

## **Review of Financial Regulations**

**Author:** Chris Smith Finance Officer

**Summary** A review has been conducted of the Board's Financial Regulations and Financial Instructions, originally adopted in January 2005.

**Purpose of the Report:** To advise the Committee of amendments to the Financial Regulations and Financial Instructions to reflect both administrative changes and developing practices in financial governance.

### **Background**

1. It is good practice to review Financial Regulations every two years or so, and in fact the Audit Commission expect to see evidence of this.
2. A review has been conducted by the Finance Officer and a revised set is appended for the Committee's consideration. In addition to minor administrative changes (e.g. the location of the Board's offices), additional sections have been included in respect of:
  - Accounting Policies
  - Accounting Records
  - Annual Statement of Accounts
  - Reserves
  - Risk Management and Insurance
  - Internal Controls
  - External Audit
3. Standing Orders as to Contracts have also been reviewed and no amendments are considered necessary.

### **Recommendations**

1. **To adopt the updated Financial Regulations and Financial Instructions.**
2. **To note that the existing set of Standing Orders as to Contracts will remain unchanged.**



# **Financial Regulations**

Revised September 2007

# **FINANCIAL REGULATIONS**

## **CONTENTS**

### **Introduction**

- 1 Responsibilities**
- 2 Accounting Policies**
- 3 Accounting Records**
- 4 Annual Statement of Accounts**
  
- 5 Medium Term Revenue Forecast**
- 6 Revenue Budget**
- 7 Virement**
- 8 Reserves**
- 9 Risk management & Insurance**
- 10 Internal Controls**
- 11 Internal Audit**
- 12 External Audit**
- 13 Treasury Management**

## INTRODUCTION

### Instructions

- 1 Conservation Boards spend large sums of money and have a duty to account clearly for the money they spend to the public, who pay for the spending through various forms of taxation.
- 2 These Financial Regulations are a part of the overall control framework within which the Chilterns Conservation Board operates. Rather than a barrier to action they should be viewed as providing the framework within which you can act, setting out best practice and ensuring a high quality of financial information enabling better decision making and in turn, improved service delivery and greater client satisfaction.
- 3 The financial control framework can be seen as a hierarchy as set out below.

Financial Regulations	Approved by the Board
Financial Instructions	Approved by the Finance Officer
Manuals of Guidance/Work Procedures	Approved by the Chief Officer

- 4 Finance staff are ready and willing to provide assistance in all areas relating to financial management and financial control. In particular, you should seek advice if you are intending to create a new financial procedure, or amend an existing one.
- 5 The Chief Officer is responsible for ensuring that financial controls are operating effectively. Internal Audit monitors the financial control framework.
- 6 The responsibility for the creation and maintenance of the framework rests with the Finance Officer.
- 7 The Finance Officer welcomes feedback on the operation of Financial Regulations and Financial Instructions to ensure they remain relevant and effective.

# 1 RESPONSIBILITIES

## **Preamble**

The financial regulations have been written with the intention of delegating responsibility wherever appropriate. This regulation sets out the framework of responsibilities within which that delegation takes place.

## **Regulations**

- 1.1 These Financial Regulations are made by the Board and are subject to the provisions of the Local Government Act 1972. They set out the working arrangements by which the Board gives effect to its statutory financial responsibilities.
- 1.2 These Financial Regulations apply to all areas of the Board's activities.
- 1.3 The Chief Officer is responsible for the observance of financial regulations and for the training of staff to enable them to comply with these Regulations.
- 1.4 All reports to the Board and Executive Committee must contain a financial appraisal setting out the full financial implications arising from the proposals contained within the report. The financial appraisal must be agreed with the Finance Officer.
- 1.5 The nature and format of all accounting procedures and financial records shall be determined by the Finance Officer.

## **Responsibilities**

- 1.6 The Finance Officer shall, for the purposes of Section 151 of the Local Government Act 1972, be responsible for the proper administration of the Board's financial affairs and report to the Board on the discharge of this responsibility.
- 1.7 The Finance Officer has a statutory responsibility for ensuring that adequate systems and procedures exist to account for all income due and expenditure disbursements made on behalf of the Board and that controls operate to protect the Board's assets from loss, waste, fraud or other impropriety. The Finance Officer shall discharge that responsibility in part by the issue and maintenance of Financial Instructions with which all staff of the Board shall comply.
- 1.8 The Chief Officer is individually responsible for the proper financial management of resources allocated through the budget-making process and for the identification of income arising from activities. This includes

the control of staff and the security, custody and management of assets including plant, equipment, buildings, materials, cash and stores relating to his/her service area.

The Chief Officer shall ensure that staff comply with the requirements contained in Financial Regulations and Financial Instructions.

- 1.9 The Finance Officer may delegate, in writing, certain of his responsibilities within Financial Regulations and Instructions to finance staff, within agreed parameters.

## **2 ACCOUNTING POLICIES**

### **Preamble**

The Board's statement of accounts must be prepared in accordance with proper practices as set out in the format required by the Code of Practice on Local Authority Accounting: A Statement of Recommended Practice (SORP), for each financial year ending 31 March.

### **Regulations**

- 2.1 The Finance Officer is required to select and consistently apply appropriate accounting policies.
- 2.2 Any changes to accounting policies which may have a financial impact on the Board of more than £1,000 shall be reported to the Board by the Finance Officer.

## **3 ACCOUNTING RECORDS**

### **Preamble**

Maintaining proper accounting records is one of the ways in which the Board discharges its responsibility for stewardship of public resources.

### **Regulations**

- 3.1 The Finance Officer shall determine the accounting records to be maintained for the Board.
- 3.2 All accounts and records relating to the finances of the Board shall be open to inspection by the Finance Officer.

## **4 ANNUAL STATEMENT OF ACCOUNTS**

### **Preamble**

The Board has a duty to approve the annual statement of accounts that must fairly present its operations during the year.

### **Regulations**

- 4.1 The Finance Officer has a duty to ensure that the annual statement of accounts is prepared in accordance with the Code of Practice on Local Authority Accounting: A Statement of Recommended Practice (SORP).
- 4.2 The Board is required to approve the annual statement of accounts within the laid down timetable set out in the Accounts and Audit Regulations 2003 and 2006.

## **5 MEDIUM TERM REVENUE FORECAST**

### **Preamble**

In order for the Board to be able to plan the development of services and the priorities for the allocation of resources between activities it needs to undertake medium-term financial planning.

### **Regulations**

- 5.1 The Chief Officer shall prepare a medium term revenue forecast each year, in consultation with the Finance Officer, for submission to the Board.
- 5.2 The Chief Officer shall include the financial effects of all known commitments in the medium term revenue forecasts, together with any other proposals for changes to the level of existing activities, or for new activities.



## 6 REVENUE BUDGET

### **Preamble**

The revenue budget provides an estimate of the annual income and expenditure requirements for all activities and sets out the financial implications of the Board's policies. It provides the Chief Officer with authority to incur expenditure and a basis on which to monitor the financial performance of the Board. These regulations seek to provide a consistent framework for the preparation and monitoring of the revenue budget.

### **Regulations**

- 6.1 The Chief Officer shall prepare a draft revenue budget for the next financial year, in consultation with the Finance Officer, for submission to the Board and the appropriate Government department.
- 6.2 The Finance Officer shall specify the format of the revenue budget and the timing of reports, subject to any overriding requirements of the Board.
- 6.3 Expenditure may be incurred within the revenue budget approved by the Board in pursuance of the aims for which those budgets have been established, subject to any other requirements of the Board.
- 6.4 Throughout the year the Chief Officer shall monitor income and expenditure against budgets. The Finance Officer shall provide financial advice to assist the Chief Officer fulfil his responsibilities. The Chief Officer shall supply the Finance Officer with sufficient information to enable accurate budget profiling.
- 6.5 Budget monitoring statements, including a forecast for the full financial year, shall be submitted to the Board by the Chief Officer at times agreed by the Finance Officer.
- 6.6 The Chief Officer shall report on the outturn of income and expenditure, to the Board, as soon as practicable after the end of the financial year.
- 6.7 If it appears that net expenditure will be in excess of the approved budget and the excess cannot be contained the Chief Officer shall at the earliest opportunity, following consultation with the Finance Officer, report the matter to the Board. If expenditure in excess of the approved budget is incurred due to an emergency, this emergency expenditure must be reported to the Board as soon as possible thereafter.

## **7 VIREMENT**

### **Preamble**

Virement is a transfer of budget provision either within or between budget headings. It is an important facility to assist in managing budgets effectively within a cash limit. These regulations set out the authorisations required for virement to take place.

### **Regulations**

- 7.1 The Chief Officer shall ensure that virement is undertaken as necessary to maintain the accuracy of budget monitoring and inform the Finance Officer as soon as practicable.
- 7.2 Virements within approved revenue budgets may be agreed by the Chief Officer and the Finance Officer.
- 7.3 Virements between approved revenue budgets shall be authorised only by the Chief Officer and the Finance Officer.
- 7.4 The approval of the Board shall be required if the virement involves:
  - a spending outside the policy framework;
  - b an addition to commitments in future years beyond any agreed allocations;
  - c if the Finance Officer requires it.
- 7.5 Income received in excess of the budgeted amount may be spent. This can be achieved by a virement between income and expenditure budgets in accordance with the above regulations.

## **8 RESERVES**

### **Preamble**

The general reserve is held as a contingency for unexpected future events. Reserves are also maintained for specific purposes where it is likely that a liability will arise.

## **Regulations**

- 8.1 Any additions or withdrawals from reserves are to be approved by the Board.
- 8.2 The Finance Officer is responsible for advising on prudent levels of reserves in accordance with the Local Government Act 2003, taking account of the views of external audit.

## **9 RISK MANAGEMENT AND INSURANCE**

### **Preamble**

All organisations, whether private or public sector, face risks to people, property and continued operations. Processes need to be in place, therefore, to identify and manage such risks, including arranging external insurance cover where appropriate.

## **Regulations**

- 9.1 The Board shall approve arrangements for risk management and insurance, and shall review the effectiveness of risk management.
- 9.2 Within the overall policy determined by the Board, the Chief Officer shall effect and administer the risk management policies, including ensuring that:
  - procedures are in place to identify, assess, prevent or contain material known risks, and these procedures are operating effectively throughout the organisation;
  - a monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis with any significant changes to the risk profile being reported to the Executive Committee;
  - staff know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives; and
  - acceptable levels of risk are determined and insured against where appropriate;
  - the risk register should be presented to the Board annually, together with a risk mitigation plan.
- 9.3 The Chief Officer in conjunction with the Finance Officer shall effect insurance arrangements to mitigate risks where appropriate. The Chief Officer shall administer such insurance arrangements, including ensuring

that procedures are in place to investigate claims within the required timescales.

9.4 Members of the Board and staff shall promptly notify the Chief Officer of:

- all new risks, of whatever nature, which require to be insured, indicating the scope and amount of cover required, together with variations in existing risks; and
- any loss, liability or damage, or of any event likely to lead to a claim, either against the Board or in favour of it.

9.5 No member or officer shall admit liability to a claimant, or make any statement that could be construed as such, concerning a matter which is to be dealt with by insurers.

## **10 INTERNAL CONTROLS**

### **Preamble**

The Board faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to manage these risks. A Statement on Internal Control has to be prepared and presented with the Annual Statement of Accounts.

### **Regulations**

10.1 Internal control refers to the systems of control devised by management to help ensure the Board's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Board's assets and interests are safeguarded.

10.2 The Chief Officer, in conjunction with the Finance Officer, shall advise on and implement effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes, regulations and other relevant statements of best practice. The systems should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.

10.2 The Finance Officer shall establish sound arrangements for planning, appraising, authorising and controlling financial operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving financial performance targets.

## 11 INTERNAL AUDIT

### **Preamble**

The Accounts and Audit Regulations 1996, made under sections 23 and 35 of the Local Government Finance Act 1982, require the Board to maintain a continuous, adequate and effective internal audit of its accounts. The Board has delegated this responsibility to the "Responsible Financial Officer" (the Finance Officer). The following regulations provide the framework for this statutory duty to be discharged.

### **Regulations**

- 11.1 The Finance Officer shall maintain an adequate and effective internal audit of the activities of the Board. The Finance Officer's representatives shall have authority to enter at all times on any premises or land used by the Board and to have access to all correspondence, documents, books or other records of any employee of the Board and appertaining in any way to the activities of the Board. The Finance Officer shall be entitled to require such explanation as he/she considers necessary to establish the correctness of any matter under examination. The Finance Officer shall have the authority to require any employee of the Board to produce cash, stores, or other Board property under his/her control.
- 11.2 The Finance Officer shall have regard to any relevant professional guidelines and any audit standards issued by the Auditing Practices Board of the Consultative Committee of Accountancy Bodies.
- 11.3 The Finance Officer and the Legal Services Officer (at Bucks County Council) shall be notified immediately by the Chief Officer of any financial irregularities or suspected irregularities, or any circumstances which may suggest the possibility of irregularities in the exercise of any of the Board's functions. Such communication may be oral initially but must be confirmed promptly in writing. Where any allegation relates to the Chief Officer, the Chairman of the Board shall be informed immediately.
- 11.4 The Finance Officer shall determine the scope of any internal enquiries or investigations, subject to consultation with the Legal Services Officer and the Chief Officer.
- 11.5 The Finance Officer and the Legal Services Officer, in consultation with the Chief Officer, shall decide whether any matter under investigation should be referred to the police and take recovery action as appropriate on such matters. The Finance Officer shall keep the Chairman of the Board informed of all cases of suspected fraud or other irregularity, of

the action taken, the progress of any investigation and shall inform him of the outcome when the investigation is concluded.

- 11.6 The Chief Officer shall take steps to minimise the risks of financial irregularities occurring.

## **12 EXTERNAL AUDIT**

### **Preamble**

External audit is a statutory function. The duties of the external auditor are governed by the Audit Commission Act 1988, the Local Government Act 1999, and the Code of Audit Practice.

### **Regulations**

- 12.1 The Adit Commission is responsible for appointing external auditors to the Board. External auditors act in liaison with the Finance Officer and Chief Officer, and have full access to the internal auditors and to internal audit reports.
- 12.2 The Chief Officer shall ensure that external audit reports and the Annual Audit Letter are presented to the Board

## **13 TREASURY MANAGEMENT**

### **Preamble**

The Finance Officer is responsible for the arrangements for managing the Board's cash flow, its borrowing activities and its lending activities, in accordance with policies agreed by the Board. This regulation places a duty on the Finance Officer to keep these arrangements under review.

### **Regulations**

- 13.1 The Finance Officer shall undertake Treasury Management activities in accordance with the CIPFA Code of Practice on Treasury Management in Local Authorities.

## **GLOSSARY**

### **Board**

This term is used to describe the Chilterns Conservation Board .

### **Budget Head**

The term Budget Head is used in these Regulations to describe the lowest level of subjective analysis of budget approved by the Board in the annual budget report or any revisions subsequently made to the budget by the Board.

### **CIPFA**

Chartered Institute of Public Finance and Accountancy.

### **Finance Officer**

This term is used to describe the officer with overall responsibility for the administration of the Board's financial affairs, as set out in Section 112 of the Local Government Finance Act 1988

### **Virement**

This is a technical term used to define the act of transferring resources from one Budget Head to another.