherwise provided for in the Scheme of Delegated Functions, submit their proposals to the appropriate Strategic Committee for approval.
- To preserve the real value of such income, increases recommended to Committees will take into account the current rate of inflation and reflect the impact of any change in the rate of VAT.
- 15.2 The Director of Finance has defined arrangements to ensure the appropriate recording of all income due, and the proper collection, control and banking of all income due to the Council, by way of the Guidance Note entitled Receipt of Income.
- 15.3 The collection of all income due to the Council will be the responsibility of the Director of Finance, except collections at Service locations and Service Points, the accounting for which will be the responsibility of the Chief Executive or the relevant Service Director. All amounts due to the Council will be collected in accordance with arrangements, systems and Guidance Notes approved by the Director of Finance who has the authority to inspect any relevant documentation as considered necessary.
- 15.4 All sums received by a Cashier or any other Officer of the Council authorised to accept payments shall be immediately acknowledged, by the issue of a receipt, or ticket, or by other agreed method, as detailed in the Guidance Note.
- 15.5 The Director of Finance will approve the format of all receipts, books, tickets and other such items and ensure that appropriate arrangements are in place for all ordering, supply and control. Documents should be retained securely in accordance with the Receipt of Income Guidance Note.
- 15.6 Transfers of income between employees must be evidenced in Service records, including a signature for its receipt.
- 15.7 All grant claims submitted to external funders will be completed in terms of the Guidance Note entitled Grant Claim Financial Procedures.
- 15.8 Income arising from work done, goods supplied or services rendered should where possible be paid for at the time of delivery. If not Service Directors must ensure that debtor accounts are rendered within 14 days from the due date (or month end for regular invoicing) as detailed in the Guidance Note Issues of Debtors Accounts. Debtor accounts, once raised, may only be cancelled by an appropriate authorised officer, where it has been raised in error.
- 15.9 The Director of Finance shall lodge claims with the appropriate person (including Liquidators and Trustees in Sequestration) in relation to sums due to the Council.

- 15.10 Information on the procedures for writing off debt due to the Council, but unpaid, is contained within the Guidance Note entitled Issues of Debtors Accounts.

16. INSURANCE, RISK MANAGEMENT AND BUSINESS CONTINUITY PLANNING

Introduction

This Section provides details of the Council's arrangements and policies for Insurance, Risk Management and Business Continuity Planning.

A Risk Management Strategy and a Guidance, Roles and Responsibilities document for addressing the Risk Management process has been approved by the Council.

Guidance Note: Insurance Claims Procedure Vacant Properties

16.1 Insurance Arrangements

16.1.1 The Director of Finance may appoint Insurance Brokers, Advisers, Insurers/Underwriters and Claims Handlers, to advise on all aspects of insurance and risk management.

16.1.2 Service Directors will notify the Director of Finance of any asset which requires to be insured or which may affect the Council's existing insurance arrangements.

16.1.3 The Director of Finance will take out the necessary insurances to protect the interests of the Council and will review the terms and conditions of such insurances as required.

16.1.4 The Chief Executive in conjunction with the Director of Finance and appropriate Service Directors may decide to make ex-gratia payments, subject to a prescribed maximum limit, in terms of the Council policy.

16.2 Review Of Insurances

16.2.1 The Director of Finance shall annually, or as necessary, review all insurances, in consultation with relevant Service Directors.

16.3 Claims Procedure

16.3.1 Service Directors will immediately notify the Director of Finance of all losses as detailed in the Guidance Note Insurance Claims Procedure.

16.4 Claims Administration

16.4.1 The Director of Finance will prepare an annual report on the internal performance of Services in progressing claims, to be submitted to the Audit and Scrutiny Committee.

16.4.2 Service Directors will review their Service's internal claims performance with the Director of Finance and agree appropriate action to be taken.

16.5 Vacant Properties

16.5.1 Service Directors will notify the Insurance and Risk Management and the Head of Housing and Property, of vacant properties as outlines in the Guidance Note entitled Vacant Properties.

16.6 Risk Management

16.6.1 The Director of Finance shall be responsible for ensuring that the procedures relating to Risk Management as outlined in the Strategy and Policy for Risk Management, will be compiled with. The Risk Management Strategy provides for a continuous review, and management, of potential risk facing the Council. For it to be successful a risk awareness culture must form an integrated part of service delivery.

16.7 **Business Continuity Planning**

16.7.1 The Council has a need to sustain the essential services and activities it provides regardless of such disruptive influences as staff shortage, loss of power supplies or breakdown of supply chain.

In order to address such eventualities the Council has drafted a Business Continuity Plan.

16.7.2 This plan provides a framework within which the use of initiative can make a positive contribution. It is important therefore the Service Directors ensure that staff, at all levels understand the framework set within this plan.

17. INTERNAL AND EXTERNAL AUDIT

Introduction

This Section provides information relating to the services provided to the Council by both Internal and External Audit.

The Policies and Standards adopted by the Internal Audit Section are documented in an Audit Manual, approved by the Audit and Scrutiny Committee. In this Manual the Council endorses the standards established in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom and adopts the principles contained therein.

Information relevant to the relationship between the Internal Audit Section and Members and Officers of the Council (including when and how to contact the Section) and their right of access is included in the Council's Intranet Site.

External Audit is independent of the Council. Their authority is mostly contained within the Local Government (Scotland) Act 1973.

Guidance Note: Funding External Bodies

- 17.1 The Head of Internal Audit and Risk Management must be consulted on, and given assurance as to, the adequacy of internal control when any system is being introduced or materially altered.
- 17.2 Whenever any matter arises which involves, or is thought to involve, irregularities concerning finance, assets or property of the Council or any suspected irregularities in the exercise of the functions of the Council, the Head of Service concerned (the Investigating Officer) will immediately notify the Head of Internal Audit and Risk Management (the Advisory Officer) representing the Director of Finance. The Head of Internal Audit and Risk Management will take such steps as are considered necessary to investigate any such matters, as outlined in the Section of the Internal Audit Manual relating to Fraud Investigation.
- Where investigations indicate that a criminal offence may have been committed, the Head of Internal Audit and Risk Management will normally, in terms of the Council's policy Strategy for the Prevention and Detection of Fraud and Corruption, report the matter to the police.
- 17.3 In terms of the Council's Whistleblowing Policy any complaint, once demonstrated to suggest an irregularity may have been committed, or the information available contains sufficient grounds for concern, the complaint must be referred to the Head of Internal Audit and Risk Management for further investigation, as detailed above.
- 17.4 The Council's External Auditors will have the right to demand access to all records (computerised or manual), documents and correspondence relating to any financial or other transaction of the Council and receive such explanation as are necessary, concerning any matter under examination.
- 17.5 As part of the process for Funding External Bodies, Service Directors should ensure that in establishing relationships with external organisations, they comply with the Guidance Note entitled Funding External Bodies.
- 17.6 The Head of Internal Audit and Risk Management and the senior member of the External Audit team has right of free and confidential access to the Chair of the Audit and Scrutiny Committee, in order to raise such concern as they may have.

18. INTERNAL CONTROL AND AUTHORISATION

Introduction

This Section provides advice on authorisation and internal control. Service Directors are required to ensure the principles outlined are incorporated in the working practices of their Service.

The Council requires its employees to be accountable. This means employees will understand and accept responsibility for their actions. Employees engaged in financial administration must therefore:

- be capable of performing work allocated to them;
- devote sufficient time to carry out their duties properly;
- undertake their tasks efficiently; and
- be demonstrably above reproach.

18.1 Internal Control

18.1.1 Internal controls are implemented to ensure that the Council's business is conducted in an orderly and efficient manner, its policies adhered to, its assets protected and its records complete and accurate. The Council adopts CIPFA's control objectives for all major systems, as outlined in its systems based control matrices.

18.1.2 Internal controls will vary throughout the Council or its Partnerships, depending on activity, size, volume of transactions and geographical distribution. However, three types of internal control will apply as a minimum requirement:

- Separation of Duties
- Internal Check
- Management Review

18.1.3 Separation of duties will be introduced so that individuals cannot influence financial transactions from start to finish. Therefore transactions will be progressed in stages by different people. For example, orders could be prepared by one person, received and checked off by a second person, and invoice settlement handled by a third; similarly debtor accounts will be raised, payments received and income controlled in separate offices. Alternative arrangements, for example, where only a small number of employees are available, must be agreed with the Director of Finance.

18.1.4 To reduce the chance of errors, all financial transactions must be subject to internal check at every stage. Controls will be evidenced by signing the documents involved by both the person undertaking the work and the person checking it.

18.1.5 When the internal control is performed by way of a computerised system and access rights are password controlled, authorisation must be made in the manner specified for the application, as detailed in its User Manual.
For the purposes of security, key systems are protected and as such it is absolutely crucial that passwords are not disclosed under any circumstances. The procedures for access controls are detailed in the Information Systems Security Policy.

18.1.6 Management will also regularly review financial transactions, through the use of regular reports, management returns etc. rather than on an ad hoc basis, with records of expenditure or income received for reasonableness to independent statistics or performance. For example, payphone income will be compared to telephone bills; vehicle running costs to mileage logs, etc.

18.1.7 The Director of Finance is responsible for advising on effective systems of internal control. In order to provide assurance as to the effectiveness of internal controls within financial systems the Head of Internal Audit and Risk Management must be consulted on, and give assurance as to the adequacy of internal control when any financial system is being introduced, or materially altered, as outlined in Section 17 of these

regulations.

18.2 **Authorisation**

18.2.1 The Council will only enter into transactions that are required for the essential conduct of its business, or that of a Partnership activity. Consequently, all financial transactions will be authorised before being effected.

A register of authorised signatories and users for both computerised and manual systems, is held in the Finance Service. In order to maintain this register the Director of Finance will be advised by way of the prescribed form of:

- (a) the names, designations and locations of staff appointed as authorised signatories or users;
- (b) any financial limits applicable to individual authorising officers;
- (c) the types of transactions which they approve; and
- (d) any Partnership organisation to which the authorised signatory belongs.

Sample signatures of authorising officers will also be supplied.

Any amendments to this register, e.g. leavers, amended responsibilities, will immediately be notified to the Director of Finance, by Service Directors.

Authorised Signatory forms for the main financial systems are available on outlook:\\Public Folders\\All Public Folders\\Services\\Finance Service\\Systems Access Forms.

18.2.2 By authorising financial transactions, officers are accepting responsibility for them, confirming that they are satisfied the following are true:

for orders

goods or services are relevant to the Council's or Partnerships needs, in type and quantity; are being procured at an appropriate price and quality from an approved source; and there are sufficient uncommitted funds available from the relevant budget to pay for the item(s);

for timesheets and overtime claims

hours stated were actually worked by the Council employee concerned, has not been previously paid, and were in accordance with an appropriate prior authority, such as a contract of employment, and the overtime claims comply with the terms of the Council's Overtime Working and Flexible Work Hours Policies;

for expense claims

the activity claimed was approved in advance; performed in the manner stated; and was necessary to the business of the Council, or its Partnership. The claim conforms with the relevant rates, scales or entitlements, is not excessive and has not previously been paid; and settlement of the claim is strictly in accordance with the Council's Code of Conduct for Travel and Subsistence;

for petty cash claims (imprest)

the expenditure incurred was on items of a minor nature (less than £25); is fully supported by till receipts or other reliable vouchers; is allocated to valid account codes and the imprest account has been inspected and the cash in hand checked in accordance with the correct procedures;

for invoices (including interim contract payments)

the goods or services were received by the Council, or its Partnership in good condition and met the required quality standard; the liability to pay is the Council's or Partnerships, and is a legitimate expense; the price paid is consistent with order details or other contractual arrangement with the supplier; the invoice has not previously been paid; and the costs have been allocated to appropriate codes in the Council's accounting records; and

for accounts receivable (including sundry debtors)

the account represents the amount due for services or supplies rendered for a statutory fee, or an undischarged debt, is for the maximum amount obtainable under the current scale of charges, is correctly calculated and payment has not previously been rendered.

- 18.2.3 Officers must only authorise a transaction when they are aware of its circumstances; are given access to documents supporting it; and are in a position to challenge it.
- 18.2.4 Officers will not authorise transactions in which they have a personal interest.
- 18.2.5 When officers authorise manual transactions they must sign their name in full. The use of initials alone or an ink stamp is not acceptable.
- 18.2.6 Service Directors are responsible for determining the numbers and distribution of authorised signatories and authorised users to meet their needs within the management structures of their Service.
- 18.2.7 An annual review of all such authorisations must be carried out by each Service to ensure that any list of names submitted to or held by the Director of Finance is complete and current.

18.3 Corporate Governance Assurance Statements

- 18.3.1 Service Directors shall arrange to provide the Chief Executive with an annual independent statement on internal control and risk management with their Service.

The Head of Internal Audit and Risk Management should annually provide the Council with an opinion on the adequacy and effectiveness of its system of internal control.

19. INVENTORIES AND STORES

Introduction

This Section gives details of Council requirements for inventories, stores and costing.

As inventories relate mainly to furniture and equipment procedures are therefore applicable to all Council locations.

Note

Confusion often arises between the meaning of 'inventories' and 'stores' or 'stock'. For ease of reference the Code uses these terms as follows:

Inventories: furniture, fittings, equipment, plant, machinery, vehicles, computer equipment, software and other similar items.

Stock or Stores: items used in the delivery of a service - fuel, raw materials, ingredients, spare parts, cable, light bulbs, cement, wood, glass, sink units, piping and other similar items.

Guidance Notes: Inventory Maintenance
Identification and Disposal of Surplus Assets
Stocks and Stores

- 19.1 Service Directors will be responsible for maintaining a perpetual or continuous inventory for all assets under their control, and for ensuring that annual checks, by officers independent from the relevant establishment etc, is undertaken as outlined in the Guidance Note entitled "Inventory Maintenance". Where discrepancies are noted positive action should be taken by Service Directors to rectify the situation.
- 19.2 All Service Directors will implement stock, stores control and costing systems, relevant to their business needs, subject to the approval of the Director of Finance. Services will comply with the Guidance Note "Stocks and Stores" issued by the Director of Finance.
- 19.3 It is the responsibility of all Managers to undertake checks on all assets under their control on an Annual basis. Any assets identified as being surplus to their needs should be treated in accordance with the Guidance Note entitled "Identification and Disposal of Surplus Assets".

20. MEMBERS ALLOWANCES AND EXPENSES

Introduction

This Section details the Council's requirements for the payment of Member's Allowances and Expenses and provides guidance on claims procedures.

- 20.1 Payment of Member's Allowances will be in accordance with the Scheme adopted by the Council, namely Members' Allowances and Expenses, Guidance for Members.
- 20.2 Payment of Basic Allowance and Special Responsibility Allowance will be made on a monthly basis by the Director of Finance. Members are not required to submit a claim.
- 20.3 Members are entitled to payment of travel and subsistence expenses relating to approved duties. Members are required to submit claims on official expenses claim forms and provide receipts in support of any expenses or allowances claimed. Details of the timetable for submission and rates applicable are available from the Director of Finance.
- 20.4 The Director of Finance will maintain records of all Allowances and Expenses paid to or on behalf of Members under the Scheme, detailing name, amount and nature of payment. These will be available for inspection by 1st June each year by any local government elector of the Council at the office of the Director of Finance and Service Points, free of charge, during normal working hours.

21. ORDERS FOR WORK, GOODS AND SERVICES

Introduction

This Section provides details of the Council's activity in relation to purchasing, a subject that has a major impact on the Council. It has therefore made specific arrangements for this activity:

- through authorised Budget Holders
- through a Head of Procurement
- in accordance with the Standing Orders Relating to Contracts

Guidance Notes: Procurement Purchase Card Guides

- 21.1 All Managers should ensure that all staff are aware of, and comply with the advice contained in the Guidance Notes detailed above.
- 21.2 The Head of Procurement is responsible for setting up central purchasing contracts and for notifying this information to Service Directors. Where such contracts are in place Service Directors must ensure that all staff are aware of, and comply with these arrangements.
- 21.3 Orders for computer hardware, software and telecommunications must conform to the Council's policy, The Governance of Information Systems, and the current partnership agreement between the Council and Fujitsu.

22. PARTNERSHIPS AND OTHER EXTERNAL ARRANGEMENTS

Introduction

This Section provides details of the Council's activity in relation to external agencies. Service Directors are required to ensure the principles outlined are incorporated in the working practices of their Service.

**Guidance Notes: Funding External Bodies
Joint Committee for Action in Community Care
Partnership Risks**

22.1 Partnerships

22.1.1 Partnerships are likely to play a key role in delivering community strategies and in helping to promote and improve the well-being of the Council Area through a shared vision of services based on user wishes.

22.1.2 Partnerships may be entered into for a number of the following reasons:

- the desire to fund new ways to share risk
- the ability to access new resources
- to provide new and better ways of delivering services
- to forge new relationships

22.1.3 In entering into partnerships, Services must accept that they have common responsibilities with their chosen Partner, including the following:

- a willingness to take on a role in the broader programme appropriate to the skills and resources of the partner organisation
- to act in good faith at all times and in the best interest of the Partnerships aims and objectives
- to be open about any conflicts of interest which may arise
- to promote the sharing of information, resources and skills between all parties in the Partnership
- to hold confidentially any information received as a result of partnership activities or duties that is of a confidential or commercially sensitive nature
- to act wherever possible as an ambassador for the Council in the project

22.1.4 The Director of Finance will advise Service Directors on the effective controls required from such Partnerships and ensure that the Council's resources are not wasted. Such advice should address the key elements of funding projects including scheme appraisal, risk and management appraisal, resourcing and transaction issues, and audit and security controls.

22.1.5 Service Directors should maintain a register of all contracts entered into with external bodies (including Council Companies) in terms of any advice from the Director of Finance. Prior to entering into agreements with external bodies they should ensure that a risk management appraisal has been completed and that agreements and arrangements made do not impact adversely upon the services already provided by the Council.

Service Directors must also ensure that all agreements and arrangements are properly documented and that the Director of Finance is provided with appropriate information to enable notes to be entered into the Council's Annual Statement of Accounts.

22.1.6 If the Council has in operation, Joint Committees/Partnerships where the activity of such Committees/Partnerships are administered by officers who may be officers of the Council or other partners a Guidance Note relevant to these activities will be prepared, and should operate in conjunction with the Sections in this document.

22.2 **External Funding**

22.2.1 External funding is potentially a very important source of income to the Council, but the conditions attached need to be carefully considered to ensure that they are compatible with the aims and objectives of the Council. While funds from external Agencies provide additional resources to enable the Council to deliver services to the local community it has to be recognised that the funding may be linked to tight specifications and may not be flexible enough to link to the Council's overall plan.

22.2.2 The Director of Finance should ensure that arrangements are in place to receive and properly record such income in the Council's accounts, that audit and accounting requirements are met, and that the funding requirements are considered prior to entering into any agreements, both in the present and the future.

22.2.3 For their part Service Directors must ensure that the project progresses in accordance with the agreed terms and that all expenditure is properly incurred and recorded. They must also ensure that claims for funds are made by the due date.

22.3 **Working for Third Parties**

22.3.1 Current legislation enables the Council to provide a range of services to other bodies. Such work may enable a Unit or Service to maintain economies of scale and existing expertise. Arrangements must be in place to ensure that any risk associated with this work is minimised and that such work is intra vires.

22.3.2 The Director of Finance is responsible for the issue of any financial guidance regarding activity of this nature, including arrangements for the maintenance of contract registers.

22.3.3 For their part Service Directors must ensure:

- that the approval of relevant Committees is obtained before any negotiations are concluded to work for third parties
- that a register of all contracts entered into with third parties is maintained in accordance with procedures specified by the Director of Finance
- that appropriate insurance arrangements are made
- that the Council is not put at risk from any bad debt
- that no contracts are subsidised by the Council without formal approval
- that wherever possible, payment is received in advance of the delivery of the service
- that the Service has the appropriate expertise to undertake the contract
- that such contracts do not impact adversely upon the services provided by the Council
- that all contracts are properly documented
- that the Director of Finance is provided with appropriate information to enable notes to be entered into the Council's Annual Statement of Accounts

22.4 **Audit**

Any terms and regulations relating to the above activities should include reference to the fact that they are subject to review by Internal Audit.

22.5 **Joint Committee for Action in Community Care**

A document, in the form of a Guidance Note on Financial Issues, has been drafted in order to provide a sound basis for the control of the affairs of this Joint Committee. This document should be referred to as an example of Governance issues to be considered in any future activity around Joint Committees with Partners from outwith the Council.

23. PAYROLL, PENSIONS , AND TRAVEL AND SUBSISTENCE

Introduction

This Section provides details of the Council's requirements for payroll, travel and subsistence and pensions. Although the Director of Finance is responsible for payment it is essential that Services have systems in place to ensure timeous and accurate information is passed to the Director of Finance. Service Directors must ensure that all payroll costs, including bonus payments and overtime, are accurate and that leavers are deleted timeously from the payroll.

- 23.1 Employee salaries, wages, pensions, compensation, expenses, subsistence, claims and other emoluments will be paid by the Director of Finance to all employees of the Council and members of certain bodies of the Council's Pension Scheme through the Payroll System, or under arrangements approved by the Council.
- 23.2 The Director of Finance will be responsible for the payment of all appropriate wages and salary agreements to Council employees and together with the Chief Executive, for informing all other Service Directors of any changes to Conditions of Service.
- 23.3 The Chief Executive or appropriate Service Director will formally notify the Director of Finance as soon as possible of all matters affecting payments of emoluments. Including:
- 23.3.1 appointments, resignations, dismissals, suspensions, secondments and transfers;
 - 23.3.2 changes in remuneration, other than normal increments, pay awards and agreements of general application;
 - 23.3.3 absences from duty for sickness or other reasons other than approved annual/flexi leave; and
 - 23.3.4 information required to maintain records for superannuation, income tax and social security purposes.
- 23.4 Service Directors are responsible for ensuring that appointments of staff within their Service are made in accordance with the staff structures approved by the Resources Committee.
- 23.5 Information required for payroll processing will be in a format approved by the Director of Finance and be authorised by Service Directors.
- 23.6 All payroll and pension documents must be in a form approved by the Director of Finance. Where appropriate, these forms should be signed by the claimant prior to being signed by an authorised person.
- 23.7 Service Directors should ensure that authorisation and internal control procedures applied within the activity of payroll etc comply with Section 18.
- 23.8 The Director of Finance will be responsible for the administration and regulation of employee expenses.
- 23.9 Certified claims for car allowances, subsistence allowances, travelling and incidental expenses will be submitted in a format approved by the Director of Finance by agreed dates. Details of all authorised signatories, including specimen signatures and any amendments will be provided to the Director of Finance by Service Directors.
- 23.10 Certification of any claim by Service Directors indicates satisfaction as to the accuracy of the claim and that it agrees with all terms of the Code of Conduct for Travel and Subsistence.
- 23.11 Service Directors will regularly review the arrangements in place within their Service for the certification of any claim to ensure that checks are being performed to the standards detailed in the Code of Conduct for Travel and Subsistence.

23.12 Service Directors will timeously provide the Director of Finance with any details required for the annual return of taxable emoluments.

24. PAYMENT OF ACCOUNTS, GRANTS, CONTRIBUTIONS AND SUBSCRIPTIONS

Introduction

This Section details the Council's requirements for payments of accounts, grants etc. It includes procedures to ensure that the Council and any Partner only makes payments which are due to be paid and for the correct amount.

Service Directors will ensure that appropriate and efficient systems operate within their Services and that of any Partner, for certification of invoices for payment. Performance Indicators published by the Council in accordance with the Accounts Commission Direction include:

"The number of invoices paid within 30 calendar days of receipt, as a percentage of all invoices paid."

Therefore, Directors should ensure that all invoices are processed at least within 21 calendar days of receipt unless held back due to dispute. In scheduling the payment of invoices etc, the Director of Finance must take account of commercial terms and conditions, and the Treasury Management needs of the Council.

Guidance Note: Receipt of Goods and Payment of Creditor Invoices

- 24.1 Apart from petty cash and other payments from imprest accounts, payments from the Council will be via BACS, cheque, CHAPS or other mechanisms paid from the Council's bank account(s) by the Director of Finance or authorised signatory. Alternative arrangements, including the use of credit cards etc, will be acceptable only if approved in advance by the Director of Finance.
- 24.2 For internal control purposes, Service Directors will ensure the separation of duties of employees responsible for the ordering process from employees responsible for the invoice certification process unless alternative arrangements have been agreed in advance with the Director of Finance.
- 24.3 Service Directors will arrange timeous processing of invoices for payment and internal recharges after ensuring that:
- (i) expenditure is on items or services which it is within the Council's legal powers to incur;
 - (ii) goods, materials or services to which the invoice relates have been received, and are in accordance with the order;
 - (iii) prices, extensions, calculations, trade discounts, other allowances, credits and tax are correct;
 - (iv) expenditure has been properly incurred and is within the relevant estimate provision;
 - (v) appropriate entries have been made in inventories, stores or stock records as required;
 - (vi) invoices have been made out by the supplier of the goods, services etc, not an Officer of the Council; and
 - (vii) where internal recharges are processed prior to certification the charge will be agreed by the relevant parties as soon as possible after processing. Any disagreements will be referred to the Chief Executive or Director of Finance.
- 24.4 Service Directors should ensure that Authorisation and Internal Control procedures applied within the activity of Account Payments etc comply with Section 18.

- 24.5 Payments will only be made on duplicate or photocopied invoices where the Budget Holder has undertaken sufficient checks to ensure that the original invoice has not been previously processed. In respect of Accounts Payable, the invoice should agree to an existing unmatched purchase order although for PECOS orders this is completed as a matter of course. The inability to match a copy invoice should alert the Budget Holder to the possibility that it is a duplicate invoice.
- 24.6 Where the sum invoiced by a supplier is incorrect, the invoice should be returned to the supplier for alteration. Alternatively, the supplier may issue a credit note which will be processed through the Accounts Payable module of Oracle.
- 24.7 The format of recharges to, from and within Services will be approved by the Director of Finance.
- 24.8 Applicants for grants and subscriptions from the Council or the Common Good Funds will submit completed application forms and where appropriate their Constitution and Audited Accounts to be reviewed by relevant Directors or Area Managers. Applications along with a report by the relevant Service Director or Area Manager will be submitted to the appropriate Committee for approval in terms of the Council's Conditions of Grant.
- 24.9 The Director of Finance will annually issue instructions to Service Directors on the procedure to be followed regarding invoices, unpaid at the end of the Financial Year.
- 24.10 Information regarding any cessation or change of user affecting non housing rent shall be passed to the Director of Housing and Property by the Service Director concerned.

25. PERFORMANCE INDICATORS

Introduction

This Section provides information on statutory performance indicators and their preparation.

The Local Government Act 1992 (as amended) places a duty upon authorities to ensure they have arrangements in place for collecting, recording and publishing information required to comply with the annual directions issued by the Accounts Commission. The Council must ensure, as far as possible, that the information published in relation to these requirements is accurate and complete.

25.1 Statutory Performance Indicators

25.1.1 Under the Local Government Act 1992 (as amended by the Local Government(s) Act 2003), all local authorities are required to publish specific information on the performance of their services. The information required is detailed in an annual direction to local authorities issued by the Accounts Commission, details of which are available at: Statutory Performance Indicators.

25.2 Preparation of Indicators

25.2.1 The Director of Finance will ensure that officials at Corporate and Service level have been allocated the responsibility for preparing the indicators and ensuring compliance with statutory requirements.

25.2.2 In order to prepare the indicators each Service Director will:

- establish systems and procedures to ensure that the required information is gathered;
- ensure that all working papers and relevant documents which may be examined by external auditors will be available on request;
- gather information which is as far as possible, accurate and complete;
- ensure the annual direction and guidance is available to all officers involved in the process; and
- publish the data required in the correct format by the prescribed date.

25.2.3 Service Directors will establish and document procedures for ensuring the completeness and accuracy of performance information. These will include: audit trails, internal checks, reconciliations, independent reviews, reasonableness tests, variance analyses etc.

25.2.4 Service Directors shall report the statutory performance indicators to the appropriate Committees on an annual basis.

26. PETTY CASH (IMPRESTS)

Introduction

This Section details the Council's requirements for the operation of petty cash expenditure. It includes:

- Operational procedures Security**
- The type of payments - essentially of a small nature**
- The submission of an annual certificate of balance at financial year end**

Guidance Note: Petty Cash and Cash Floats

- 26.1 Service Directors are responsible for the approval of establishing a petty cash system within an establishment, and for ensuring that all staff involved operate the system as detailed in the Guidance Note entitled Petty Cash and Cash Floats.

27. PREVENTION AND DETECTION OF FRAUD AND CORRUPTION

Introduction

This Section provides information relative to the Council's Strategy for the Prevention and Detection of Fraud and Corruption ("The Strategy") and includes:

27.1 Strategy

27.1.1 The Council has a Strategy document relating to the Strategy for the Prevention and Detection of Fraud and Corruption.

Reference is made within this document to a list of related documents, including the Code of Conduct for Council Employees (incorporating the Policy on Whistleblowing).

Service Directors shall be responsible for ensuring that all employees under their management are aware of the contents of this document and that employees adhere to the rules and regulations contained therein.

27.1.2 Included within this Strategy document is an instruction which states that:

"Whenever any matter arises which involves, or is thought to involve, irregularities concerning finance, assets or property of the Council or any suspected irregularities in the exercise of the functions of the Council, the Service Director concerned (the Investigating Officer) will immediately notify the Head of Internal Audit and Risk Management (the Advisory Officer) representing the Director of Finance."

The Head of Internal Audit and Risk Management will take such steps as are considered necessary by way of investigation in terms of the Section's Internal Audit Manual.

27.1.3 Where investigations indicate that a criminal offence may have been committed, the Head of Internal Audit and Risk Management, will normally, in terms of the Sections Internal Audit Manual, report the matter to the police.

27.1.4 It is the responsibility of Service Directors to ensure that the Council's disciplinary procedures are instigated where the outcome of any Audit investigation indicates improper behaviour on the part of an employee.

28. PROPERTY AND SECURITY

Introduction

This Section details the Council's requirements for Property and Security. It includes:

- **the maintenance of a land database together with a register of all Heritable Properties;**
- **custody of Title Deeds;**
- **security for cash, stores, furniture and equipment;**
- **security for keys;**
- **security for financial documents, cheques etc, data or information; and**
- **compliance with all Information System policies.**

28.1 The Director of Housing and Property will maintain both a land database, including a register of all Heritable Properties owned by the Council, and a register of HRA properties.

This Register shall as far as practicable, include the following information:

- a) Location and Plan Register
- b) Property Address
- c) Tenure
- d) Description
- e) Details of the Holding Service
- f) Occupier
- g) Current Valuation
- h) Date of Valuation
- i) Basis of Valuation
- j) Purchase Details
- k) Estimate of Remaining life of Asset
- l) Rents Payable
- m) Tenancies Granted

The Director of Transport, Environmental and Community Services should maintain a register of Plant and Vehicles.

Where any land or building is potentially surplus or had been declared surplus to the requirements of any Committee, the matter shall be referred to the Director of Housing and Property, who shall advise all other Services to ascertain whether the land or building can be appropriately used. Thereafter they shall proceed within the terms of the Councils disposal policy, where there is no appropriate demand.

Information relating to the above should be made available to the Director of Finance to support Capital Accounting requirements and be cross referenced to the Title Deed register.

28.2 Service Directors are responsible for proper security at all times of the property, cash, stock, stores, furniture, equipment, keys etc under their control. The Director of Finance will be consulted by Service Directors in cases where security is thought to be defective or inadequate or that special security arrangements may be required.

The borrowing of Council Assets is forbidden unless prior authority from the Service Director is received. Under no circumstances should equipment be borrowed for an employee's personal use.

The arrangements for the security of Information Systems/Technology, and associated data, software and services are detailed in the Information Systems Security Policy and Information Systems Security Framework. The acceptable usage of this policy, adopted by the Council, should be complied with at all times.

28.3 All heritable securities which are the property of or in the name of the Council, or its nominees, and the title deeds of all property in its ownership will be held in the custody of the Chief Executive.

- 28.4 Service Directors will advise the Director of Finance of all circumstances within their Service where cash is held or is otherwise under the control of employees. Maximum limits for cash holdings will be agreed with the Director of Finance and must not be exceeded without his approval.
- 28.5 The following procedures should form part of the arrangements Service Directors make for the control and use of keys:
- Keys to safes and similar security receptacles must be carried on the persons of those responsible or held in a secure place if this practice is inconvenient. The loss of any such keys must be reported immediately to the appropriate Service Director;
 - On no account should safe keys be left in unattended premises which house the safe;
 - Duplicate keys should be retained in terms of instructions issued by the appropriate Service Director;
 - A register of keyholders must be held for each location.
- 28.6 All employees who may be required to receive or hold cash, valuables or property on behalf of the Council, should receive from the Chief Executive an identity card bearing their photograph. They must produce the card, to any person having reasonable grounds to know the identity of the holder.
- 28.7 The Director of Finance will be responsible for ensuring that secure arrangements are in place for the preparation and storing of preprinted/presigned cheques, stock certificates, bonds and other financial documents.
- 28.8 Service Directors will be responsible for the security, custody and control of all documents within their Service. The retention period for all financially related books, forms and records will be determined by the Director of Finance and published in a Retention Strategy.
- 28.9 Service Directors whose Service receives pay advice notes or cheques for distribution to employees shall arrange adequate security measures, covering the pay advice notes and cheques from the time of receipt until they are handed over to the individual employees. Cheques which, for a valid reason, cannot be distributed within seven days, shall be returned to the Director of Finance with a written explanation of the circumstances.
- 28.10 Insignia of Office and similar items will be deposited with the Area Managers for safe custody.

29. RECEIPT OF GIFTS, GRATUITIES AND HOSPITALITY ETC.

Introduction

The Council has in place an approved Code of Conduct for Employees while Members comply with a National Code. Members and employees are both personally liable for their conduct and as such must comply strictly with the terms of these Codes.

- 29.1 Service Directors are responsible for ensuring that all staff are aware of the terms of the Code of Conduct for Employees and that they comply with the conditions therein.

30. RETENTION OF FINANCIAL DOCUMENTS

Introduction

This Section provides detail on the retention and disposal of financial documents.

30.1 Main Issues

- 30.1.1 The main reasons behind questions on document retention are storage difficulties, cost and VFM. Once documents are no longer required for day to day administration there is a strong incentive to dispose of them. However, there are certain requirements imposed by HMRC HM Revenue and Customs and Grant Awarding Bodies (e.g. European Funding) which must be strictly adhered to.
- 30.1.2 Apart from these requirements Service Directors will decide what is to be retained, based on operational needs, the availability of storage facilities, and the Document Retention Schedule published by the Director of Finance. It should be recognised that the premature disposal of documents can be prejudicial to a number of enquiries, including fraud.
- 30.1.3 Service Directors will establish if there are any further retention requirements (e.g. contractual, legal, industry practice, etc) and must ensure that these are met.
- 30.1.4 Generally the original document will be retained. Therefore Service duplicate copies (e.g. of timesheets) may be disposed of before the relevant time scales have passed. However, Services must ensure that the original has been retained before disposing of any duplicates.
- 30.1.5 To save storage costs, documents can be retained on microfilm or document imaging systems rather than in paper form. However, it is important to establish the legal admissibility of information stored in photographic or electronic form first, as well as dealing with issues such as the potential for loss by fire, computer failure, etc. Advice on the most efficient methods of storage can be obtained from the Council's Archivist.
- 30.1.6 While the advice contained herein is of a general nature any specific problems relating to Financial records should be addressed to the Director of Finance.

30.2 Retention Periods

- 30.2.1 The Director of Finance has published a general guidance on this subject entitled Document Retention Schedule. The terms contained within that document should be strictly complied with.

30.3 Storage and Disposal

- 30.3.1 All current and historical financial documents must be retained securely.
- 30.3.2 Previous year's records will be retained on file as well as the current year's. Subsequently, documents to be retained can be held in storage in secure containers with access to the store controlled.
- 30.3.3 Permanent records will be retained separately from those to be disposed of in due course:
- in acid-free boxes or document wallets
 - in well-ventilated premises on shelves allowing a free-flow of air
- 30.3.4 Financial document containers will be labelled clearly detailing:
- the origin and contents;
 - the period they relate to;

- the person or section responsible for them; and
- their retention information (generally a "Not to be Disposed of Before" date).

30.3.5 Time-expired financial records which include any personal information must be treated as confidential waste and will be shredded or incinerated under supervision or forwarded to a specialist contractor (for confidential destruction). Financial records not including personal information can be disposed of through ordinary waste paper collection agents but must not be placed in open skips, left out in bin sacks or be exposed to casual retrieval.

31. STEWARDSHIP OF COMMON GOOD, TRUST AND CHARITABLE FUNDS, AND FINANCIAL GUARDIANSHIPS ETC

Introduction

This Section details the Council's requirements for the stewardship of the Common Good Funds, Trusts and other Charitable Funds. It includes:

- **Appointment of an Investment Manager;**
- **Performance Review by the relevant Area Committee;**
- **Safe custody and control of funds and securities; and**
- **Guidance for Curators.**

31.1 The Director of Finance will appoint an Investment Manager(s) to manage the investments of the Pensions Fund and Common Good Funds on a discretionary basis. The Investment Mandate and subsequent amendments will be agreed by the Resources or relevant Area Committee. Any investments made or investments sold must be in accordance with the terms of the Investment Mandate.

31.2 The relevant Committee will meet at least annually with the Council's Investment Manager to review performance and strategy relating to the invested funds for the Pension Fund and Common Good Funds.

31.3 All securities which are the property of, or are in the name of the Council will be held either in the custody of the Director of Finance, or, under his supervision by the Council's bankers or Investment Manager. Unless there are exceptional circumstances trust funds will be in the name of the Council.

31.4 Unless otherwise provided for in a trust deed or Investment Mandate, the sale of investments, will be in line with the policy determined by the Resources Committee.

31.5 All Officers acting as Trustees will deposit all securities etc. relating to trusts or charitable funds with the Director of Finance unless the deed states otherwise.

31.6 The Director of Finance will ensure appropriate custody and control of all charitable funds held by the Council ensuring that all expenditure is in accordance with the conditions of relevant trust deeds.

31.7 The disposal of assets which belong to the Pension Fund or Common Good Funds will be the subject of approval from the Council.

31.8 Financial Guardianships etc

31.8.1 The Director of Finance in consultation with the Director of Social Work where appropriate, will ensure that suitable arrangements are made to discharge the responsibilities of Financial Guardianships etc, where Council officials are required to act in this capacity.

31.8.2 In any circumstances where Council officials are involved in the stewardship of funds relating to others they shall comply with legislation and/or regulations relevant to the particular situation.

32. TAX AND VAT MANAGEMENT

Introduction

This Section summarises the Council's requirements for Income Tax and VAT Management. It includes:

- **Allocation of responsibility for taxation to the Director of Finance;**
- **The appointment of professional advisers; and**
- **The requirement for Service Directors to consult the Director of Finance on transactions which have tax implications.**

Periodically the Council is inspected by the HMRC HM Revenue and Customs. These inspections may result in the imposition of penalties for non-compliance with tax law. Therefore, it is essential that Service Directors ensure that employees are aware of any relevant taxation matters and that where necessary guidance is obtained from the Director of Finance.

Guidance on "VAT" has been issued by the Budget Strategy, Policy and Taxation Section of the Finance Service.

- 32.1 The Director of Finance will be responsible for the taxation procedures of the Council, ensuring where possible, that tax liabilities and obligations are properly reported and accounted for, avoiding any possible losses.
- 32.2 In particular the Director of Finance will be responsible for:
- 32.2.1 ensuring that transactions comply with relevant statutory requirements and authorities;
 - 32.2.2 minimising the Council's tax liability; and
 - 32.2.3 maximising the Council's tax flow.
- 32.3 In carrying out such responsibilities the Director of Finance will:
- 32.3.1 define and allocate duties in relation to taxation and tax management;
 - 32.3.2 ensure that financial control systems operate effectively, produce the necessary information and minimise the risk of error;
 - 32.3.3 ensure appropriate guidance is provided to employees involved in processing tax related transactions;
 - 32.3.4 ensure assistance is provided for any investigations undertaken by any Government Agency, and that justification for assessments made resulting from investigations are properly reviewed;
 - 32.3.5 implement arrangements to monitor the execution of these responsibilities; and
 - 32.3.6 report any significant changes to the Council's tax affairs to the Resources Committee.
- 32.4 The Director of Finance may appoint external tax specialists.
- 32.5 The Director of Finance will be responsible for the dissemination of information on tax matters as appropriate. Service Directors will be responsible for implementing guidelines introduced by the Director of Finance regarding any particular aspect of tax.
- 32.6 Where transactions of a new or unusual nature are being considered, Service Directors will consult with the Director of Finance on the tax implications before committing the Council.

33. TREASURY MANAGEMENT

Introduction

This Section explains the Council’s policy for treasury management. The Council defines its treasury management activities as “the management of its cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

Such activities are not necessarily confined to one specialist section of the Council as is often portrayed. Each person within the Council has an important role to play and can actively assist by good financial housekeeping on a day to day basis. For example, staff can assist in improving savings on interest charges and cash flow by giving the Director of Finance advance notice of any large requests for payment or of anticipated large receipts.

33.1 Policy Statement

33.1.1 The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation. It also acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management. In particular it fully endorses the following clauses from CIPFA’s Treasury Management Code:

- (i) The Council adopts the key recommendations of CIPFA’s Treasury Management in the Public Services: Code of Practice (the Code) 2001 as described in section 4 of that Code.
- (ii) The Council will create and maintain as the cornerstones for effective treasury management:
 - A treasury management policy statement (TMPS), stating the policies and objectives of its treasury management activities.
 - Suitable treasury management practices (TMP), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- (iii) The Council will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, and an annual report after its close, in the form prescribed in its TMPS.
- (iv) The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Resources Committee and for the execution and administration of treasury management decisions to the Director of Finance who will act in accordance with the Council’s policy statement and TMPS and CIPFA’s Standard of Professional Practice on Treasury Management.

33.2 Approved Activities

33.2.1 Treasury management covers long and short term borrowing, lending and the arrangement of lease finance. Fuller guidance about approved activities and procedures are available in the Treasury Management Policy Statement and copies may be obtained from the Director of Finance. A summary of the main activities is shown below.

33.2.2 The approved functions of long term borrowing are:

- the determination and arrangement of the long term borrowing requirements of the Council
- the prudent management of the debt of the Council, to minimise exposure to risk.
- the prudent management of the cost of debt charges and borrowing, present and future, to optimise the Council's interest rate charges. This shall include options such as debt restructuring and rescheduling.

33.2.3 The approved functions of short term borrowing are:

- the calculation and arrangement of short term funding required by the Council.
- the review of terms offered by lenders and identification of the most cost effective options available to the Council.

33.2.4 The approved functions of lease finance arrangement are:

- the identification of assets suitable for finance and operating leasing and arrangement of appropriate leasing terms.
- the arrangement of extensions to existing lease arrangements where required.

33.2.5 The approved functions of investment of surplus funds are:

- the investment of available surplus funds in approved investments in accordance with the CIPFA Code of Practice and the Council's Treasury Management Policy.
- the regular review of the list of approved investments within the Treasury Practices Statement, and where change is required to obtain approval from the Resources Committee.

33.3 **Use of Treasury and Investment Advisers**

33.3.1 The Director of Finance may appoint advisers for assistance and guidance on treasury management activities and may engage advisers on other financing aspects as considered appropriate, such as lease finance.

33.4 **Administrative Arrangements and Delegated Powers**

33.4.1 All Council monies shall be aggregated for treasury management purposes and will be under the control of the Director of Finance.

33.4.2 All executive decisions on borrowing, investment and financing shall be delegated to the Director of Finance or other designated officer and shall be undertaken in accordance with the CIPFA Code of Practices and CIPFA's Statement on Recommended Practices (SORP) on Treasury Management.

33.4.3 All borrowings on behalf of the Council shall be held in the name of the Council and secured on the taxes and revenues of the Council unless they relate to trusts under deeds of trust or other documents.

33.4.4 The Director of Finance, or other designated officers, are all authorised to sign all loan, leasing and investments documents unless:

- statute or other legal requirements require other signatures; or
- alternative arrangements have been approved by the Resources Committee.

33.4.5 The Director of Finance shall be the Registrar of stocks, bonds and mortgages held by the Council and shall maintain records of all borrowing, except where another Registrar has been appointed by the Council, in which case the Director of Finance

shall maintain records of all amounts borrowed.

33.5 **Reporting Requirements and Annual Report**

The Director of Finance shall submit regular reports on the Council's treasury management activities to every meeting of the Resources Committee. This must include an annual strategy plan in advance of the year, and an annual report after its close in the form prescribed in its Treasury Management Practices.

34. VOLUNTARY FUNDS

Introduction

This Section explains the Council policy for the operation of Voluntary Funds. A Voluntary Fund is defined as any fund (other than an official Council fund) that is managed wholly or in part by a Council employee. School Funds and Funds relative to the support of Social Work Services establishments are therefore included.

Voluntary Funds can provide substantial levels of finance, and although they are not public money they are intended to support public services, and council employees are usually involved in their management. The standards outlined elsewhere in these Regulations are therefore equally applicable in order to protect both the source of finance and the employees concerned. Parents and other benefactors are also entitled to the same standard of stewardship for such funds as public funds.

Guidance on School Funds has been issued by the Director of Education, Culture and Sport and should be read in conjunction with these Regulations.

34.1 General

- 34.1.1 The financial control of Voluntary Funds shall reflect the standard required of public funds.
- 34.1.2 Voluntary fund money will be kept separate from Council money. Bank Accounts may only be opened or operated in accordance with the Regulation relating to Banking Arrangements, within this document. Such Bank Accounts shall bear the name of Highland Council, the establishment to which it relates along with its purpose.
- 34.1.3 Money due to the Council will not be paid into any Voluntary Fund, either permanently or temporary. All money, goods or property of the Voluntary Fund will be kept separate from those of the Council.
- 34.1.4 Council employees should not personally involve themselves in the financial administration or activity, of any Group or Organisation to which they have, as an Officer of the Council, been appointed as an adviser to the Group or Organisation.
- 34.1.5 The Director of Finance or his representative may examine the accounts and records of the Fund when held by a Council employee, in their capacity as an Officer of the Council, and ask for such records, explanations and information as they may require.
- 34.1.6 Where Voluntary Funds are administered outwith the Accounting system of the Council then the officer responsible should ensure that proper records are maintained and that Annual Audited accounts are prepared.
- 34.1.7 Service Directors should maintain a register of all Voluntary Funds under the management of Officers from their Service, and make this available to the Director of Finance on request.
- 34.1.8 All fund transactions shall require the approval of two authorised signatories, who shall require the approval of the relevant senior officer. Any exceptional departure from this requirement shall required written approval from the Director of Finance

SECTION 4 - GLOSSARY OF TERMS

Authorised Persons/Signatories	Officers of the Council granted approval by a Committee or Director to undertake specific tasks.
Budget Holder	The Officer with whom responsibility for particular budget(s) rests.
Cost Centre	An establishment, school, management unit, etc.
Council	The Highland Council, incorporated under the Local Government Etc. (Scot) Act 1994.
The 1973 Act	The Local Government (Scot) Act 1973.
Committee	All Committees of the Council including Area Committees and Sub-Committees.
Service Directors	The Chief Executive and Service Directors or any Officers so delegated by them to undertake specific tasks. This authority must be documented within the Service and comply with Section 18 of this document.
Contract Standing Orders	The Scheme for managing the Tendering Procedures of the Council.
Contract	Includes any work which may be assigned to any of the Council's Direct Labour or Direct Services Organisations.
Employees	This term relates to any officers of the Council, or those acting within the terms of a Joint Committee or Partnership.
Director of Finance	The Officer appointed as "the proper officer" in terms of Sec 95 of The 1973 Act, or any officer delegated by him.
Financial Systems	Means any process which has an element of financial activity either within the process itself or within its input or output.
Locations	This is a generic term adopted to relate to any <u>place</u> that a service is provided e.g. School, Office, Residential Establishment, Sports Ground etc.

GLOSSARY OF TERMS

Monitoring Officer	The Officer appointed in terms of the Local Government and Housing Act 1989 to, amongst other things, promote and maintain high standards of financial conduct, and for reporting on breaches of the law.
Prescribed Amount	The amount or category as prescribed by the Resources Committee and approved by the Council from time to time.
Prescribed Form	Form entitled "User Maintenance for Oracle Financials and Financial Manual Systems".
Trading Operations	Means Internal Trading Operation as defined by the Local Government Scotland Act 2003.
Virement	This refers to the switching of budgetary provision from one budget head to another.

PART 5
INDEX OF SUPPORTING DOCUMENTATION

<u>B</u>	<u>Budgetary Control</u>	<u>11.6</u>
	<u>Budget Virement</u>	<u>11.6</u>
	<u>Business Continuity Plan</u>	<u>16.7</u>
<u>C</u>	<u>Code of Conduct for Employees</u>	<u>29</u>
	<u>Code of Conduct for Travel and Subsistence</u>	<u>23.10</u>
<u>D</u>	<u>Debtors Accounts (Issue Thereof)</u>	<u>15.8/15.10</u>
	<u>Document Retention Schedule</u>	<u>30.1.2</u>
	<u>Definition of Capital Expenditure</u>	<u>8</u>
<u>F</u>	<u>Funding External Bodies</u>	<u>17.5/22</u>
<u>G</u>	<u>Governance of Information Systems</u>	<u>21.3</u>
	<u>Grant Claim Financial Procedures</u>	<u>15.7</u>
	<u>Guidance to Councillors and Officers who serve on outside Bodies</u>	<u>2.4.4</u>
	<u>Guidance on School Funds</u>	<u>34</u>
	<u>Guidance on VAT</u>	<u>32</u>
<u>I</u>	<u>Identification and Disposal of Surplus Assets</u>	<u>19.3</u>
	<u>Information Systems Security Framework</u>	<u>28.2</u>
	<u>Information Systems Security Policy</u>	<u>18.1.5/28.2</u>
	<u>Insurance Claims Procedure</u>	<u>16.3.1</u>
	<u>Inventory Maintenance</u>	<u>19.1</u>
<u>J</u>	<u>Joint Committee of Action in Community Care</u>	<u>22.5</u>
	<u>Journal Entries</u>	<u>11</u>
<u>L</u>	<u>Local Code of Corporate Governance</u>	<u>3.1</u>
<u>M</u>	<u>Members' Allowances and Expenses, Guidance for Members</u>	<u>20.1</u>
	<u>Members Code of Conduct</u>	<u>29</u>
<u>P</u>	<u>Partnerships Risks</u>	<u>22.1</u>
	<u>Petty Cash and Cash Floats</u>	<u>26.1</u>
	<u>Procurement</u>	<u>21</u>
	<u>Purchase Card Guide</u>	<u>21</u>
<u>R</u>	<u>Receipt of Goods and Payment of Creditors Invoices</u>	<u>24</u>
	<u>Receipt of Income</u>	<u>12.9/15.5</u>
<u>S</u>	<u>Significant Trading Operations</u>	<u>7.6</u>
	<u>Standing Orders Relating to Contracts</u>	<u>13</u>
	<u>Stocks and Shares</u>	<u>19.2</u>
	<u>Strategy and Policy for Risk Management</u>	<u>16.6</u>
	<u>Strategy for the Prevention and Detection of Fraud and Corruption</u>	<u>17.2/27/27.1</u>
<u>V</u>	<u>Vacant Properties</u>	<u>16.5</u>
<u>W</u>	<u>Whistleblowing Policy</u>	<u>2.4.5/17.3</u>