

**FALKIRK COUNCIL**

**Subject: FINANCIAL REGULATIONS**  
**Meeting: AUDIT COMMITTEE**  
**Date: 16 November 2009**  
**Author: DIRECTOR OF FINANCE**

**1. INTRODUCTION**

- 1.1 Members will recall a paper presented to this Committee in April advising that a review of the Council's Financial Regulations was being undertaken, and that a further report on progress would be provided in due course.
- 1.2 The review process is now complete, and a copy of the updated draft Financial Regulations is attached. The key changes are summarised in this report.

**2. REVIEW OF FINANCIAL REGULATIONS**

- 2.1 Falkirk Council's Financial Regulations form part of the Standing Orders approved by the Council. They are designed to ensure the highest standards of probity in dealing with public money and to assist and protect staff in such dealings.
- 2.2 The Director of Finance is, for the purposes of Section 95 of the Local Government (Scotland) Act 1973, designated 'Proper Officer' for the administration of the Council's financial affairs. This responsibility encompasses ownership of the Council's Financial Regulations and responsibility for ensuring that these remain relevant and up to date.
- 2.3 The previous formal review and update of the Council's Financial Regulations took place in 2004, with the current Regulations endorsed by Policy and Resources Committee on 13 April 2004 and approved by Council on 05 May 2004.

**3. FINANCIAL REGULATIONS – KEY CHANGES**

- 3.1 Falkirk Council's Financial Regulations are well embedded, and are an accepted and fundamental element of the Council's governance and control framework. While the general principles of control do not change over time, periodic review and update of the Financial Regulations allows emerging practice and technology to be reflected.
- 3.2 In particular, Members should note the following key changes:

Changed From	Changed To
<b>Section 5: Budget Transfers (Virement) and Budget Changes</b>	
<p>'Virement' has been defined as the transfer of whole or part of a Committee approved revenue or capital budget to a different budget heading through the Council's financial ledger. This definition applies to transfers between Divisions or Services.</p> <p>To align Financial Regulations with Contract Standing Orders, it is proposed that virements of up to £350k can be proposed by Chief Officers and approved by the Director of Finance. Policy and Resources Committee approval would be required for virements exceeding this amount.</p>	
<b>Section 8: ICT Security</b>	
<p>Updated to reflect in more detail the provisions of the Council's Information Security Policy. Also to make it clear that it is the responsibility of each employee to adhere to the Policy and that all Chief Officers are directly responsible for implementing the Policy within their Service (and for the adherence to the Policy of their staff).</p>	
<b>Section 9: Segregation of Duties</b>	
No Officer should have sole responsibility for any financial transaction.	No Officer should have sole responsibility for all elements of a financial transaction, for example, the requisition, order, receipt and payment for a good or service. It is Chief Officers' responsibility to ensure that appropriate segregation is applied between the key stages of every transaction, from beginning to end.
<b>Section 10: Following the Public Pound</b>	
<p>Altered to reflect reviewed and revised Following the Public Pound Guidance. Key changes relate to the level of scrutiny applied at the application and monitoring stages.</p>	
<b>Section 11: Income</b>	
All money received by an Officer on behalf of the Council must be paid in full and without delay into an official nominated bank account.	All money received by an Officer on behalf of the Council must be paid in full and without delay into an official nominated bank account. Appropriate arrangements must be made for ensuring that all monies are banked securely. Where possible the Council's contract with an appointed security company should be utilised. Where this is not possible, alternative arrangements should be put in place in consultation with the Council's Income Manager.

Changed From	Changed To
<b>Section 12: Debt Write-Off</b>	
<p>The levels of authority to write-off debt remain unchanged (Director of Finance up to £5,000 and Policy and Resources Committee over £5,000).</p> <p>The responsibility of Chief Officers to manage and monitor debts accruing, and to take all reasonable steps, within a reasonable timescale, to ensure that all monies due are collected has been added, as has the requirement that a formal and balanced assessment of risk is carried out, to inform the debt recovery action to be taken.</p>	
<b>Section 13: Purchasing of Goods and Services</b>	
Formal competitive tenders must be sought for all contracts above £20,000.	<p>Formal competitive tenders must be sought for all contracts over £30,000 (to bring in line with Contract Standing Orders).</p> <p>Also updated to reflect revised procurement governance arrangements.</p>
<b>Section 16: Salaries, Wages, Pensions and Expense Claims</b>	
Periodically, the Director of Finance will issue details of all Officers and payments made to them. Chief Officers should certify these details and confirm that there are no excessive or anomalous payments made to Officers.	<p>Each month, the Director of Finance shall provide Chief Officers with a report of the payments that were made to their employees in the preceding calendar month. The purpose of the report is to provide Chief Officers with information that will enable them to identify any matters that may need further investigation and / or correction. For example an employee who: appears to be wrongly coded to the Chief Officer's budget; has an unexpectedly high payment; or has left employment but continues to be paid.</p> <p>Each Chief Officer shall certify to the Director of Finance before the end of the calendar month following receipt of the report that the report has been checked and that any exceptional or anomalous payments have been explained and corrected if necessary.</p>
<b>Section 20: Vehicles, Plant and Equipment</b>	
Additional paragraph: Chief Officers are also responsible for ensuring that best value is achieved through the use of all vehicles, whether owned, leased or hired, and for ensuring that Service fleet size and structure, and vehicle usage, is commensurate with business need.	
<b>Section 21: Estates and Property Security</b>	
Additional paragraph: Responsibility for ensuring that there is an effective management system for overseeing the control and maintenance of individual operational Council properties' security systems rests with the appointed Premises Manager. Chief Officers are responsible for ensuring that a Premises Manager has been formally appointed for all buildings within their Service, and for ensuring that the appointed Premises Manager fulfils their obligations as per the Premises Manager's Handbook.	

Changed From	Changed To
<b>Section 25 – Risk Management and Business Continuity</b>	
Updated to reflect the role and remit of the Corporate Risk Management Group, and links to Corporate Management Team and Audit Committee.	
<b>Section 27: Banking Arrangements and Cheques</b>	
Two additional paragraphs added, to reflect that bank accounts must not be opened unless authorised in writing by the Director of Finance, and that any direct debits or standing orders must only be set up in accordance with procedures put in place by the Director of Finance.	

3.3 In addition to the key changes listed in the table above, the document has been updated to reflect current roles, responsibilities, and systems.

#### **4. RECOMMENDATION**

##### **4.1 Members are invited to:**

**4.1.1 Comment on the updated draft Financial Regulations;**

**4.1.2 Recommend the Financial Regulations to Full Council.**

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**Director of Finance Services**

**Date: 06 November 2009**