



# **Orkney and Shetland Valuation Joint Board**

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## **Financial Regulations**

**June 2024**

## Review/Updates to the Financial Regulations

Date	Board	Review/Update – amendments made.
20 June 2024	Yes	New Financial Regulations.

# Index

1. Introduction.....	1
1.1. Responsibility of the Treasurer.....	1
1.2. Responsibility of the Board.....	1
1.3. Responsibility of the Assessor .....	1
2. Observance of Financial Regulations .....	2
2.1. Responsibility .....	2
2.2. Breach of Regulations.....	3
3. Financial Planning .....	3
3.1. Form of the Budgets.....	3
3.2. Duty to Provide Information.....	3
3.3. Budget Planning Process .....	3
3.4. Authority to Incur Expenditure .....	4
3.5. Application for External Grant Funding .....	4
3.6. Emergency Powers .....	4
4. Financial Administration.....	4
4.1. Board Control.....	4
4.2. Probity .....	5
4.3. Best Value.....	5
4.4. Representation at Meetings .....	5
4.5. Subsidy Control.....	6
5. Revenue Budgetary Controls.....	6
5.1. Financial Monitoring Process .....	6
5.2. Financial Monitoring by Board.....	6
5.3. Revenue Budget Virement .....	6
5.4. Revenue Budget Under and Overspends .....	7
6. Accounting.....	7

6.1. Accounting Systems, Procedures and Records .....	7
6.2. Annual Accounts .....	7
6.3. Year End Accounting Procedures .....	7
6.4. Board Reporting .....	7
7. Banking Arrangements .....	7
7.1. Administrative Procedures .....	7
8. Purchasing of Work, Goods and Services .....	7
8.1. Procurement.....	7
9. Orders for Work, Goods or Services.....	8
9.1. Form of Ordering System .....	8
9.2. Official Orders .....	8
9.3. Prohibition on Use of Orders .....	9
9.4. Duty to Invite Quotations (up to £50,000).....	9
9.5. Contracts above £50,000 .....	9
9.6. Check on Work, Goods or Services Received.....	10
9.7. Leasing .....	10
9.8. Use of Consultants.....	10
10. Payment for Work, Goods or Services.....	10
10.1. Payment Requests.....	10
10.2. Method of Payment .....	11
10.3. Authorisation .....	11
10.4. Certification of Payment Requests .....	11
10.5. Processing of Payment Vouchers .....	12
11. Salaries, Wages, Pensions and Expense Claims .....	12
11.1. Administrative Procedures .....	12
11.2. Duty to Provide Information.....	12
11.3. Certification of Records.....	13

11.4. Pensions / Redundancy Payments .....	13
11.5. Members Expenses .....	14
11.6. Staff Expenses .....	14
11.7. Advances .....	15
12. Petty Cash .....	15
12.1. Administrative Procedures .....	15
13. Income Collection .....	16
13.1. Administrative Procedures .....	16
13.2. Issuing of Invoices for the Supply of Goods and Services .....	16
13.3. Income Vouchers and Stationery .....	16
13.4. Debt Recovery and Write-offs .....	16
13.5. IT Systems – Access, Security and Control .....	16
14. Internal Audit.....	17
14.1. Responsibility for Internal Audit.....	17
14.2. Role of Internal Audit.....	17
14.3. Authority of Internal Audit.....	17
14.4. Duty to Notify Irregularities.....	18
14.5. Internal Audit Involvement.....	18
14.6. Reporting.....	18
15. Fraud, Bribery, Theft and Irregularity .....	19
15.1. Fraud Definition and Policy .....	19
15.2. Process of Investigation .....	19
15.3. Segregation of Duties.....	19
16. Insurance and Risk .....	20
16.1. Duty to Assess Risk .....	20
16.2. Insurance Cover.....	20
17. Assets.....	20

17.1. Duty to Maintain Inventories and Asset Records.....	20
17.2. Annual Check.....	21
17.3. Security of Assets .....	21
17.4. Obsolete or Surplus Assets.....	21
18. Treasury Management.....	22
18.1. General .....	22
19. Security.....	22
19.1. Cash Security.....	22
19.2. Credit and Purchase Card Security.....	22
19.3. Access to Safes, etc.....	22
19.4. Data Security.....	23
19.5. Security and Retention of Documents.....	23
20. Variation of Financial Regulations .....	23
20.1. Authority to Vary or Amend Regulations .....	23

# **1. Introduction**

## **1.1. Responsibility of the Treasurer**

- 1.1.1. Subject to the terms of reference of the Board, the Treasurer shall be the Proper Officer of the Board for the purposes of Section 95 of the Local Government (Scotland) Act 1973 for the administration of the financial affairs of the Board.
- 1.1.2. 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.
- 1.1.3. The Treasurer shall act as Financial Adviser to the Board, and in consultation with the Assessor, as appropriate, inform the Board of appropriate financial policies or guidance.
- 1.1.4. Any reference in these Regulations to the Treasurer includes those specifically authorised by them to undertake the various functions concerned.

## **1.2. Responsibility of the Board**

- 1.2.1. The Board, and its officers, shall at all times endeavour to secure Best Value (as set out in the Local Government in Scotland Act 2003) by way of economic, efficient and effective use of resources.
- 1.2.2. The Board shall at all times be responsible for complying with Contract Standing Orders and these Regulations in relation to all manner of contractual and other arrangements with financial implications falling within its area of responsibility.

## **1.3. Responsibility of the Assessor**

- 1.3.1. Except in an emergency, and as authorised by Standing Orders or the Scheme of Delegation of Powers, the Assessor shall consult with the Treasurer with respect to any matter which is liable to affect materially the finances of the Board before any provisional or other commitment is incurred or before reporting thereon to the Board.
- 1.3.2. The Assessor should at all times endeavour to secure the Best Value for the Board.
- 1.3.3. The Assessor will ensure that all relevant employees are aware of these Regulations and that they are fully complied with.
- 1.3.4. 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.

- 1.3.5 The Assessor and other persons authorised by them will ensure that only expenditure within the legal powers of the Board is incurred. Where this is not clear, the authorised person will consult the Assessor prior to incurring such expenditure.
- 1.3.6 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. Observance of Financial Regulations**

### **2.1. Responsibility**

- 2.1.1. The Local Authority Accounts (Scotland) Regulations 2014 are in force. The Board, Officers, Partners and anyone acting on behalf of the Board shall observe these Regulations. It will be the duty of the Assessor, the Clerk to the Board and the Treasurer to ensure that there are adequate financial and non-financial internal controls in place for the conduct of all Board business in as correct and secure a manner as possible and in accordance with best practice.
- 2.1.2. The administering authority function transferred to the Orkney Islands Council during 2020, with the provision of financial services effective from 1 April 2021. As a result, the Board adheres to Orkney Islands Council processes in respect of many of its processes, for example creditor payments, payroll, expenses, etc.
- 2.1.3 The Assessor, in consultation with the Treasurer, is also responsible for ensuring that necessary supporting manuals, electronic or otherwise, are in place to ensure that all staff have proper written guidance regarding the systems they are using and procedures they are following. Where changes occur, these manuals should be updated accordingly. The purpose of these manuals is to ensure that everyone is working in the same, consistent manner, and also to assist in the training and development of any new members of staff.
- 2.1.4. It is the responsibility of the Assessor to ensure that all staff are made aware of the existence and requirement to conform to the Contract Standing Orders and Financial Regulations. In addition to these Regulations, the Treasurer may issue financial guidelines and instructions. Official guidelines, procedures etc, issued by the Treasurer have the same status as the Financial Regulations. Staff should receive any training which may be required to perform their jobs according to the requirements of the Contract Standing Orders and Financial Regulations. Any necessary training should be carried out with the involvement of the Treasurer.
- 2.1.5. The Treasurer can authorise exemptions from the Financial Regulations subject to alternative, adequate control arrangements being in place.



## **2.2. Breach of Regulations**

- 2.2.1. 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. Any breach of the Financial Regulations could be considered gross misconduct and may invoke subsequent disciplinary action in accordance with the appropriate approved and agreed disciplinary procedures. Some breaches of Financial Regulations may be treated as offences giving rise to criminal proceedings. Orkney Islands Council's Corporate Anti-Fraud Policy is to be treated as part of these Regulations.
- 2.2.2. In addition to these Regulations, the financial affairs of the Board shall at all times be conducted in accordance with the principles set out in "The Councillors' Code of Conduct," as published by the Standards Commission for Scotland (<http://www.standardscommissionscotland.org.uk/codes-of-conduct/councillors-code-of-conduct>).
- 2.2.3. Board officers must comply with the Code of Conduct for Employees of Orkney Islands Council, available on the Council website ([Employee Information \(orkney.gov.uk\)](http://orkney.gov.uk)).
- 2.2.4. Financial transactions are cumulative for the purposes of these Regulations. Therefore, financial limits cannot be avoided by deliberately splitting transactions into smaller amounts.

## **3. Financial Planning**

### **3.1. Form of the Budgets**

- 3.1.1. The Treasurer will determine the format of the budget to be approved by the Board. The format will comply with all legal requirements and with CIPFA's Service Reporting Code of Practice for Local Authorities (SeRCOP).

### **3.2. Duty to Provide Information**

- 3.2.1. It shall be the duty of the Assessor, the Clerk to the Board and other officers to provide the Treasurer with any information required to allow the timeous preparation of the capital and revenue budgets in accordance with any instruction provided.

### **3.3. Budget Planning Process**

- 3.3.1. The budget planning process takes place on an annual basis and is designed to support progress towards achievement of the Board's priorities, as set out in the Board's Service Plan.
- 3.3.2. The format of the revenue estimates, information required and prescribed timescales to be met will be determined by the Treasurer.
- 3.3.3. The Assessor, in conjunction with the Treasurer, will annually prepare revenue estimates of income and expenditure for the forthcoming financial

year. In addition, revenue estimates will be prepared on a cycle that permits appropriate medium term financial planning to be undertaken on a rolling basis to ensure the Board's Medium Term Financial Plan is kept under review.

- 3.3.4 The Board will review and approve the revenue estimates, with any revisions as necessary, and determine the requisitions to be charged to constituent authorities, with final approval being no later than the date prescribed by statute.

### **3.4. Authority to Incur Expenditure**

- 3.4.1. Approval of the revenue estimates gives the Assessor authority to incur relevant expenditure and to raise appropriate income to meet their budget targets.
- 3.4.2. The Assessor shall ensure that no expenditure is incurred unless it is within the legal powers of the Board to incur such expenditure. Expenditure must be in accordance with these Regulations, and any other requirements, such as Contract Standing Orders. The Assessor may not incur expenditure in any financial year that cannot be met from the approved revenue budget, except in accordance with the scheme of virement (paragraph 5.3 below).

### **3.5. Application for External Grant Funding**

- 3.5.1. Prior to the submission of applications for external grant funding, the Treasurer shall be required to authorise all grant applications and shall have the right to refer any application to the Board.
- 3.5.2. External Grant claims should follow the process set out by Orkney Islands Council.

### **3.6. Emergency Powers**

- 3.6.1. Nothing in these Regulations shall prevent expenditure being incurred which is necessary in an emergency or required as a matter of urgency. The Treasurer may approve any revenue expenditure which, after consultation with the Convener, the Depute Convener and the Assessor, he/she considers essential in the interest of the Board and being of an emergency nature cannot await consideration by the Board. The Treasurer may require a report detailing the action taken to be presented to the Board.

## **4. Financial Administration**

### **4.1. Board Control**

- 4.1.1. The Board is responsible for regulation and controlling the finances of the Board. Officers will keep Board Members informed as to the state of the Board's finances and will report on the accounts of each financial year as soon as practicable.

- 4.1.2. The Treasurer shall report to the Board on the level of resources available to the Board within a budget period as well as information as to its overall financial performance.
- 4.1.3. Board reports must identify any financial and governance implications. The Treasurer and the Clerk to the Board respectively must approve the financial and governance implications sections of all reports. All recommendations must be consistent with the terms of the financial and governance aspects. The Clerk to the Board must assess whether the Board requires to seek legal advice on any issues identified within a report and detail findings within the Board report.

## **4.2. Probity**

- 4.2.1. The Board regards any corrupt practices as completely incompatible with its public service role.
- 4.2.2. These Regulations are not a substitute for common sense and judgement. Members and staff must exhibit the highest standards of financial probity when dealing with the Board's affairs.
- 4.2.3. Employees and Board Members must not accept gifts, loans, fees, hospitality or other advantage in accordance with The Councillors' Code of Conduct and the Code of Conduct for Employees of Orkney Islands Council.
- 4.2.4. The acceptance of invitations to holidays or foreign travel, gifts or hospitality and other invitations could be construed as a bribe or inducement. Any inducements accepted from suppliers to encourage the purchase of goods or services shall be considered an act of gross misconduct.
- 4.2.5. All Board Members and senior employees are required to declare changes to their financial and non-financial interests. Such changes will be notified to the Clerk to the Board within one month of these changes taking place.
- 4.2.6. The Assessor is accountable for their staff and the security, custody and control of all resources including plant, buildings, materials, cash and stores appertaining to their services.

## **4.3. Best Value**

- 4.3.1. Section 1 of the Local Government in Scotland Act 2003 obliges the Board to make arrangements which secure Best Value. Best Value is continuous improvement in the performance of the Board's functions. In accordance with Best Value principles all proposed and current service arrangements shall be subject to review and option appraisal.

## **4.4. Representation at Meetings**

- 4.4.1. The Treasurer, or any nominee authorised by the Treasurer, shall not be denied access to any meeting within or hosted by the Board where decisions of any financial matter take place.

## **4.5. Subsidy Control**

4.5.1. Any financial assistance given by the Board to a third party must comply with any applicable rules on subsidy control as set out in the Subsidy Control Act 2022 and other relevant legislation.

## **5. Revenue Budgetary Controls**

### **5.1. Financial Monitoring Process**

5.1.1. The Treasurer will establish an appropriate framework of budgetary management and control to ensure that:

- budget management is exercised within annual budget limits unless the Board agrees otherwise.
- budget management is exercised through a scheme of delegated budget holders across the service.
- each cost centre has a single named budget holder, determined by the Assessor.
- the Assessor is provided at regular intervals (normally monthly) with information on income and expenditure in sufficient detail to enable budget holders to fulfil their budgetary responsibility.
- significant variances from approved budgets are investigated and reported by budget holders as appropriate.

5.1.2. The Treasurer shall be responsible for preparing budget monitoring procedures to set out the Board's budget monitoring arrangements and distribution of these to the Assessor.

### **5.2. Financial Monitoring by Board**

5.2.1. The Treasurer, in consultation with the Assessor, is responsible for the submission of regular budget monitoring reports to the Board. All such reports shall be in a format prescribed by the Treasurer.

### **5.3. Revenue Budget Virement**

5.3.1. Virements are intended to provide the Assessor with a degree of flexibility within their overall approved revenue budget.

5.3.2. Virements cannot be used to reinstate an item deleted by the Board during budget considerations, or a change in policy, without subsequent approval by the Board.

5.3.3. Any budget virement must be made by 31 March of the financial year to which it relates.

## **5.4. Revenue Budget Under and Overspends**

- 5.4.1. Any under or overspends generated annually through operations shall be returned to, or claimed from, the relevant constituent Council.

## **6. Accounting**

### **6.1. Accounting Systems, Procedures and Records**

- 6.1.1. All accounts and accounting records of the Board will be compiled under the direction of the Treasurer. The Treasurer will exercise supervision over any records and financial systems maintained by the Board, to ensure uniformity.

### **6.2. Annual Accounts**

- 6.2.1. The Treasurer is responsible for the Board's statement of accounts which must be prepared in accordance with proper practices as set out in the Code of Practice for Local Authority Accounting in the United Kingdom, published by CIPFA and LASAAC.

### **6.3. Year End Accounting Procedures**

- 6.3.1. The Treasurer will draw up the timetable for final accounts preparation and will advise staff and external auditors accordingly. The Assessor will comply with accounting guidance provided by the Treasurer and will supply information when required.

### **6.4. Board Reporting**

- 6.4.1. The Treasurer will prepare the draft statement of accounts and submit this to the Board and to the Controller of Audit not later than 30 June each year.
- 6.4.2. The Treasurer will present the audited statement of accounts to the Board not later than 2 months after receipt of the audit certificate.

## **7. Banking Arrangements**

### **7.1. Administrative Procedures**

- 7.1.1. All administrative arrangements are currently made with the Lead Authority, Orkney Islands Council. This includes a process for cheque issue and lodgements. Orkney Islands Council's processes must be adhered to and are detailed in Orkney Islands Council's Financial Regulations.

## **8. Purchasing of Work, Goods and Services**

### **8.1. Procurement**

- 8.1.1. Any officer who enters into an agreement for the supply of goods, services and works to the Board must ensure that the agreement complies with the Board's Contract Standing Orders and any supplementary guidance issued by Orkney Islands Council.

- 8.1.2. All contracts must be evaluated, prior to agreement, in accordance with Orkney Islands Council's International Financial Reporting Standard (IFRS)16 Leases Policy to ensure any embedded assets are recognised.

## **9. Orders for Work, Goods or Services**

### **9.1. Form of Ordering System**

- 9.1.1. The Treasurer shall determine the ordering system across the Service.

### **9.2. Official Orders**

- 9.2.1. All orders must be in a format approved by the Treasurer and should be treated as an official financial document. All orders are to be controlled and issued under arrangements approved by the Treasurer.

- 9.2.2. Official orders must be issued in advance for all work, goods or services to be supplied to the Board, except for:

- Work procured in accordance with Contract Standing Orders.
- Services provided in accordance with a formal Service Level Agreement.
- Supplies of utility services.
- Periodical payments such as rent or rates.
- Petty cash purchases.
- Where purchasing cards or business credit cards are used.
- Any other exceptions as the Treasurer may approve.

- 9.2.3. All goods supplied to, or work executed for the Board shall be ordered or confirmed by means of an official order. Verbal orders are not permitted.

- 9.2.4. Those who have authority to make purchases must ensure that official orders are raised where it is required to do so and are in line with delegated authority limits approved by the Treasurer.

- 9.2.5. The officer authorising an order must be satisfied that:

- There is sufficient budget provision (this must always take precedence).
- The expenditure is legal and within the power of the Board.
- Best value has been achieved.
- The timing of the order and the quantities ordered are appropriate.
- The price, quantity, and details pertaining to delivery have been agreed.

- The nature and quantity of goods or services to be supplied are clearly stated on the order.
- Any additional documentation supplied with the order is accurate and appropriate.
- Correct ledger codes have been provided.
- The order is within their delegated authority limit.
- The order does not contravene any other section of these Regulations or the Contract Standing Orders.

9.2.6 Procedures for the issue of cards, authorisation limits and checking of statements sanctioned by the Treasurer must be followed at all times. The Treasurer must also be satisfied with the control arrangements in place. All purchasing and business credit card users must obtain receipts, both as an internal control and to enable VAT to be reclaimed. Orkney Islands Council's policy on the use of credit cards, including their conditions of use, guidelines and procedures, are issued to all staff with authority to use cards.

### **9.3. Prohibition on Use of Orders**

9.3.1. Official orders must not be used for non-Board purchases.

### **9.4. Duty to Invite Quotations (up to £50,000)**

9.4.1. Section 14 of the Contract Standing Orders details the exemptions and exceptions to competition requirements.

9.4.2. All exceptions to Contract Standing Orders, as set out in Section 14.3 of the Contract Standing Orders, must be approved by the Assessor, in consultation with the Treasurer, in accordance with the Exceptions Procedure (Appendix 1 to the Contract Standing Orders).

9.4.3 Section 15 of the Contract Standing Orders details the requirements where the estimated value of a contract is less than £10,000. The Assessor should proceed in the manner that they consider the most efficient to the management of their service whilst ensuring that any purchases offer value for money.

9.4.4 Section 17 of the Contract Standing Orders details the competition requirements where the estimated value of a Contract is between £10,000 and £50,000. In general, the Assessor must obtain 3 written quotations. If 3 quotations cannot be obtained, then the Assessor must keep evidence of the reasons for this.

### **9.5. Contracts above £50,000**

9.5.1. Section 18 to Section 20 of the Contract Standing Orders covers orders for works, goods and services over £50,000. Section 18, Section 19 and Section 27 detail the process for selecting a contract under the open and restricted tendering procedure and would apply where the proposed contract

would exceed £50,000 and no Dynamic Purchasing System or suitable framework appointed contractors exists.

- 9.5.2. Section 18, Section 19 and Section 28 of the Contract Standing Orders detail the process for selecting a contract under the open tendering procedure and would apply where the proposed contract would exceed £50,000, no suitable contractors on the Board's Dynamic Purchasing System or suitable framework appointed contractors exist and the Assessor considers the restricted tendering procedure inappropriate.
- 9.5.3. Section 24 of the Contract Standing Orders details the process for selecting a contract under a tendering procedure using both Quality and Cost award criteria – Most Economically Advantageous Tender (MEAT).

## **9.6. Check on Work, Goods or Services Received**

- 9.6.1. It shall be the duty of the Assessor to ensure that all work, goods or services received are of adequate quality, and represent value for money for the Board.

## **9.7. Leasing**

- 9.7.1. Prior to entering into a non-property asset leasing arrangement, the Assessor shall obtain approval from the Treasurer in order that the advantages or otherwise of leasing compared to purchasing can be evaluated and that consideration can be given as to whether or not the asset sought already exists or is available within the Board, or its constituent Councils.
- 9.7.2. Prior to entering into any leasing arrangement, leases must be evaluated by the Treasurer in accordance with the Orkney Islands Council's Policy on IFRS 16.

## **9.8. Use of Consultants**

- 9.8.1. The appointment of Professional Consultants is subject to these Regulations and the Contract Standing Orders, save where an exemption or exception applies in terms of Section 14 of the Contract Standing Orders. Due to their specialised fixed term nature, consultancy appointments are closely scrutinised and, therefore, before contracts are entered into, the Assessor should obtain specific Board approval to employ consultants subject to application of paragraph 3.6 above or the procurement exemptions and exceptions as set out in Section 14 of the Contract Standing Orders.

## **10. Payment for Work, Goods or Services**

### **10.1. Payment Requests**

- 10.1.1. Creditor payments will be initiated through submission of a payment request to the Payments Section of Orkney Islands Council's Finance Service.



10.1.2. Payment requests will normally be supplier invoices. In the absence of an invoice, special payments supported by appropriate documentation can be used as a substitute payment request.

## **10.2. Method of Payment**

10.2.1. All payments, except those from petty cash and advances, will be by:

- The automated transfer of funds (BACS) from the Council's main bank accounts.
- Cheque, or.
- Credit or purchasing cards (see paragraph 9.2.6 above).

## **10.3. Authorisation**

10.3.1. All invoices must be certified by an authorised signatory. The Assessor is responsible for authorising officers to certify and approve payment requests. A list of authorised officers shall be reviewed by the Treasurer on a regular basis. The Payments Section of Orkney Islands Council will maintain records of authorised signatories. It is the responsibility of the Assessor to supply and update the Payments Section with the details of all authorised officers.

10.3.2. Certification will normally be by an appropriate authorised member of staff within the Service to which the payment pertains.

10.3.3. In all cases, except those referred to in paragraph 9.2.6 above, the invoice must be matched to the purchase order prior to submission for payment.

10.3.4. Prepaying for work, goods or services is not normally permitted and only allowed in exceptional circumstances. The Treasurer will authorise prepayments where the advantages clearly outweigh the inherent risks of potential non-delivery.

## **10.4. Certification of Payment Requests**

10.4.1. The officer certifying payment requests must be satisfied that:

- the work, goods or services to which the payment request relates have been received and examined or carried out and approved.
- the relevant expenditure has been properly incurred and is in accordance with all relevant sections of these Regulations.
- the payment request provides the correct payee details, description of goods or services and value.
- appropriate entries have been made in inventories or stock records, where relevant.

- the payment voucher has not been previously passed for payment and is a proper liability of the Board.
- the appropriate ledger code has been entered and that the payment amount is within the relevant budget provision.

10.4.2. For VAT purposes, only original supplier invoices can be used to support a VAT claim.

## **10.5. Processing of Payment Vouchers**

10.5.1. Payments will be processed using Orkney Islands Council's standard payment systems as approved by the Council's Head of Finance.

10.5.2. Prior to the payment, Orkney Islands Council's Payments Section will examine payment requests and are entitled to make enquiries and to receive information and explanations as required.

10.5.3. All payments must be made on time, to comply with the requirements of the Late Payment of Commercial Debts (Interest) Act 1998. To avoid the possibility of penalties, as well as potential damage to the Board's reputation, officers must ensure that all payments are made by the due date.

10.5.4. In all situations where discounts are available, care should be taken that the relevant time period is adhered to.

10.5.5. In exceptional circumstances a payment may be made before the next scheduled payment run using the ad-hoc payment system. The ad-hoc payments system shall not be used to circumvent the Regulations detailed above.

## **11. Salaries, Wages, Pensions and Expense Claims**

### **11.1. Administrative Procedures**

11.1.1. The Assessor will ensure that all posts are properly authorised and are included on the appropriate Establishment list.

11.1.2. All salaries, wages, pensions, compensation and other payments to Members, employees or former employees of the Board will be made by Orkney Islands Council's Head of Finance or under arrangements approved and controlled by him/her.

### **11.2. Duty to Provide Information**

11.2.1. The Assessor shall notify the Payroll and Human Resources services of Orkney Islands Council using approved forms, where appropriate. This notification should be submitted in accordance with prescribed deadlines and should relate to all matters affecting the payment of officers, in particular:

- appointments, resignations, dismissals, suspensions, secondments and transfers.
- changes in remuneration, other than normal increments and pay awards and agreements of general application.
- information necessary to maintain records of service for pension, income tax, national insurance, etc.
- absences due to sickness or other reason, apart from approved leave.
- changes to the establishment i.e. job titles, hours, grading, temporary posts and any other changes to the establishment.

11.2.2. Orkney Islands Council's Head of Human Resources and Organisational Development and the Head of Finance will keep the Assessor informed of changes to conditions of service, pension benefits and other relevant matters.

### **11.3. Certification of Records**

11.3.1. All documents/system processes which form the basis of a salary, wage, pension, compensation or other payment or form part of the contract of employment must be in a format approved by Orkney Islands Council's Head of Finance and the Head of Human Resources and Organisational Development.

11.3.2. All documents which form the basis of a payment must be approved by an authorised officer. A list of authorised officers shall be provided to Orkney Islands Council's Head of Finance and approved on an annual basis. Orkney Islands Council's Payroll Section will maintain lists of authorised officers. It is the responsibility of the Assessor to supply and update the Payroll Section with the names and specimen signatures of all authorised officers timeously.

11.3.3. The Assessor will have regard to the reasonableness of the amount of overtime worked, satisfying themselves that the officer was authorised to work the additional hours and that the hours were actually worked, and will ensure that the Working Time Directive is adhered to.

### **11.4. Pensions / Redundancy Payments**

11.4.1. All pension records and documents shall be in a form prescribed or approved by the Treasurer. The Treasurer is responsible for the calculation and payment of all Local Government Pension Scheme (LGPS) benefit payments.

11.4.2. The Treasurer is responsible for the payment of any compensation granted to members of relevant pension schemes retiring early in accordance with existing relevant constituent Council policies.

## **11.5. Members Expenses**

11.5.1. Payments to Board Members will be made by Orkney Islands Council's Head of Finance under arrangements approved by him/her. The prescribed claim form must be completed in accordance with:

- Guidelines issued by the Council on Councillors Allowances.
- The Local Governance (Scotland) Act 2004 and any regulations made under the Act.
- Sections 46-49 (as amended) and any regulations made by the Scottish Ministers in terms of Section 50 of the Local Government (Scotland) Act 1973 or the Local Government (Allowances and Expenses) (Scotland) Regulations 2007.

11.5.2. Board Members may claim travelling and subsistence allowances at the approved rates.

11.5.3. Claims should be submitted on a monthly or more frequent basis with receipts attached. Claims submitted more than three months after the event will only be paid in exceptional circumstances if approved by the Assessor and the Treasurer.

## **11.6. Staff Expenses**

11.6.1. The reimbursement of expenses must be in accordance with Orkney Islands Council's approved scheme of allowances, the approved Travel Policy and any additional guidance as issued by the Treasurer. Claims should only be made in respect of expenditure incurred whilst undertaking approved Board duties.

11.6.2. Claims should be submitted via Orkney Islands Council's employee expenses system within the prescribed deadlines as detailed at paragraph 11.6.4 and certified by an authorised signatory. Expense claims can be authorised by those officers with the required authority approved and assigned within Integra.

11.6.3. The certifying officer must be satisfied that:

- Any payment conforms with approved terms and conditions for the employee concerned.
- Expenses were properly incurred for an approved trip and are in accordance with the approved Officers Allowances.
- All relevant detailed receipts and/or other evidence of expenditure are attached both as verification and to enable VAT to be reclaimed.
- No payment will be made without appropriate detailed receipts and/or evidence of payment.
- Forms and claims have been completed accurately.

- The reimbursement of expenses is not being met by any other third party.

11.6.4. Claims should be submitted on a timely basis with receipts and other evidence attached. Claims submitted more than three months after the event will only be paid in exceptional circumstances if approved by the Assessor and the Treasurer.

## **11.7. Advances**

11.7.1. Advance payments will not be made to any officer who is likely to incur expenditure on behalf of the Board.

11.7.2. Officers should not face financial detriment as all travel arrangements should be made in accordance with Orkney Islands Council's Travel Policy.

## **12. Petty Cash**

### **12.1. Administrative Procedures**

12.1.1. The Treasurer will approve petty cash to the Service as considered reasonable and appropriate for the purposes of meeting petty cash and other minor expenses in the delivery of its services. Such payments must be supported by receipted vouchers.

12.1.2. All petty cash accounts will be maintained in accordance with guidance notes issued by Orkney Islands Council.

12.1.3. The Treasurer must authorise all requests for:

- New petty cash accounts.
- Changes to the existing levels.
- The closure of petty cash accounts.

12.1.4. Formal records of the petty cash accounts must be retained. The officer responsible for a petty cash account will provide the Treasurer with the records concerned for inspection, on request.

12.1.5. No income received on behalf of the Board may be paid into a petty cash account but must be banked in accordance with procedures laid out by the administrative authority.

12.1.6. Petty cash accounts cannot be used for the reimbursement of staff travel, subsistence, or associated expenditure.

12.1.7. Under no circumstances should cash be removed from the petty cash account for personal use.

## **13. Income Collection**

### **13.1. Administrative Procedures**

- 13.1.1. All monies received shall be paid intact and without delay to Orkney Islands Council's Customer Services unless permission has been granted by the Treasurer for alternative arrangements.
- 13.1.2. Cheques shall not be cashed out of money held on behalf of the Board. The exception to this is the replenishment of petty cash accounts.
- 13.1.3. Each officer who lodges money shall ensure an income voucher is completed which indicates the origin of payment, with the appropriate documentation.

### **13.2. Issuing of Invoices for the Supply of Goods and Services**

- 13.2.1. The Assessor is responsible for identifying all sources of income within the Service and ensuring that invoices are raised promptly for amounts due.
- 13.2.2. All invoices issued must be in the standard format approved by the Treasurer.
- 13.2.3. Wherever possible payment in advance or at the time of the provision of the goods and services, should be the default position.
- 13.2.4. The Assessor is responsible for providing the Treasurer with the details necessary to ensure collection of all debts.
- 13.2.5. The Treasurer will maintain a record of the outstanding invoices and issue regular monitoring reports to the Assessor.

### **13.3. Income Vouchers and Stationery**

- 13.3.1. All financial documents used to record income will be controlled by and in a format approved by the Treasurer.

### **13.4. Debt Recovery and Write-offs**

- 13.4.1. After exhausting all methods of recovery, the Treasurer shall have authority to write off debts considered irrecoverable on the following basis:
  - Unable to trace the debtor.
  - Bankruptcy or sequestration of debtor.
  - Uneconomic to pursue the debt.
  - Unrealistic prospect of debt recovery.

### **13.5. IT Systems – Access, Security and Control**

- 13.5.1. Approval should be sought from the Treasurer before implementation of any IT system that involves the processing of payments and/or receipts.

- 13.5.2. All payment systems and other IT systems which link to Orkney Islands Council's main payment system must provide certification of PCI DSS (Payment Card Industry Data Security Standard) compliance.
- 13.5.3. Procedural guidance should be in place to ensure that all systems are fully operational and successfully integrated with Orkney Islands Council's financial systems.

## **14. Internal Audit**

### **14.1. Responsibility for Internal Audit**

- 14.1.1. The Assessor has ultimate responsibility for the provision of the Internal Audit service to the Board. The Chief Internal Auditor has the right, where circumstances warrant it, to report in their own name and without fear or favour to all officers and Board Members.

### **14.2. Role of Internal Audit**

- 14.2.1. The primary role of Internal Audit is that of an assurance function which provides an independent and objective opinion on the adequacy of the Board's control environment. Internal audit work is designed to add value and improve an organisation's operations, in particular in evaluating and improving the effectiveness of risk management, control and governance processes. In addition to the provision of assurances, Internal Audit undertakes non-assurance work including consulting services and fraud related work.
- 14.2.2. The Internal Audit Charter defines the purpose, authority and responsibility for the Internal Audit Service. The Public Sector Internal Audit Standards define the nature and set the basic principles for carrying out internal audit in the UK Public Sector.
- 14.2.3. While Internal Audit contributes to the internal control environment by examining, evaluating and reporting to management on its adequacy and effectiveness, it should be noted that the Assessor is responsible for ensuring that adequate internal control systems, both financial and non-financial, are in place and that best value is achieved.

### **14.3. Authority of Internal Audit**

- 14.3.1. The appointed Chief Internal Auditor or their authorised representative shall have authority to:
- Enter at all reasonable times on any Board's premises or land.
  - Have access to, and remove, all records, documents and correspondence, including computer records, relating to any financial and other transactions of the Board.

- Be provided with a separate log-in to any computer system within the Board and have full access to any system, personal computer or other device in the ownership of the Board.
- Require and receive such explanations as are necessary concerning any matter under examination.
- Require any employee or Board Member to produce cash, stores or any other Board property under their control.

#### **14.4. Duty to Notify Irregularities**

14.4.1. All Officers and Board Members have a duty to inform the Treasurer and the appointed Chief Internal Auditor of any suspicion of fraud, bribery or irregularity affecting cash, stores, assets, other property or contracts of the Board or any other related matter concerning the contravention of the Board's Financial Regulations. The appointed Chief Internal Auditor, in consultation with the Treasurer, shall be responsible for the investigation of any such matters.

#### **14.5. Internal Audit Involvement**

14.5.1. Prior to the commencement of any new major systems development or enhancement, a standard pro forma detailing the proposals, timescale, development cost and expected benefits shall be provided to Internal Audit. On receipt of the report, the appointed Chief Internal Auditor, in consultation with the manager responsible for the systems development and enhancement, shall decide on the level of Internal Audit involvement. This will depend on the outcome of a risk assessment based upon the information contained within the report.

14.5.2. In this regard the pro-forma can be obtained electronically from the appointed Chief Internal Auditor.

#### **14.6. Reporting**

14.6.1. All major audits and other (non-investigation) assignments will be the subject of a formal report. Draft reports will be subject to a factual accuracy agreement process with the managers of the areas under review and thereafter will be formally issued in the name of the appointed Chief Internal Auditor, who retains the right of final edit of all reports.

14.6.2. Where Internal Audit write a report with recommendations, relevant senior managers must confirm, in writing, within the specified timescale the action to be taken. Alternatively, they must provide an explanation where no action will be taken. It should be clearly understood, that, in all instances where no action is taken, for whatever reason, management have accepted the risk that arises from failure to implement an Internal Audit recommendation. This is in line with the principles of risk management and corporate governance.



- 14.6.3. Consultation and distribution arrangements for investigation reports will depend on the circumstances of each case and will be discussed with the relevant parties.
- 14.6.4. The appointed Chief Internal Auditor will submit regular reports to the Board on the work undertaken by the Internal Audit section.

## **15. Fraud, Bribery, Theft and Irregularity**

### **15.1. Fraud Definition and Policy**

- 15.1.1. The term 'fraud' in its widest sense can be defined as 'the use of deception with the intention of obtaining an advantage, avoiding an obligation, or causing loss to a third party'.
- 15.1.2. It is the duty of each Board employee and Board Member to comply with Orkney Islands Council's Corporate Anti-fraud Policy. The policy is available on the [Council's website](#).

### **15.2. Process of Investigation**

- 15.2.1. The Treasurer and appointed Chief Internal Auditor, on being informed of an employee's suspicions, are responsible for establishing whether there are reasonable grounds for suspecting that a fraud, bribery, theft or other irregularity has taken place.
- 15.2.2. The Treasurer and the appointed Chief Internal Auditor, having established that there are reasonable grounds for suspecting a fraud, bribery, theft or other irregularity, shall initiate a full investigation of the suspected irregularity and report it appropriately.
- 15.2.3. The Treasurer shall advise the Assessor and the Clerk to the Board of appropriate action to be taken which may involve suspension of an employee for the duration of the formal investigation.
- 15.2.4. In instances where a full investigation confirms that a fraud, bribery, theft or other irregularity has occurred resulting in actual loss, the Assessor shall invoke disciplinary procedures and police involvement.

### **15.3. Segregation of Duties**

- 15.3.1. The Assessor shall be responsible for ensuring appropriate segregation of duties where financial activity is involved, and where practical should ensure that:
- no single officer has sole responsibility for any financial transaction.
  - officers involved in reconciling and recording any income due to the Board should not collect or process the related income.
  - cash collection and cash accounting records be examined and checked by a second, preferably, supervisory officer; and

- officers authorising invoice payments should be different to the officers who have issued the related orders.

## **16. Insurance and Risk**

### **16.1. Duty to Assess Risk**

16.1.1. The Assessor will ensure that appropriate Risk Management measures are taken within the Service.

### **16.2. Insurance Cover**

16.2.1. The Treasurer is responsible for ensuring that adequate insurance cover is in place and will liaise with the Assessor and all relevant insurers in respect of the negotiation of any claims made.

16.2.2. The Treasurer will review all insurances annually, and at such other periods as may be considered necessary, in consultation with the Assessor, as appropriate.

16.2.3. The Assessor must ensure that the Treasurer is notified promptly of any changes in relation to:

- Properties, vehicles, equipment and other assets.
- Any new or increased risks which may affect existing insurance provisions: and/or
- Any activities that might result in claims against the Board.

16.2.4. Staff must comply with any requirements imposed by the Board's insurers as a condition of the policies.

16.2.5. The Assessor will notify the Treasurer and the Clerk to the Board of all cases involving personal injury.

16.2.6. The Assessor will consult the Treasurer and the Clerk to the Board regarding the terms of any indemnity that the Board is requested to give.

16.2.7. All appropriate officers of the Board will be included in suitable fidelity guarantee insurance.

## **17. Assets**

### **17.1. Duty to Maintain Inventories and Asset Records**

17.1.1. The Treasurer will maintain a record of all assets within the Board in an Asset Register. All assets will be valued and depreciated in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom.

17.1.2. The Assessor will make arrangements for inventory evidence to be recorded by dated photo which should include office equipment, furnishings, plant and

machinery and any other valuable property. For Insurance purposes items worth over £5,000 must be recorded and passed to Orkney Islands Council's Insurance Officer and should include the purchase price or cost excluding VAT along with the estimated reinstatement or replacement value.

- 17.1.3. For insurance purposes, the Assessor should keep a copy of the inventory list off site.
- 17.1.4. The Treasurer shall determine the format in which the inventories shall be kept.
- 17.1.5. In accordance with paragraph 17.1.1, above, Notification of Purchase and Notification of Asset Disposal/Transfer forms should be completed as appropriate and forwarded to the Treasurer without delay.

## **17.2. Annual Check**

- 17.2.1. Inventories evidence and asset records should be checked and updated annually or when significant changes have occurred (i.e. office move or purchase of multiple items). Any discrepancies should be reported to the Treasurer immediately.

## **17.3. Security of Assets**

- 17.3.1. The Assessor is responsible for maintaining proper security of all buildings, stocks, stores, furniture, equipment, cash, etc. under their control.
- 17.3.2. The Assessor is responsible for ensuring that all moveable assets are properly secure and can be accounted for at all times. The Board's property shall not be removed otherwise than in accordance with the ordinary course of the Board's business or used otherwise than for the Board's purposes except in accordance with specific directions issued by the Assessor.
- 17.3.3. Wherever practical, valuable and desirable moveable property should be clearly marked as the property of the Board.

## **17.4. Obsolete or Surplus Assets**

- 17.4.1. Assets not required by the Board shall normally be marketed and sold on the open market at the best price achievable.
- 17.4.2. This shall normally involve competitive tender or public auction.
- 17.4.3. Orkney Islands Council's Head of Property, Asset Management and Facilities should be consulted before disposing of any IT equipment. All disposals should be in compliance with Orkney Islands Council's ICT Security policies and WEEE (Waste Electrical and Electronic Equipment) directive.

## **18. Treasury Management**

### **18.1. General**

18.1.1. The Treasury Management function of the Board will be carried out by the Lead Authority in accordance with its Financial Regulations.

## **19. Security**

### **19.1. Cash Security**

19.1.1. The Assessor will advise the Treasurer of all changes in circumstances within the Service where cash is held or is otherwise under the control of officers of the Board. They will ensure that the minimum level of cash is held subject to the practicalities of individual circumstances.

19.1.2. Cash should never be used in any instance where a purchase order or payment card can be used, and the goods or services paid for in the normal way using approved procedures set out at paragraphs 10 and 11 above.

19.1.3. When cash is held, risk management and insurance implications must always be considered. All staff that have responsibility for handling cash should ensure that they are familiar with and comply with the Board's insurance policies.

19.1.4. The transfer of cash or incoming cheques through Orkney Islands Council's Cash Office should be evidenced by a receipt or written record.

19.1.5. All mail received by the Board should be opened in a secure area. In the case of mail opened that contains cash, cheques, postal orders, or any other form of payment, this should be recorded and forwarded to the Treasurer. The amount of the payment, the date of payment, and details of who made the payment, should be noted.

### **19.2. Credit and Purchase Card Security**

19.2.1. Credit and purchase cards are restricted to authorised officers only and must be kept in a secure place.

### **19.3. Access to Safes, etc**

19.3.1. Authorised Officers are responsible for the security of safes and similar receptacles. Access should be limited, and security should be to a level that is practical in the circumstances. A register of staff with access to safes and similar receptacles should be maintained and the loss of any key or breach of security should be reported immediately to the Assessor and the Treasurer.

19.3.2. Keys and combination codes for any safe or strong room shall not be left on the premises whilst the Board is closed for business purposes to comply with insurance requirements.

19.3.3. Combination codes should be changed on a regular basis.

## **19.4. Data Security**

19.4.1. Officers should adhere to the requirements of the Data Protection Act 2018 and any guidance issued.

19.4.2. Officers must not write down or divulge their computer passwords to any other person, nor should user accounts and passwords for systems be shared between officers. A personal password manager may be used to store a user's passwords securely, but access to the password manager must not be given to others.

19.4.3. The Assessor shall be responsible for the use and security of all data output from Computer Systems.

## **19.5. Security and Retention of Documents**

19.5.1. The Assessor should ensure that arrangements are in place for the proper management of financial, legal and other documents and that these documents are retained in accordance with any specific statutory requirements, including the Data Protection Act 2018, the Freedom of Information (Scotland) Act 2002, and any approved Board and / or management policies and procedures.

19.5.2. The Assessor will determine the retention periods for specific documents.

19.5.3. It has been agreed with all relevant external bodies that invoices paid through Orkney Islands Council's Payments Section will be scanned and the paper copies destroyed. However, in the case of externally funded projects, all documents relating to external grant funding must be retained in accordance with the conditions of grant and until the final completion and audit of the relevant programme.

19.5.4. Disposal of records should where practicable be carried out under controlled conditions by two persons, and an appropriate record should be completed, dated and signed by both as evidence.

## **20. Variation of Financial Regulations**

### **20.1. Authority to Vary or Amend Regulations**

20.1.1. The Treasurer shall be authorised to amend these Regulations as and when required, to take account of alterations in financial practice and legislation. Such changes will be reported to the Board.