

Agenda Item	7
Report No	AS/11/15

## Financial Regulations – Proposed amendment

### Report by Head of Audit & Risk Management

#### Summary

This report refers to amendments to the Council's Financial Regulations arising from Internal Audit reports.

## 1. Background

- 1.1 Actions arising from two Internal Audit reports presented to this Committee today require minor amendments to the Council's Financial Regulations.

## 2. Amendments to Financial Regulations

- 2.1 The Internal Audit report: Corporate Arrears Recovery System – Project Governance, which is considered at agenda item 3, placed an action on the on the Head of Internal Audit & Risk Management to revise the Council's Financial Regulations, Section 25 (Project Governance, External Funding, Arm's Length External Organisations and Partnerships). These revisions are referred to as follows:

1. Currently Financial Regulation 25.1.1 requires that: "The Council has adopted a formal options appraisal process to evaluate and prioritise the projects for inclusion within its capital programme. For other projects, including those involving partners and for joint venture initiatives, the project sponsor must ensure that a business case has been established."

It is proposed that the above Regulation is supplemented by the following text: "*The business case will clearly identify all Council costs, including supplier selection costs and staff costs. Staff costs will also be identified and reported as necessary throughout the lifetime of the project.*"

2. Guidance regarding what is reported to Council Committees and when it is reported will be included in Financial Regulations, and
3. Guidance to clarify that Council committee approval should be sought and appropriate budgets clearly identified will be included in Financial Regulations if the costs of an ICT Project significantly change.

Currently Financial Regulation 25.1.3 requires that: "All reports (relating to projects) must receive Strategic Committee approval."

It is proposed that the above Regulation is supplemented by the following text: "... *and identify the proposed project expenditure and the source of funding it. If the project expenditure increases by more than 10% during the project, then the expenditure increase and the source of funding must also receive Strategic Committee approval.*"

- 2.2 The Internal Audit report: Housing Revenue Account – Reconciliation Investigation, which is considered at agenda item 3, placed an action on the Head of Corporate Finance to revise the Council's Financial Regulations, Section 9 (Control of Revenue Expenditure Including Virement).

Currently Financial Regulation 9.8 requires that; "Maintenance of appropriate costing system 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."

It is proposed that the above Regulation is supplemented by the following text: "*Services must obtain any necessary guidance from the Finance Service regarding reconciliation processes and the financial ledger and must also agree the process with the Finance Service.*"

- 2.3 A full review of Financial Regulations was last undertaken in June 2014 and a minor revision was approved in March 2015. No further amendments are considered to be necessary at this time.

### **3. Implications**

- 3.1 There are no Resource; Legal; Equalities; Climate Change/Carbon Clever; Risk, Gaelic and Rural implications as a direct result of this report.

<b>Recommendation</b>
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Members are asked to consider the above revisions and recommend acceptance to the Council.
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Designation: Head of Audit & Risk Management

Date: 9<sup>th</sup> June 2015

Author: Nigel Rose, Head of Audit & Risk Management

Background Papers: