

# **HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD**

## **FINANCIAL REGULATIONS**

**September 2017**

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## **SECTION 1 – OVERVIEW**

### **1. SCOPE**

- 1.1 The Local Authority Accounts (Scotland) Regulations 2014 are now in force.
- 1.2 The Board, Officers and Members, Partners and anyone acting on behalf of the Board 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 Treasurer, who may discuss the matter with the Assessor 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 Board's Standing Orders and the Scheme of Delegation.

## **2. RESPONSIBILITIES**

### **2.1 Board**

- 2.1.1 The Board and its officers, will continuously strive to secure best value by way of economic, efficient and effective use of resources.
- 2.1.2 The Treasurer, in consultation with the Assessor, as appropriate, will advise the Board on the appropriate financial policies and guidance.

### **2.2 Treasurer**

- 2.2.1 These Financial Regulations detail the responsibilities of the Treasurer, who has been appointed as the “Proper Officer” of the Board, in terms of Section 95 of the Local Government (Scotland) Act 1973. The post holder is responsible for the proper financial administration of the Board’s affairs, and acts as financial adviser to the Board.
- 2.2.2 The Treasurer, in fulfilling their duties, complies with the requirements of the CIPFA Statement on the role of the Chief Financial Officer in Public Sector Organisations
- 2.2.3 Any reference in these Regulations to the Treasurer includes those specifically authorised by him to undertake the various functions concerned.

### **2.3 Assessor**

- 2.3.1 The Assessor 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 Board’s finances should only be conducted by properly authorised employees. In respect of delegated activity, the Assessor will establish a clear and effective framework of authorisation.
- 2.3.3 The Assessor and other persons authorised by him will ensure that only expenditure within the legal powers of the Board is incurred. Where this is not clear, the Treasurer should be consulted 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 The Assessor will ensure that all spending is within capital and revenue estimates and conforms to proper accounting standards and will seek clarification of the proper classification, if required, from the Treasurer.

## 2.4 **Personal Responsibilities**

- 2.4.1 All officers and Members of the Board should strive to achieve best value and avoid legal challenge to the Board.
- 2.4.2 In the course of their duties officers and Members 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. The requirements of Data Protection legislation (see Section 25.1.4) must always be observed.
- 2.4.3 Officers and Members who serve in a decision-making capacity as members of outside bodies, whether companies, trusts or other associations owe a duty and responsibility to those bodies which are separate and distinct from their duties owed to the Board. On occasions, it is likely that their duties owed to the outside body and the Board will conflict. The Highland Council has approved guidance on this subject, entitled Guidance to Members and Officers who serve on Outside Bodies which should be followed.
- 2.4.4 All officers 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 Board's Whistleblowing Policy. Where officers are aware of, or suspect that fraud has been committed, the Corporate Audit & Performance Manager at Highland Council must be contacted in accordance with the requirements of Financial Regulations 14.4 and 14.5.

### 3. **CORPORATE GOVERNANCE**

3.1 Corporate governance is about the structures and processes for decision making and accountability, controls and behavior throughout the Board. The financial affairs of the Board shall at all times be conducted in accordance with the three principles set out in the CIPFA/SOLACE Guidance, Delivering Good Governance in Local Government (2007) namely:

**Openness:** anyone with an interest in the Board'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 Board'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 Board's funds and the management of the Board'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 Board'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 Board's affairs including the stewardship of the Board's funds and performance.

3.2 The Board has adopted a Local Code of Corporate Governance which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Guidance.

3.3 In order to ensure compliance with good governance the Assessor is responsible for providing the Board with a review of the Local Code of Corporate Governance on an annual basis.

3.4 The Corporate Audit Manager shall provide an annual internal audit opinion and report to the Board that can be used to inform the Annual Governance Statement. The annual opinion must conclude on the overall adequacy and effectiveness of the Board's framework of governance, risk management and control.

#### **4. FRAMEWORK FOR FINANCIAL ADMINISTRATION**

- 4.1 These Regulations may only be amended by the Board, following advice from the Assessor and the Treasurer, as appropriate.
- 4.2 The Treasurer as the “Proper Officer” for the proper administration of the Board’s financial affairs will oversee the operation of these Regulations within the Board. These provide all officers and Members with the written framework which governs the Board’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 the Guidance Notes is mandatory in the same way as the Regulations.
- 4.4 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. Therefore, there is a general responsibility for all officers to act properly where instances of uncertainty arise and to seek advice from staff within the Treasurer’s office.
- 4.5 These Regulations may be varied or revoked by the Board and any variation or revocation will be effective from the first working day after the conclusion of the Board meeting at which they are approved.
- 4.6 Any matters requiring legal interpretation will be referred to the Board’s legal advisers.

## SECTION 2 - FINANCIAL MANAGEMENT

### 5. ACCOUNTING PROCEDURES AND REPORTING

#### Introduction

**This section gives advice on the Board'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 Board.**

- 5.1 The accounting procedures, records of the Board, and accounting records will be prepared in accordance with directions provided by the Treasurer.
- 5.2 The Annual Accounts will be prepared in accordance with the proper accounting practice under Section 12 of the Local Government in Scotland Act 2003 and the 2014 Regulations and shall report the Board's financial performance to the end of the financial year to 31 March.

The completed unaudited Accounts will be made available to all Members of the Board before the 30 June and will be forwarded to the Controller of Audit no later than 30 June. The unaudited accounts must be considered by the Board prior to 31 August and published on the Board's website from the date of submission to the auditor until the date of publication to in terms of section 11 of the 2014 Regulations.

The Board's audited accounts should be presented to the Board prior to 30 September.

Immediately following the approval of the Annual Accounts for signature, the following statements which form part of those accounts are to be signed and dated as follows-

- (a) the management commentary by the Treasurer, the Assessor and the Convener of the Board;
- (b) the statement of responsibilities by the Convener and the Treasurer, who must also certify the matters referred to in paragraphs (5) and (6) of s11 of the 2014 regulations respectively;
- (c) the annual governance statement by the Assessor and the Convener;
- (d) the remuneration report by the Assessor and the Convener;
- (e) the balance sheets by the Treasurer, to authorise publication of the financial statements.

The Treasurer shall arrange for the audited Annual Accounts and related documentation to be published in terms of section 11 of the 2014 regulations.

- 5.3 The Assessor must provide any information necessary for the closure of the Accounts within prescribed timescales. Details of the information required and procedures to be followed will be issued annually by the Treasurer.
- 5.4 In accordance with statutory requirements, the Treasurer will ensure that a register of all assets owned by the Board is maintained. To enable the asset register to be updated and maintained, the Assessor must comply with any procedures and requirements issued by the Treasurer (or any person to whom maintenance of the register is delegated) in respect of all assets under their control.
- 5.5 The Treasurer will arrange the presentation of all External Audit reports including reports on the audited Annual Accounts to the Board and make appropriate arrangements for the public inspection in terms of the 2014 Regulations.
- 5.6 Any matter which is liable to have a material effect on the Board's finances must be discussed with the Treasurer before any provisional or other commitment is incurred. Where Board reports make proposals requiring a decision, a paragraph headed "Resource Implications" should be provided. This should detail any financial, staffing, property, IT issues associated with the proposals and how they are to be funded.

## **6. CAPITAL EXPENDITURE PLANNING**

### **Introduction**

**The Board does not currently have a capital budget. In the event that there is a requirement to incur capital expenditure, the Board will comply with this section of the Regulations.**

**In determining capital expenditure and borrowing levels, the Board must have regard to the Prudential Code for Capital Finance in Local Authorities, a professional Code developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) that sets out a framework for self-regulation of capital spending.**

**To facilitate the decision making process and support capital investment decisions, the Prudential Code requires the Board to agree and monitor a number of prudential indicators.**

### **Guidance Note: Definition of Capital Expenditure**

- 6.1 The following procedures would apply to the preparation of the Board's Capital Plans:
- 6.1.1 The Treasurer in consultation with the Assessor will co-ordinate the preparation of the Capital Plan.
- 6.1.2 In order to prepare the above plan the Assessor will provide any information as required, in line with guidance issued relating to Corporate Option Appraisal Methodology. The information will be consistent with the Service Plan and link to the revenue budget.
- 6.1.3 The Capital Plan will be submitted to the Board for approval.
- 6.2 The Board will review and approve the Capital Programme covering five financial years with regard to:
- the Board's corporate values and priorities;
  - the nature and scale of local investment needs; and
  - the availability of capital resources.
- 6.3 Once the Capital Programme has been approved by the Board, the Assessor will ensure that all statutory and non-statutory approvals and permissions, including legal entry to any land or buildings, are available in due time.
- 6.4 Subject to sections 9.5.1 and 9.5.2 of these Regulations, approval of the capital programme gives the Assessor authority to incur expenditure on specific projects.

## **7. CONTROL OF CAPITAL EXPENDITURE**

### **Introduction**

**The Board does not currently have a capital budget. In the event that there is a requirement to incur capital expenditure, the Board will comply with this section of the Regulations.**

**This section details the Board's requirements for monitoring capital expenditure in relation to the approved Capital Programmes. It also provides guidance for dealing with emergencies and the subject of consultation approvals. Any matter having a material effect on the Board's finances should be subject to consultation with the Treasurer before any provisional or other commitment is incurred, or before reporting details to the Board.**

- 7.1 The Board will monitor and regulate the financial performance of the Capital Programmes for which they are responsible.

The requirements of the Board's Contract Standing Orders (see Section 11.1) must be observed with regard to any capital expenditure commitments.

- 7.2 Subject to Section 9.5.1 and 9.5.2 of these Regulations, capital expenditure will only be incurred on projects included in the Capital Programme, unless a report revising the programme has been approved by the Board for incurring expenditure in that year.

- 7.3 The Assessor, after consultation with the Treasurer, may alter the Capital Programme of the Board, within the approved programme, in any of the following ways:

- by accelerating the progress on a project by deferring the start of other projects within the programme;
- by spending on a project programmed to start at a later date in the year where delays are occurring generally in the Programme; or
- by delaying or accelerating projects programmed to start at a later date where project over/underspends are identified.

Any changes made should be reported to Board.

- 7.4 The Assessor, in consultation with the Treasurer, will provide regular budget monitoring statements with actual expenditure to date and the predicted year end position to the Board. Explanations for any significant variances will be provided by the Assessor who must ensure that the provision in the Capital Programme is not exceeded and that the expenditure conforms to the requirements of these Regulations. At the completion of each project on the Capital Programme, the Assessor will provide the Board with a report on the total cost of the project against the original budget and timescale.

## **8. REVENUE ESTIMATES**

### **Introduction**

**This section details the Board's requirements for the preparation of revenue estimates. The approval of the revenue estimates by the Board gives the Assessor the authority to incur appropriate expenditure in accordance with those estimates.**

- 8.1 The format of the revenue estimates will be determined by the Treasurer and issued to the Assessor for the preparation of revenue estimates.
- 8.2 The Assessor in conjunction with the Treasurer will annually prepare revenue estimates of income and expenditure for the forthcoming financial year.
- 8.3 The Board will review and approve the revenue estimates, with any revisions as necessary, and determine the requisitions to be charged to constituent authorities.
- 8.4 Approval of the revenue estimates gives the Assessor authority to incur relevant expenditure and to raise appropriate income, within the scope of Board policy to meet their budget targets.

## **9. CONTROL OF REVENUE EXPENDITURE INCLUDING VIREMENT**

### **Introduction**

**This section provides details of the Board's requirements for budgetary control and virement and also refers to delegated powers regarding the incurring of expenditure in emergency situations.**

### **Guidance Notes: Budgetary Control Journal Entries Budget Virement**

- 9.1 It will be the duty of the Assessor to monitor and control revenue budgets. In particular the Assessor should ensure that an accountable budget holder is identified for each item of income or expenditure.
- 9.2 In order to assist in this matter, the Treasurer will ensure that regular financial reports are produced in an appropriate format for monitoring purposes.
- 9.3 The Assessor in consultation with the Treasurer will produce summarised monitoring reports for quarterly Board meetings. These reports will include details of actual expenditure to date and the predicted year end position.
- 9.4 The Assessor must ensure that revenue monitoring reports contain sufficient explanatory detail, particularly with regard to reporting significant adverse or favourable revenue variances.
- 9.5 The Assessor has the following delegated powers in respect of expenditure of an emergency nature:
- 9.5.1 To authorise expenditure of an urgent/emergency nature in consultation with the Treasurer, provided that the expenditure is reported to the first available meeting of the Board.
- 9.5.2 To take such immediate action, as may be necessary, to protect the interests of the Board or of the Assessor in relation to:
- Emergencies arising from industrial action
  - Any other emergency which, in the opinion of the Assessor, in consultation with elected Members, requires such action.
- 9.6 The Treasurer should report on any expenditure which is incurred under Section 84 of the Local Government (Scotland) Act 1973 (as amended), relating to emergencies or disasters involving destruction of or danger to life or property. Such expenditure should be reported to the first available meeting of the Board, after the expenditure has been incurred.
- 9.7 The procedures for effecting accounting adjustments by journal transfer are provided in the Guidance Note – Journal Entries.

- 9.8 Virement is available to the Assessor in order to ensure the proper management of the budget and to contain overspending. All requests for Virement must be made in writing to the Treasurer's Office and must follow the principles referred to in the Guidance Note – Budget Virement.
- 9.9 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 the department on a regular basis following any necessary guidance from the Treasurer.

## SECTION 3 – FINANCIAL GOVERNANCE

### 10. **BANKING ARRANGEMENTS**

#### **Introduction**

This section details the Board's requirements for banking including:

- **Appointment of bankers**
- **Opening/Closing of bank accounts**
- **Cheques and Cheque control**
- **Online banking**

- 10.1 The Treasurer will be responsible for the Board's banking arrangements.
- 10.2 The creation or closure of any account on behalf of the Board will be on the authorisation of the Treasurer.
- 10.3 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.
- 10.4 All cheques including Post Office banking payment forms will be ordered on the authority of the Treasurer who will make the necessary arrangements for their safe custody.
- 10.5 All Board employees and third parties acting on behalf of the Board involved in cheque handling or control will be made aware that:
- 10.5.1 Under no circumstances will any of the Board's cheques be altered. Any cheque which has been altered will be treated as a fraudulent attempt to obtain payment.
- 10.5.2 Requests to issue or re-issue a cheque to a third party will normally be refused. The Board is bound to pay its creditors but not to settle affairs on their behalf. Under exceptional circumstances the Treasurer may alter the name of the payee and delete the crossing.
- 10.5.3 Where a creditor reports the non-receipt or loss of a cheque, the Creditors Section of the Finance Service at Highland Council will only issue a replacement cheque where the cheque has not been cashed, the bank has "stopped" the cheque and an indemnity certificate has been completed by the creditor.

- 10.6 The Treasurer will make all necessary arrangements through the use of online banking, to enable appropriate transactions to be processed through the Bankers Automated Clearing System (BACS) and the Clearing House Automated Payments System (CHAPS).
- 10.7 In order to operate online banking, the Treasurer will assign responsibility to staff in his department to authorise all transactions and shall be responsible for approving the limits, permissions and levels of authority granted to other system users. All system users shall comply with the terms and conditions of use stipulated by the Bank.
- 10.8 The Treasurer shall be responsible for giving any indemnity required by the Highland Council's bank regarding the signature of cheques by mechanical means, or where pre-signed computer cheques are used, or where the services of a security firm is used for the deposit or receipt of cash to the bank.

## 11. **CONTRACT PROCEDURES FOR SERVICES, GOODS AND WORKS**

### **Introduction**

**This section refers to the Board's contract procedures.**

**Full procurement procedures and guidance are available within the Board's Policy document entitled, Contract Standing Orders**

11.1 Contract Standing Orders provide high level guidance with regard to the tendering of contracts for services, goods and works. This guidance includes, but is not limited to, the following matters:

- Basic principles of public contracting
- Tendering and quotation requirements and limits
- Business cases
- Advertising of tenders
- Selection and award criteria
- Provision of de-brief information
- Risk management procedures
- Engagement of consultants

## 12. **INCOME**

### **Introduction**

This section details the Board's procedures for the collection of income. It includes:

- a requirement for an annual review of charges
- arrangements for collection, custody, control and banking of income

Guidance Notes: **Receipt of Income**  
**Charges**  
**Issue of Debtors Accounts**

### 12.1 **Receipt of Income**

- 12.1.1 The collection of all income due to the Board will be collected in accordance with arrangements, systems and Guidance Notes approved by the Treasurer who has the authority to inspect any relevant documentation as considered necessary
- 12.1.2 Personal cheques must not be cashed from income held on behalf of the Board
- 12.1.3 Transfers of income between employees must be evidenced by way of a signature for its receipt and retained within Board records
- 12.1.4 The Treasurer 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 Board, by way of the Guidance Note entitled **Receipt of Income**
- 12.1.5 The Assessor will review charges or tariffs annually and report thereon to the Board where these are not established by statute

### 12.2 **Issue of Debtor Accounts**

- 12.2.1 Income arising from work done, goods supplied or services rendered should, where possible, be paid for in advance or at the time of delivery. If not, the Assessor 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 **Issue of Debtors Accounts**. Debtor accounts, once raised, may only be cancelled by an appropriate authorised officer, where it has been raised in error.
- 12.2.2 The Treasurer shall lodge claims with the appropriate person (including Liquidators and Trustees in Sequestration) in relation to sums due to the Board.
- 12.2.3 Information on the procedures for writing off debt due to the Board, but unpaid, is contained within the Guidance Note entitled **Issue of Debtors Accounts**.

## 12.3

### **Anti-Money Laundering**

- 12.3.1 The proceeds of Crime Act 2002, the Terrorism Act 2000 and the Money Laundering Regulations 2007 outline the obligations on organisations and their employees to establish and adhere to internal procedures to prevent the use of their services for the purposes of money laundering. The procedures required by the above legislation include maintaining processes for verifying and recording the identity of counterparties, reporting suspicions, and ensuring that employees involved in this area are appropriately trained.
- 12.3.2 The Treasurer is responsible for ensuring that the Board and their staff are aware of the above legislation and has provided an Anti-money Laundering Procedure to meet legislative requirements and to mitigate the risk of money laundering to the Board.

## 13. **INSURANCE**

### **Introduction**

This section provides details of the Board's insurance arrangements.

Guidance Note: **Insurance Claims Procedures and Uninsured Losses**

### 13.1 **Insurance Arrangements**

13.1.1 The Treasurer shall affect all insurance cover and negotiate all claims with insurers.

13.1.2 The Treasurer may appoint Insurance Brokers, Advisers, Insurers/Underwriters and Claims Handlers, to advise on all aspects of insurance in accordance with the requirements of the Board's Contract Standing Orders.

13.1.3 The Assessor will notify the Treasurer of all new areas of service provision that may increase the Board's overall exposure to risk and which should be covered by insurance, or of any service which no longer requires insurance arrangement.

13.1.4 The Treasurer will take out the necessary insurances to protect the interests of the Board and will review the terms and conditions of such insurances as required.

### 13.2 **Review of Insurances**

13.2.1. The Treasurer shall annually, or as necessary, review all insurances, in consultation with the Assessor.

### 13.3 **Claims Procedure**

13.3.1 The Assessor will immediately notify the Treasurer of all losses as detailed in the Guidance Note **Insurance Claims Procedures**. Under no circumstances should liability of the Board be acknowledged or admitted by an official or a Member.

## 14. INTERNAL AND EXTERNAL AUDIT

### Introduction

**This section details the role and responsibilities of both Internal and External Audit to the Board,**

- 14.1 A continuous independent internal audit, under the control and direction of the Treasurer, shall be arranged to carry out an examination of accounting, financial and associated operations of the Board. In order that the interests of the Board are protected, continuous examination of accounting, financial and other operations of the Board will be undertaken through the Audit & Performance Section of Highland Council. The Section will conduct its activities in accordance with the Public Sector Internal Audit Standards thus ensuring operational independence.
- 14.2 The Corporate Audit Manager (The Highland Council) shall review, appraise and report on:
1. The adequacy of internal control as a matter of probity and as a contribution to the economic, efficient and effective use of resources
  2. Compliance with approved Board policies, plans and security procedures
  3. Whether the Board's assets are properly accounted for and safeguarded from losses arising from theft, fraud, waste, inefficient administration or poor value for money
  4. The suitability and reliability of management data produced within the Board and
  5. How effectively the Board achieves value for money.
- 14.3 The Corporate Audit & Performance Manager (The Highland Council) or any authorised Internal Audit representative, on production of identification , will have authority to:
- Enter all Board offices, establishments, or land, at any time;
  - Have access to all records, documents and correspondence, including any data held on electronic media, relating to the operation, administration and financial transactions of the Board;
  - Require and receive explanations as necessary relating to areas under review;
  - Require any employee of the Board to produce cash, stores or any other Board property under their control;
  - Recommend changes to documentation and procedures, as appropriate and
  - Employ other professionals or specialists to assist in any review or investigation.

- 14.4 Whenever any matter arises which involves, or is thought to involve, irregularities concerning finance, assets or property of the Board or any suspected irregularity in the exercise of the functions of the Board, the Assessor shall immediately notify the Corporate Audit & Performance Manager (The Highland Council) who shall take such steps as is considered necessary. Action taken by the Corporate Audit & Performance Manager (The Highland Council) will comply with the Board's Anti-Fraud and Anti-Corruption policy.
- 14.5 In terms of the Board's Whistleblowing Policy, any complaint once demonstrated to contain sufficient grounds for concern would be referred to the Corporate Audit & Performance Manager (The Highland Council) for further investigation and appropriate action.
- 14.6 The Treasurer, Corporate Audit Manager (The Highland Council) and the senior member of the External Audit team have the right of free and confidential access to the Convener of the Board.
- 14.7 **External Audit**
- 14.7.1 The Accounts Commission for Scotland arranges the independent external audit of the Board and will appoint the External Auditors.
- 14.7.2 The External Auditor's authority is mostly contained within the Local Government (Scotland) Act 1973. In addition, their responsibilities are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice approved by the Auditor General for Scotland, and guided by the auditing profession's ethical guidance.
- 14.7.3 The Board's External Auditors also have the right to demand access to all records (computerised or manual), documents and correspondence relating to any financial or other transaction of the Board and receive such explanation as are necessary, concerning any matter under examination.

## 15. **INTERNAL CONTROL AND AUTHORISATION**

### **Introduction**

**This section provides advice on internal control and authorisation. The Assessor is required to ensure the principles outlined are incorporated in the working practices of the organisation.**

**Guidance Notes: Authorisation and Access Control**

### 15.1 **Internal Control**

15.1.1 Internal control is defined as the whole system of controls, financial or otherwise, established by management, to provide reasonable assurance of:

- effective and efficient operations
- reliable financial information and reporting
- safeguarding assets
- compliance with laws and regulations

15.1.2 Internal controls will vary throughout the Board, 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

15.1.3 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. Where only a small number of employees are available alternative arrangements with appropriate controls must be agreed with the Treasurer.

15.1.4 To reduce the chance of errors, all financial transactions must be subject to internal check at appropriate stages.

15.1.5 For the purposes of security, key systems are protected and as such it is imperative that passwords are not disclosed under any circumstances. The procedures for access controls are detailed in the Information Systems Security Policy.

15.1.6 The Treasurer 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

Corporate Audit & Performance Manager (The Highland Council) must be consulted, and give assurance on the adequacy of internal controls when any financial system is being introduced, or materially altered, as outlined in Section 15.1.2 of these Regulations.

## 15.2 **Authorisation and Access Control**

- 15.2.1 The authorisation of financial transactions is achieved within the Board's main financial systems by way of embedded access rights which are granted to officers on the basis of business and security requirements. These access rights should be broadly defined in an Access Control Policy, specific to each financial system. The requirements with regard to access control and authorisation are provided in the Authorisation and Access Control Guidance Note.
- 15.2.2 The Assessor is responsible for determining those officers responsible for the processing and authorising of financial transactions to meet the needs within the management structures of the Board.
- 15.2.3 The access rights of users of all financial systems should be reviewed and verified on a regular basis, at least annually, with reviews of higher access users undertaken more frequently.
- 15.2.4 Where access is granted to a single user to a system or different systems that allow the user to complete a financial transaction from start to finish, the requirements referred to at section 15.1.2 above must be strictly observed at all times by the user concerned.
- 15.2.5 The Board will only enter into transactions that are required for the essential conduct of its business. Consequently, all financial transactions will be authorised before being effected.
- 15.2.6 By authorising financial transactions, officers are accepting responsibility for them, confirming immediately that they are satisfied the following are true:

**Orders:** Orders must meet an evidenced Board need and must be clear and unequivocal in their requirements. They must be placed with formally contracted suppliers/service providers/contractors. Where no contract exists, the requirements of the Board's Standing Orders Relating to Contracts must be adhered to in terms of establishing one.

**Timesheets and overtime claims:** The hours stated are actually worked by the Board employee concerned, have not been previously paid, and are in accordance with a contract of employment. Overtime claims comply with the terms of the Board's Overtime Working and Flexible Work Hours Policies;

**Expense claims:** The activity claimed was approved in advance; performed in the manner stated, and was necessary to the business of the Board. The claim conforms with the relevant rates or entitlements in terms of the Board's Travel and Subsistence policy;

**Petty cash claims (imprest):** The expenditure incurred was for items of a minor nature (less than £25); is fully supported by till receipts or other reliable vouchers; is allocated to valid account codes; the imprest account has been inspected and the cash in hand checked in accordance with the correct procedures referred to at Section 22.

**Invoices** (including interim contract payments): The goods or services have been received by the Board, a valid official order number is quoted and meet the required quality standard; is a legitimate expense; the price paid is consistent with the order details or other contractual arrangement with the supplier; the invoice has not been previously been paid; and the costs have been allocated to appropriate codes in the Board's accounting records;

**Sales Ledger** (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 amount obtainable under the current scale of charges, is correctly calculated and payment has not previously been rendered.

- 15.2.7 Officers must only authorise a transaction when they are aware of its circumstances; are given access to documents supporting it if required, and are in a position to challenge it.
- 15.2.8 Officers will not authorise transactions in which they have a personal interest.
- 15.2.9 When officers authorise manual transactions they must sign their name in full. The use of initials alone or the use of an ink stamp, is not acceptable.

## 16. **INVENTORIES**

### **Introduction**

This section gives details of Board's requirements for inventories.

### **Note**

For ease of reference the Regulations uses these terms as follows:

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

**Guidance Notes:** **Inventory Maintenance**  
**Identification and Disposal of Surplus Assets**

- 16.1 The Assessor 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 the Assessor to rectify the situation.
- 16.2 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.

## **17. MEMBERS' REMUNERATION AND EXPENSES**

### **Introduction**

**This section details the Board's requirements for the payment of Members' remuneration and expenses and provides guidance on claims procedures.**

- 17.1 Payment to Members will be in accordance with the Scheme adopted by the Board, namely Members' Remuneration and Expenses, Guidance for Members.
- 17.2 Payment of remuneration will be made on a monthly basis by the Treasurer. Members are not required to submit a claim.
- 17.3 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 claimed. Details of the timetable for submission will be provided by the Treasurer.
- 17.4 The Treasurer will maintain records of all remuneration 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 1 June each year by any Local Government elector of the Board at the office of the Treasurer and Service Points, free of charge, during normal working hours. These will also be published on the Board's website.

## 18. **ORDERS FOR SERVICES, GOODS AND WORKS**

### **Introduction**

**This section provides details of the Board's requirements for the purchasing of services, goods and works.**

- 18.1 The framework of procurement regulation is contained within the guidance What are the Rules on Procurement?

This provides appropriate reference to all procurement matters.

The Head of Procurement is responsible for setting up central purchasing contracts and for notifying this information to the Assessor. Where such contracts are in place the Assessor must ensure that all staff are aware of, and comply with these arrangements.

- 18.2 Official order systems must be used for the raising of orders for every purchase of services, goods, or works. These comprise a central electronic purchase to pay system and corporate purchasing cards. In addition, Fuel Cards may be supplied in appropriate circumstances. The only exceptions are with regard to the supply of mains electricity, gas and water. Verbal orders and orders using personal credit cards may not be used under any circumstances. Guidance entitled How Do I Order Goods and Services? makes detailed reference to the use of the official systems.

- 18.3 Before placing orders it must be ensured that:

- Expenditure is on items or services which it is within the Board's legal powers to incur;
- Expenditure is within the relevant estimated budget provision.

- 18.4 Orders for computer hardware, software and telecommunications must be logged with the ICT Service Desk in order to ensure that these conform with the IS governance process relevant to the Board.

## **19. PAYMENT OF INVOICES**

### **Introduction**

**This section details the Board's requirements for the payment of invoices. It includes procedures to ensure that the Board only makes payments which are due to be paid and for the correct amount.**

**The Assessor will ensure that appropriate and efficient systems operate within their Services for the timely processing of invoices. Performance Indicators published by The Highland Council in accordance with the Accounts Commission Direction include an examination of the performance of the number of invoices paid within 30 calendar days of receipt, as a percentage of all invoices paid.**

### **Guidance Note: Receipt of Goods and Payment of Creditor Invoices**

- 19.1 Apart from petty cash and other payments from imprest accounts, payments from the Board will be via BACS, cheque, CHAPS or Highland and Western Isles Valuation Joint Board purchase cards, paid from the Board's bank account(s) by the Treasurer or authorised signatory. Alternative arrangements, including the use of credit cards etc, will be acceptable only if approved in advance by the Treasurer.
- 19.2 The Assessor will ensure that segregation of duties prevents officers responsible for the ordering process being involved in the invoice certification process unless alternative arrangements have been agreed in advance with the Treasurer.
- 19.3 The Assessor will arrange timeous processing of invoices for payment and internal recharges after ensuring that:
- 19.3.1 Expenditure is on items or services which it is within the Board's legal powers to incur;
  - 19.3.2 Goods, materials or services to which the invoice relates have been received, and are in accordance with the purchase order;
  - 19.3.3 Prices, extensions, calculations, trade discounts, other allowances, credits and tax are correct;
  - 19.3.4 Expenditure is within the relevant estimate provision;
  - 19.3.5 Appropriate entries have been made in inventories, stores or stock records as required;
  - 19.3.6 Invoices have been made out by the supplier of the goods, services etc. not an officer of the Board;

- 19.3.7 All internal recharges will be rebilled monthly by The Highland Council. Any disagreements will be referred to the Assessor or Treasurer.
- 19.4 No supplies, services or works should be paid for until they have been formally accepted and any required testing carried out. In the event that stage payments are required, formal acceptance of that stage or milestone and any required testing must be completed and documented prior to payment being made.
- 19.5 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. If the invoice relates to a purchase order it should agree to an existing unmatched purchase order. The inability to match a copy invoice should alert the Budget Holder to the possibility that it is a duplicate invoice. If the invoice does not relate to a purchase order it should be a unique invoice number to that supplier.
- 19.6 The Creditors Section will run monthly duplicate payment reports to identify and recover any duplicate payments and notify the Assessor as appropriate in order that remedial action is taken to prevent further recurrence.
- 19.7 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 Purchase Ledger module of Integra.
- 19.8 The format of internal recharges will be approved by the Treasurer.
- 19.9 The Treasurer will annually issue instructions to the Assessor on the procedure to be followed regarding unpaid invoices, at the end of the Financial Year.

## **20. PAYROLL, PENSIONS , AND TRAVEL AND SUBSISTENCE**

### **Introduction**

**This section provides details of the Board's requirements for payroll, pensions, travel and subsistence. Although the Treasurer is responsible for payment it is essential that the Assessor has systems in place to ensure timeous and accurate information is passed to the Treasurer.**

- 20.1 Employee salaries, wages, pensions, compensation, expenses, subsistence, claims and other emoluments will be paid by the Treasurer to all employees of the Board and members of certain bodies of the Board's Pension Scheme through the payroll system, or under arrangements approved by the Board.
- 20.2 The Board's Personnel Adviser will be responsible for informing the Assessor of any proposed changes to Conditions of Service.
- 20.3 The Assessor, or a person delegated by him, will formally notify the Treasurer without delay of all matters affecting payments of emoluments; including:
- Appointments, resignations, dismissals, suspensions, secondments and transfers;
  - Changes in remuneration, other than normal increments, pay awards and agreements of general application;
  - Absences from duty for sickness or other reasons other than approved annual/flexi leave; and
  - Information required to maintain records for superannuation, income tax and social security purposes.
- 20.4 The Assessor is responsible for ensuring that appointments of staff within their Service are made in accordance with the staff structures approved by the Board.
- 20.5 Information required for payroll processing will be in a format approved by the Treasurer and be authorised by the Assessor or delegated officers.
- 20.6 The Assessor should ensure that authorisation and internal control procedures applied within the activity of payroll etc comply with Section 15.2.
- 20.7 The Treasurer will be responsible for the administration and regulation of employee expenses.
- 20.8 Certified claims for travel and subsistence allowances expenses will be submitted in a format approved by the Treasurer by agreed dates.
- 20.9 Certification of any claim by the Assessor indicates satisfaction as to the accuracy of the claim and that it agrees with all terms of the Board's policy on Travel and Subsistence.

- 20.10 The Assessor will regularly review the arrangements in place within the department for the certification of any claim to ensure that checks are being performed to the standards detailed in the Board's Travel and Subsistence policy.
- 20.11 The Assessor will timeously provide the Treasurer with any details required for the annual return of taxable emoluments to the appropriate body.

## 21. **PERFORMANCE INDICATORS**

### **Introduction**

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

The Assessor is subject to two performance regimes. The first agreed with the Scottish Government and Audit Scotland requires the provision of certain performance relating to rating valuation and council tax banding. The second is a regime established by the Electoral Commission covering the work undertaken by the Assessor as Electoral Registration Officer.

### 21.1 **Statutory Performance Indicators**

21.1.1 The information gathered in accordance with these regimes will be reported to the Board and published annually as part of its annual report which accompanies the statutory reporting of the Board's accounts.

### 21.2 **Preparation of Indicators**

21.2.1 The Assessor will ensure that officials have been allocated the responsibility for preparing the indicators and ensuring compliance with statutory requirements.

21.2.2 The Assessor 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.

21.2.3 Assessor 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.

21.2.4 The Assessor shall report the performance indicators to the Board on an annual basis.

## 22. **PETTY CASH (IMPRESTS)**

### **Introduction**

**This section details the Board's requirements for the operation of petty cash expenditure. The Highland and Western Isles Valuation Joint Board accounts for petty cash by way of an imprest system and the Treasurer provides cash floats in circumstances considered appropriate by the Assessor.**

### **Guidance Note: Petty Cash and Cash Floats**

- 22.1 Bank Accounts for use by imprest holders will only be opened by the Treasurer and under no circumstances will these accounts be overdrawn. Any bank interest accrued must be remitted separately and timeously to the Treasurer.
- 22.2 The Assessor is responsible for authorising requests for petty cash systems. Once approved by the Treasurer, petty cash and cash floats should be maintained in accordance with the Guidance Note "Petty Cash and Cash Floats". This requires that:
- Imprest holders are personally liable for any sums advanced
  - Claims should be recorded in an approved format
  - Receipts must be provided to evidence all expenditure
  - Monies are held securely
  - Regular reconciliations are performed
  - Annual certificates are provided to the Treasurer

## **23. RECORDS MANAGEMENT**

### **Introduction**

**The Highland and Western Isles Valuation Joint Board has a statutory obligation to make proper arrangements for its records and it also has to ensure that it complies with the Data Protection Act and Freedom of Information legislation. This section refers to the Board's Records Management process, including the process for the retention, storage and disposal of records.**

### **23.1 Retention Periods**

Financial records will be managed in accordance with guidance determined by the Treasurer. These arrangements will meet all legal obligations and ensure records enduring historical value are transferred to the Archive repository for long-term preservation. Key considerations in deciding how long records and information should be retained include:

- The Data Protection Act which specifies that personal data should not be retained longer than is needed either in the corporate record or in personal email and personal filing systems. Furthermore this information should not be shared with any party or individual with whom there is no Data Sharing Agreement in place.
- Freedom of Information legislation
- Public Records (Scotland) Act 2011

23.2 The Board's-records retention schedule will otherwise be dealt with as part of the Freedom of Information and Data Protection arrangements and the requirement of the Public Records (Scotland) Act 2011 applicable to the functions of the Assessor and Electoral Registration Officer.

## **24. RISK MANAGEMENT**

### **Introduction**

**This section details the process for the management of risk within the Board. Risk Management is an essential part of the Board's approach to effective Corporate Governance.**

- 24.1 The Highland Council's Risk Management Strategy sets out an overview of the methodology adopted by the Board and provides an outline of the roles and responsibilities of Members, Chief Officers and other employees.
- 24.2 Risk Management is an essential part of the Board's approach to effective Corporate Governance. The Board is required by statute to make reference to the Risk Management strategy, process and framework, as part of its annual governance statement.
- 24.3 A progress report on managing risks should be reported to the Board annually or more frequently should the risk profile change significantly.
- 24.4 All risks should be allocated to a responsible officer and should be managed throughout the development of appropriate actions, including target dates, which address the identified risks.

## 25. **SECURITY , ASSET MANAGEMENT AND PROPERTY**

### **Introduction**

**This section details the Board's requirements for security, asset management (including data security) and property.**

### 25.1 **Security**

- 25.1.1 The Assessor is responsible for proper security at all times of the property, cash, stock, stores, furniture, equipment, keys etc. under their control.
- 25.1.2 The borrowing of moveable Board Assets is forbidden unless prior authority from the Assessor is received. Under no circumstances should equipment be borrowed for an employee's personal use.
- 25.1.3 The arrangements for the security of Information Systems/Technology, associated data, software and services are managed according to the Information Management Governance Board. Cyber Security guidance is provided to officers managing information, including the Information Security Policy and the Acceptable Use Policy. The Acceptable Use Policy must be complied with at all times.
- 25.1.4 All officers must comply with the Data Protection legislation with particular reference to: security, registration of data, the purpose for which the data is used, disclosure of data, subject access and staff awareness. Data Protection guidance is available on the Board's website.
- 25.1.5 The following procedures should form part of the arrangements the Assessor makes for the control and use of keys:
- A register of keyholders must be maintained for each location
  - Keys to doors, safes, filing cabinets and similar security receptacles must be carried on the person 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 a member of the Senior Management Team
- 25.1.6 All employees who may be required to receive or hold cash, valuables or property on behalf of the Board, should receive from the Assessor an identity card bearing their photograph. They must produce the card, to any person having reasonable grounds to know the identity of the holder.
- 25.1.7 The Treasurer will be responsible for ensuring that secure arrangements are in place for the preparation and storing of pre-

printed/ pre-signed cheques, stock certificates, bonds and other financial documents.

25.1.8 The Assessor will be responsible for the security, custody and control of all documents within the department. The retention period for all financially related books, forms and records will be determined by the Treasurer and published in the Document Retention Schedule (see section 23.2).

## 25.2 **Property Asset Management**

25.2.1 The Assessor has responsibility for managing property assets with the assistance of the Highland Council's Director of Housing and Property as required.

25.2.2 All of the property assets owned and/or occupied by the Board are corporate assets.

## 25.3 **Property**

25.3.1 The Clerk will maintain both a land database, including a register of all Heritable Properties owned by the Board, and a register of Housing Revenue Account properties. This Register shall as far as practicable, include the following information:

- Location and Plan Register
- Property Address
- Tenure
- Description
- Details of the Holding Service
- Occupier
- Current Valuation
- Date of Valuation
- Basis of Valuation
- Purchase Details
- Estimate of Remaining life of Asset
- Rents Payable
- Tenancies Granted

Where land or buildings are potentially surplus or have been declared as surplus to the requirements of the Board, the matter shall be referred to the Director of Housing and Property, who will ascertain whether the land or building(s) can be appropriately used by any other Service. If it is established that the land or building(s) are not required, the Director of Housing and Property shall proceed within the terms of the Board's disposal policy.

- 25.3.2 Information relating to the above should be made available to the Treasurer to support Capital Accounting requirements and the information be cross referenced to the Title Deed register.
- 25.3.3 Heritable securities and title deeds of all property which are in the name of the Board, or its nominees, will be held in the custody of the Clerk.

## **26. TAX AND VAT MANAGEMENT**

### **Introduction**

**This section summarises the Board's requirements for Income Tax and VAT management. It includes:**

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

**Periodically the Board is inspected by the HM Revenue and Customs. These inspections may result in the imposition of penalties for non-compliance with tax law. Therefore, it is essential that Assessor ensures that employees are aware of any relevant taxation matters and, if necessary, guidance can be obtained from the Treasurer.**

**Guidance on "VAT" has been issued by the Budget Strategy, Policy and Taxation Section within the Highland Council Finance Service. Further advice can be sought from the VAT team as follows: [vatteam@highland.gov.uk](mailto:vatteam@highland.gov.uk)**

- 26.1 The Treasurer is responsible for the taxation procedures of the Board, ensuring where possible, that tax liabilities and obligations are properly reported and accounted for.
- 26.2 In particular the Treasurer will be responsible for ensuring that transactions comply with relevant statutory requirements and authorities
- 26.3 In carrying out such responsibilities the Treasurer will:
- 26.3.1 Define and allocate duties in relation to taxation and tax management;
  - 26.3.2 Ensure that financial control systems operate effectively, produce the necessary information and minimise the risk of error;
  - 26.3.3 Ensure appropriate guidance is provided to employees involved in processing tax related transactions;
  - 26.3.4 Ensure assistance is provided for any investigations undertaken by any Government Agency, and that justification for assessments made resulting from investigations are properly reviewed;
  - 26.3.5 Implement arrangements to monitor the execution of these responsibilities; and
  - 26.3.6 Report any significant changes to the Board's tax affairs to the Board.
- 26.4 The Treasurer may appoint professional advisers in accordance with the requirements of the Board's Contract Standing Orders.

- 26.5 The Treasurer will be responsible for the dissemination of information on tax matters as appropriate. The Assessor will be responsible for implementing guidelines introduced by the Treasurer regarding any particular aspect of tax.
- 26.6 Where transactions of a new or unusual nature are being considered, the Assessor will consult with the Treasurer on the tax implications at the first opportunity.

## 27. CONDUCT OF EMPLOYEES AND MEMBERS

### Introduction

The Bribery Act 2010 requires commercial organisations, including Councils, to have adequate procedures in place to prevent bribery. Two of the key procedures in this respect are the Code of Conduct for Employees and the National Code of Conduct for Councillors. Members and employees are both personally liable for their conduct and as such must comply strictly with the terms of these Codes.

27.1 Officers and Members must be aware that the Bribery Act 2010 introduced four offences as follows:

- Offering/promising/giving of a bribe;
- Agreeing to/receiving/accepting a financial or other bribe;
- Bribery of a foreign public official;
- Failure of an organisation to prevent a bribe being paid for or on its behalf

27.2 The Act states that bribery is a serious criminal offence. The Board's position is that it will not tolerate bribery in the administration of its duties and therefore any such activity is likely to involve disciplinary proceedings against the individuals concerned.

27.3 The Assessor is 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. The code provides guidance in the following areas:

- Relationships, including those with contractors and suppliers
- Conflicts of interest
- Offers of hospitality and gifts

27.4 Members hold public office under the law and must observe the rules of conduct stemming from the law, the National Code of Conduct for Councillors guidance from the Standards Commission and the rules, standing orders and regulations of the Council. It is each Member's personal responsibility to comply with these and review regularly, and at least annually, their personal circumstances with this in mind, particularly when their circumstances change. Members must not, at any time, advocate or encourage any action contrary to the Code of Conduct.