

# FAREHAM

## BOROUGH COUNCIL

### **Report to Audit and Governance Committee**

**Date**                    **23 November 2015**

**Report of:**            **Head of Finance and Audit**

**Subject:**                **UPDATES TO FINANCIAL REGULATIONS**

#### **SUMMARY**

Some changes are proposed to the Authorisation Limits set out in Financial Regulation 4. Other minor amendments are proposed to reflect recent departmental restructures and in order to comply with the Public Sector Internal Audit Standards.

#### **RECOMMENDATION**

That the proposed changes are considered and any comments forwarded to the Council, to aid its decision in approving the revised regulations.

## INTRODUCTION

1. Financial Regulations form part of the Council's constitution and provide a detailed strategic and operational framework for managing the authority's financial affairs.
2. Work has been carried out in recent years to streamline the regulations down to the key rules that are necessary for the Council to adequately manage its financial affairs. A few further amendments are now proposed to a few of the regulations already reviewed.

## DEPARTMENTAL RESTRUCTURES

3. There have been a number of departmental changes which need to be reflected in the Financial Regulations.
4. **New Finance Post:** A new post of Head of Finance and Audit has been created. It is proposed that the following changes are made to the Regulations to reflect the following responsibilities of this post:

- (a) New generic role of 'Nominated General Finance Manager' to be added to the document that sets out which posts are assigned to roles in the Financial Regulations; the post of Head of Finance and Audit to be assigned this role.
- (b) In Financial Regulation 2 (The Responsibilities of the Statutory Officers), the role of 'Nominated General Finance Manager' to be added to the deputies who can perform the **Section 114 duties** if the Statutory Chief Finance Officer is unable to do so.

These duties are to report to the Executive, and subsequently the Council, if: a) it appears that the expenditure in the financial year is likely to exceed the resources available, b) if any decisions will involve incurring unlawful expenditure, c) if any decision is likely to cause a loss or deficiency, or d) the Council is about to enter an item of account which is unlawful.

- (c) The post to be included in the list of posts which can authorise 'Financial Management' transactions up to £3,000,000.
5. **Write-Offs:** Regulation 19.4 sets out the delegated authorities to cancel debts due to the Council. The following changes are proposed:

*Debts due to the Council may only be written off in accordance with the following rules:-*

- a) *by designated officers of a service where the debt is £50 or less and appropriate steps have been taken to collect the debt such that it has been deemed irrecoverable. The write off should subsequently appear on the quarterly report received by the Statutory Chief Finance Officer or **Nominated General Finance Manager**;*
- b) *by the Statutory Chief Finance Officer or **Nominated General Finance Manager** for other debts where the amount for any one debtor is less than **£5,000**;*
- c) *if they are **penalty charge notices** they can be cancelled in accordance with the **Parking Enforcement Policy, or written off** ~~have been waived~~ under the authority of the **Nominated Chief Officer Manager** with responsibility for Enforcement **or their manager**;*
- d) *if they relate to housing rent income they can be ~~which has been~~ waived as **rent free weeks** under the authority of the **Nominated Chief Officer Manager** with responsibility for ~~Council Housing~~ **or their manager**;*
- e) *in all other cases by the Executive, or other relevant committee.*

## REGULATION 4 – AUTHORISATION LIMITS

6. **High Value Authorisations:** A recent internal audit of the payments system has identified the need to clarify how high value payments are approved. The proposed revised regulation is given in [Appendix A](#) which includes the following rules:
- (a) Any cheque over £50,000 must be countersigned by an officer with Financial Management authorisation.
  - (b) Any non-cheque payment, or transfer over £50,000 must be additionally approved by an officer with Financial Management authorisation, who is different from the authoriser.
  - (c) Any non-Financial Management transaction over £500,000 must have been approved by the Statutory Chief Finance Officer who cannot also be the authoriser.
  - (d) Financial Management transactions over £3,000,000, other than inter-account transfers, must have been approved by the Statutory Chief Finance Officer who cannot also be the authoriser.
  - (e) Those transactions defined as 'Financial Management' transactions are expanded to include Tax adjustments and Inter-account bank transfers.
7. It is proposed that the similar requirement about countersigning high value payments is removed from Financial Regulation 12 (Treasury Management) to avoid duplication.
8. **Procurement Card Payments:** It is proposed that the following sentences are added to the regulation to clarify that procurement card holders are incurring expenditure not their approved authorisers. However, the approved authorisers will receive details of the transactions being charged to the card.

*4.5 Authorisers: Orders and payments which involve the spending of council funds must be authorised by an employee of the Council, whose powers to incur expenditure are in accordance with the limits set out in Appendix 1, and who has been nominated as an authoriser by their Head of Service.*

*The exception to this are payments made on Council procurement cards which can be made by an approved card holder who has signed a procurement card user agreement setting out their authorised limits in accordance with Appendix 1.*

*An authorised officer, other than the card holder, must be nominated to receive details of the transactions being charged to each card.*

9. It is also proposed that the Nominated General Finance Manager and the Statutory Chief Finance Officer are given the discretion to approve higher procurement card levels than the standard set out in the regulation for a card holder, where it can be demonstrated that it meets an individual business need.

## REGULATION 10.4 – FRAUD AND CORRUPTION

10. The Public Sector Internal Audit Standards require the Chief Internal Auditor to be notified of all investigations into fraud or irregularity, irrespective of whether the internal audit team carries out the investigation.
11. It is therefore proposed to add the following sentence to the requirements set out in Financial Regulation 10.4 and the Internal Audit Charter:

10.4.2 **Duty to Report Financial Irregularity:** *Where there is a suspicion of Financial Irregularity, it is the duty of all individuals to report the matter to their Manager, the "Nominated Audit Manager" or the Statutory Chief Finance Officer. Such disclosures will be treated in accordance with the Council's Code of Practice for Confidential Reporting.*

10.4.3 *The Nominated Audit Manager" should subsequently be notified of all investigations into fraud, corruption or impropriety and the outcomes.*

## **RISK ASSESSMENT**

12. There are no significant risk considerations in relation to this report

### [Appendix A – Proposed new version of Financial Regulation 4 – Authorisation Limits](#)

**Background Papers:** None

**Reference Papers:** Report of the Director of Finance and Resources to the Audit and Governance Committee on 22 September 2014 -'Review of Financial Regulations'

#### **Enquiries:**

For further information on this report please contact Elaine Hammell. (Ext 4344)