

# FAREHAM

## BOROUGH COUNCIL

### Report to Audit and Governance Committee

**Date** 27 June 2013

**Report of:** Director of Finance and Resources

**Subject:** LATEST FINANCIAL REGULATIONS UPDATES

#### SUMMARY

Officers are currently carrying out a detailed review of each Financial Regulation in order to streamline them down to the key controls that members and officers are expected to adhere to.

Three more regulations have now been reviewed and are submitted for comment. These cover Regulation 14 - Other Assets, Regulation 10 - Risk Management and Regulation 11 - Audit Arrangements.

#### RECOMMENDATION

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

## **INTRODUCTION**

1. Financial Regulations form part of the Council's constitution and provide a detailed framework for managing the authority's financial affairs. We currently have 21 Financial Regulations.
2. Since November 2010, officers have been reviewing individual regulations and streamlining them down to the key rules that are necessary for the Council to adequately manage its financial affairs. Twelve regulations have been completed to date.
3. The review has been completed for three more regulations which are now being brought to members for comment. A further amendment to Regulation 8 (Revenue and Capital Budgets) is also proposed.

## **FINANCIAL REGULATION 14 - OTHER ASSETS**

4. This regulation accompanies Regulation 13 on Physical Assets which was reviewed at the last meeting. [Appendix A](#) and [Appendix B](#) give the current regulation and the proposed new one. However, it is the intention that the rules contained in Appendix B will be absorbed into appropriate sections of the amalgamated regulations when produced, rather than continuing to be a regulation in its own right.
5. The first section on employees has been removed as these rules are also covered by the regulations covering salaries and allowances and budgetary control, and by the council's Pay Policy.
6. The other sections have been streamlined by removing anything which should be contained in the Council's ICT and Information Management policies, Business Continuity Policy or Contract Procedure Rules.

## **FINANCIAL REGULATION 10 - RISK MANAGEMENT**

7. [Appendix C](#) and [Appendix D](#) give the current regulation and the proposed new one. This regulation has been streamlined to concentrate on what the main policies and responsibilities are that are needed in relation to the key parts of the assurance framework.
8. This has included removing any duplication with the content of the key policies referred to (Risk Management, Business Continuity, Anti-fraud and Corruption and Whistle-blowing), and removing any text which is a description or definition as opposed to a rule.

## **FINANCIAL REGULATION 11 - AUDIT ARRANGEMENTS**

9. [Appendix E](#) and [Appendix F](#) give the current regulation and the proposed new one. This regulation has been updated for the following changes that have been implemented in recent years:
  - (a) The changes in the role of Audit Commission in appointing external auditors and the future implementation of the Local Audit Bill.
  - (b) Reference to the latest Account and Audit Regulations which stipulate that an internal audit service should be maintained, rather than giving the specific year. The latest version at the moment is 2011.

- (c) Replacement of the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom (2006) with the Public Sector Internal Audit Standards 2013.
10. It has also been streamlined to remove duplication with the rules contained in legislation, codes of practice, the terms of reference for the Audit and Governance Committee and the internal audit charter.
11. An updated internal audit charter will be brought to a future meeting of the Committee for comment. This includes the details of how the independence and objectivity of the audit service is achieved, the responsibilities of the audit team and control of audit reports.

### **FINANCIAL REGULATION 8 - REVENUE AND CAPITAL BUDGETS**

12. A further amendment is proposed to Regulation 8 such that the de-minimus level for capitalisation of expenditure will now be £10,000 for all purchases. Currently the rule allows Vehicle and Plant purchases over £5,000 to be capitalised but this contradicts the accounting policy published in the Statement of Accounts and is not used in practice. On average there are 3 vehicles purchased between £5,000 and £10,000 a year and all are purchases made using revenue budgets.

### **RISK ASSESSMENT**

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

### **CONCLUSION**

14. The proposed new approach to streamlining Financial Regulations will continue to guide the strategic and operational financial affairs of the authority in accordance with the latest national and local requirements.

### **Appendices:**

**Appendix A:** Financial Regulation 14 - Other Assets – Current version ([separate attachment](#))

**Appendix B:** Financial Regulation 14 - Other Assets – Proposed version ([separate attachment](#))

**Appendix C:** Financial Regulation 10 - Risk Management – Current version ([separate attachment](#))

**Appendix D:** Financial Regulation 10 - Risk Management – Proposed version ([separate attachment](#))

**Appendix E:** Financial Regulation 11 - Audit Arrangements – Current version ([separate attachment](#))

**Appendix F:** Financial Regulation 11 - Audit Arrangements – Proposed version ([separate attachment](#))

**Background Papers:** None

**Reference Papers:**

Report of the Director of Finance and Resources to the Audit Committee on 30 November 2010 "Annual Review of Financial Regulations".

**Enquiries:**

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