



Item: 15

Policy and Resources Committee: 18 June 2024.

Financial Regulations – Review.

Report by Head of Finance.

1. Overview

- 1.1. Section 95 of the Local Government (Scotland) Act 1973 obliges every authority to make arrangements for the proper administration of their financial affairs. The Financial Regulations provide a control framework for the proper administration of the Council's financial affairs. Their scope includes financial management, financial planning, risk management and control of resources, counter fraud, financial systems and procedures, and external arrangements.
- 1.2. The current Financial Regulations were approved on 24 September 2013.
- 1.3. Both internal and external audits recommended the Financial Regulations were updated to reflect a number of changed internal and external factors since last revision.
- 1.4. The Financial Regulations have been updated to reflect:
 - The structure within the Finance service.
 - Changes in officer titles to reflect the recent management restructure.
 - Enhancements to processes and internal controls.
 - Changes to statutory reporting requirements.
 - Inclusion of electronic links to additional information, where applicable.
- 1.5. The revised and updated Financial Regulations, attached as Appendix 1 to this report, were presented to the Corporate Leadership Team on 20 May 2024, where officers were afforded the opportunity to comment on the amended Regulations. Appendix 2 shows the changes from the earlier version.
- 1.6. Having an effective set of Financial Regulations is an important part of ensuring the proper use of resources and public money and contributes to the overall quality of financial management and the lessening of fraud and corruption risks.
- 1.7. The Financial Regulations attached reflect what will, if approved, become the Council's operating procedures on finance issues.

2. Recommendations

- 2.1. It is recommended that members of the Committee:
 - i. Approve the revised and updated Financial Regulations, attached as Appendix 1 to this report.

3. Background

- 3.1. Financial Regulations provide a control framework for the proper administration of the Council's financial affairs. Their scope includes financial management, financial planning, risk management and control of resources, counter fraud, financial systems and procedures, and external arrangements.
- 3.2. The current Financial Regulations were approved on 24 September 2013, and a few small amendments have been made between 2016 to 2019. Since 2019 there have been a number of changes in the way the Council operates that also require to be reflected in the Financial Regulations. Appendix 2 shows the changes, whilst section 4, below, highlights the main changes.
- 3.3. KPMG's audit of the Council in 2022/23 recommended a "timely review and update" of the Financial Regulations. As a result, the need to review the Financial Regulations has been recognised as a priority for the Finance Service.

4. Highlighted Changes

- 4.1. Section 5.5 reflects the change in the legal framework from State Aid to Subsidy Control in relation to the provision of financial assistance by public authorities to businesses and other undertakings that engage in economic activity.
- 4.2. Section 9.3 covers the move towards automated transfers.
- 4.3. Section 10.1.3 has been added to ensure that any new IT system being considered complies with the Payment Card Industry Data Security Standard and links to the Council's existing receipting or payments systems.
- 4.4. Sections 10.1.4 and 11.8 have been updated to reflect the change in statutory reporting in relation to leases.
- 4.5. Sections 11.4 and 11.5 have been updated to reflect updates in the Contract Standing Orders.
- 4.6. Section 15.7 has been added to clarify the access, security and control of IT systems which link into the Council's finance systems.

- 4.7. Section 16 and Section 23.5.5 have been added to reflect the increased trend towards non-cash transacting.

For Further Information please contact:

Erik Knight, Head of Finance, extension 2127, Email: Erik.Knight@orkney.gov.uk

Implications of Report

1. **Financial** There are no direct financial implications arising from the proposed changes to Financial Regulations.
2. **Legal** Approval of the proposed updates to the Financial Regulations will support the Council in compliance with its obligation to make arrangements for the proper administration of its financial affairs in terms of Section 95 of the Local Government (Scotland) Act 1973.
3. **Corporate Governance** Financial Regulations are a key component to demonstrate effective Corporate Governance.
4. **Human Resources** N/A
5. **Equalities** N/A
6. **Island Communities Impact** N/A
7. **Links to Council Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:
 - Growing our economy.
 - Strengthening our Communities.
 - Developing our Infrastructure.
 - Transforming our Council.
8. **Links to Local Outcomes Improvement Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:
 - Cost of Living.
 - Sustainable Development.
 - Local Equality.
9. **Environmental and Climate Risk** N/A
10. **Risk** Following the Financial Regulations will reduce officer and Corporate risk.
11. **Procurement** Procurement regulations are covered in the Financial Regulations and the Contract Standing Orders.
12. **Health and Safety** N/A
13. **Property and Assets** The Financial Regulations include sections on purchase, maintenance and disposal of property and assets.
14. **Information Technology** N/A
15. **Cost of Living** N/A

Appendices

Appendix 1 – Financial Regulations June 2024

Appendix 2 – Financial Regulations July 2019 changes



ORKNEY
ISLANDS COUNCIL

Financial Regulations

June 2024

Review/Updates to the Financial Regulations

Date	Committee	Review/Update – amendments made.
Oct 2013	Yes - P and R	Full review of the Financial Regulations.
April 2016	No	7.1 – Capital Projects and 15.6 – Corporate Charging Policy.
January 2018	No	11.4 Duty to Invite Quotations (up to £50,000) – 11.7 Check on Work, Goods or Services Received.
June 2018	No	3.7.1 & 7.1.2 – Wording amendment - Convener & Vice Convener to Leader and Deputy Leader
July 2019	No	13.6.4 – Wording amendment – removed Head of Finance. 19.1.4 & 19.2.1 – Duty to maintain inventories and asset records.
June 2024	Yes – P and R	Full Review of the Financial Regulations

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1. Introduction

1.1. Section 95 Officer

- 1.1.1. The Corporate Director for Enterprise and Sustainable Regeneration, being the Proper Officer for the purpose of Section 95 (S95) of the Local Government (Scotland) Act 1973, shall be responsible to the Policy and Resources Committee for the proper administration of the Council's financial affairs. The Local Authority Accounts (Scotland) Regulations 1985 require the S95 Officer to determine the system of accounting control and form of accounts and supporting records and to ensure that the accounts and records are kept up to date by the relevant Corporate Director.
- 1.1.2. The Head of Finance, as the S95 Officer's delegate, shall be entitled to report upon the financial implications of any matter coming before the Council or its Committees, and shall further report to the Policy and Resources Committee, if necessary, in the interests of the financial affairs of the Council.
- 1.1.3. The S95 Officer is a member of the Council's Corporate Leadership Team (CLT) and as such, advises CLT on financial matters. The Head of Finance is a member of the Council's Extended Corporate Leadership Team (ECLT). For the purposes of these Regulations the terms S95 Officer and Head of Finance are interchangeable. Both officers also have access to the Chief Executive and must raise any issues or concerns regarding financial matters with the Chief Executive.
- 1.1.4. Any Corporate Director who intends to submit a report, which has financial implications to the Council, a Committee or Sub-committee, must forward a copy of the report to the Head of Finance in accordance with dates identified in the Council's Standing Orders. Any observations on the report made by the Head of Finance shall be incorporated in the Corporate Director's report.
- 1.1.5. As the Council's financial adviser, the S95 Officer shall report to the Council with respect to the level of resources proposed to be utilised in each financial year and shall keep the Council informed with respect to its finances and financial performance and, where applicable, committees informed with respect to the financial implications of their activities.

1.2. Status of the Financial Regulations

- 1.2.1. These Regulations set down guidelines for officers and Members that the Council requires to be followed. They are designed to ensure the highest standards of probity in dealing with public money and to assist and protect staff in such dealings.
- 1.2.2. In addition to these Regulations, the Head of Finance may issue financial guidelines and instructions. Official guidelines, procedures etc., issued by the Head of Finance have the same status as the Financial Regulations. Subject to the approval of the Head of Finance, the Chief Executive and

Corporate Directors may also issue financial guidelines for activities within their Service.

2. Observance of Financial Regulations

2.1. Responsibility

- 2.1.1. Every Committee, Sub-committee, Councillor, Officer and Agent of the Council will adhere to these Regulations. It will be the duty of the Chief Executive and Corporate Directors to ensure that there are adequate financial and non-financial internal controls in place for the conduct of all Council business in as correct and secure manner as possible and in accordance with best practice.
- 2.1.2. The Chief Executive and Corporate Directors, in consultation with the Head of Finance, are 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.
- 2.1.3. It is the responsibility of the Chief Executive and Corporate Directors to ensure that all staff within their jurisdiction or Service are made aware of the existence and requirement to conform to the Contract Standing Orders and 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 Finance Service, Procurement or Property, Asset Management and Facilities as appropriate.
- 2.1.4. The Head of Finance 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 breach or non-compliance with these regulations must, immediately on discovery, be reported to the Head of Finance, who will discuss the matter with the relevant Corporate Director or Chief Executive as may be appropriate in order to determine the appropriate 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 Council's approved and agreed disciplinary procedures. Some breaches of Financial Regulations may be treated as offences giving rise to criminal proceedings. The Council's Corporate Anti-Fraud Policy is to be treated as part of the Regulations.
- 2.2.2. In addition to these Regulations, Councillors must abide by [Councillors' Code of Conduct](#) published by the Standards Commission for Scotland.

<http://www.standardscommissionscotland.org.uk/codes-of-conduct/councillors-code-of-conduct>

- 2.2.3. Staff must comply with the Code of Conduct for Employees of Orkney Islands Council, available on the [Council website](#).
- 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 Head of Finance will determine the format of the budget to be approved by the Council. 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 Chief Executive and Corporate Directors to provide the Head of Finance with any information required to allow the timeous preparation of the capital and revenue budgets in accordance with any instruction provided.
- 3.2.2. The Chief Executive and Corporate Directors, in consultation with the Head of Finance, will integrate budgets with the Corporate Delivery Plan and Directorate Delivery Plans, so that budgets can be supported by financial and non-financial performance measures. Budgets should reflect relevant financial aspects related to the delivery of Directorate Delivery Plans subject to competing corporate priorities and overall funding constraints of the Budget settlement.
- 3.2.3. The Head of Finance shall report to the Policy and Resources Committee on the aggregate effect of the capital programme and revenue budgets on the Council's financial resources and, subject to any proposed amendments, the Policy and Resources Committee shall submit them to the Council for approval.

3.3. Budget Planning Process

- 3.3.1. The Budget planning process takes place on an annual basis and is designed to support the progress towards achievement of the Council's priorities from limited funding resources. The Chief Executive, the Corporate Director for Enterprise and Sustainable Regeneration and the Head of Finance work with other members of the Corporate Leadership Team and Extended Corporate Leadership Team to develop budget proposals. Through a series of seminars with Elected Members, a full understanding of the budget pressures and growth priorities is achieved. In more detail, the process:

- Supports and reflects the Council's and community planning priorities.
- Undertakes strategic financial planning.
- Plans for medium term financial stability.
- Makes recommendations regarding Council Tax and budget setting over an agreed period.
- Advises on use of reserves and balances.
- Advises on year-end flexibility arrangements.
- Advises on the capital project appraisal process.

3.4. Committee Consideration of Estimates

- 3.4.1. The draft revenue budgets will be submitted to the Council for approval no later than the date prescribed by statute, in order that Council Tax and rent levels can be set.
- 3.4.2. The Head of Finance will prepare and submit reports to the Council on the resources available on a cycle that reflects central government's settlement periods and the implications for the level of Council Tax, subject to that information being made available from the Scottish Government.

3.5. Application for External Grant Funding

- 3.5.1. Prior to the submission of applications for external grant funding, the Head of Finance shall be required to authorise all grant applications and shall have the right to refer any application to the relevant Service Committee for approval prior to submission.
- 3.5.2. External Grant claims are covered in more detail at Section 15.5.

3.6. Authority to Incur Expenditure

- 3.6.1. The inclusion of items in the approved revenue or capital budgets will constitute authority to the Service, as appropriate in terms of the Scheme of Delegation to Officers, to incur such expenditure.
- 3.6.2. The Chief Executive and Corporate Directors shall ensure that no expenditure is incurred unless it is within the legal powers of the Council to incur such expenditure. Expenditure must be in accordance with these Regulations, and any other requirements, such as Contract Standing Orders. The Chief Executive and Corporate Directors may not incur expenditure in any financial year that cannot be met from the approved revenue or capital budget, except in accordance with the scheme of virement (paragraph 6.3 below).
- 3.6.3. The Council has adopted the definition of Capital Expenditure, and the stated accounting procedures, as contained in the CIPFA/LASAAC Statement of Recommended Practice (SORP). In general, any spending

under £10,000 is unlikely to be considered capital in nature and will therefore be chargeable against the service revenue budget.

3.7. Emergency Powers

- 3.7.1. Nothing in these Regulations shall prevent expenditure being incurred which is necessary in an emergency or required as a matter of urgency. The Head of Finance may approve any revenue expenditure which, after consultation with the Leader, the Depute Leader and the Chief Executive, he/she considers essential in the interest of the Council and being of an emergency nature cannot await consideration by the Policy and Resources Committee. The Head of Finance may require a report detailing the action taken to be presented to the next available meeting of the Policy and Resources Committee.

4. Statutory Compliance

4.1. The Prudential Code

- 4.1.1. This Council adopts CIPFA's Prudential Code for Capital Finance in Local Authorities.
- 4.1.2. The Prudential Code increases the flexibility that the Council has in setting the capital programme, however full regard must be taken of the affordability of the programme. The Head of Finance is responsible for ensuring that all affordability considerations are taken into account; are reported to Council in line with the Code; and will monitor performance. Affordability considerations include an assessment of sustainability, by taking account of the level of resources available to the Council in the form of reserves and balances and any long-term revenue commitments.
- 4.1.3. Before the start of each financial year, the Head of Finance will prepare a Treasury Management Strategy Statement, setting out the prudential indicators for the following three years, for approval by the Policy and Resources Committee. These will be based on the capital and revenue spending plans submitted for approval.

5. Financial Administration

5.1. Committee Control

- 5.1.1. The Policy and Resources Committee is responsible to the Council for regulating and controlling the finances of the Council. Officers will keep Elected Members informed as to the state of the Council's finances and will report on the accounts of each financial year as soon as practicable.
- 5.1.2. The Head of Finance shall report to the Policy and Resources Committee on the level of resources available to the Council within a budget period, keep each Committee informed as to its financial performance, and shall keep the Policy and Resources Committee informed as to overall financial performance of the Council.

- 5.1.3. Committee reports must identify any financial and legal implications. The Head of Finance and the Head of Legal and Governance respectively must approve the financial and legal implications sections of all reports. All recommendations must be consistent with the terms of the financial and legal implications.

5.2. Probity

- 5.2.1. The Council regards any corrupt practices as completely incompatible with its public service role.
- 5.2.2. These regulations are not a substitute for common sense and judgement. Elected Members and staff must exhibit the highest standards of financial probity when dealing with the Council's affairs.
- 5.2.3. Elected Members and employees 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.
- 5.2.4. 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.
- 5.2.5. All Elected Members and employees at Head of Service level and above are required to declare changes to their financial and non-financial interests. Such changes will be notified to the Chief Executive within one month of these changes taking place.
- 5.2.6. The Chief Executive and Corporate Directors are accountable for their staff and the security, custody and control of all resources including plant, buildings, materials, cash and stores appertaining to their Services.

5.3. Best Value

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

5.4. Representation at Meetings

- 5.4.1. The Head of Finance, or any nominee authorised by the Head of Finance, shall not be denied access to any meeting within or hosted by the Council where decisions of any financial matter take place.

5.5. Subsidy Control

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

6. Revenue Budgetary Controls

6.1. Financial Monitoring Process

6.1.1. The Head of Finance will establish an appropriate framework of budgetary management and control to ensure that:

- budget management is exercised within annual cash limits unless the Council agrees otherwise.
- budget management is exercised through a scheme of delegated budget holders across each service.
- each cost centre has a single named budget holder, determined by the relevant Corporate Director.
- the Chief Executive and Corporate Directors are provided at regular intervals (normally monthly) with information of 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.

6.1.2. The Head of Finance shall be responsible for preparing budget monitoring procedures to set out the Council's budget monitoring arrangements and distribution of these to the Chief Executive and Corporate Directors.

6.2. Financial Monitoring by Committee

6.2.1. The Chief Executive and Corporate Directors, in consultation with the Head of Finance, are responsible for the submission of regular budget monitoring reports to each service Committee, and summary reports to the Policy and Resources Committee. All such reports shall be in a format prescribed by the Head of Finance.

6.3. Revenue Budget Virement

6.3.1. Virements are intended to provide the Chief Executive and Corporate Directors with a degree of flexibility within their overall approved revenue budget. Transfer of approved estimates from one head of expenditure to another, within a service estimate, will be subject to the approval of the Head of Finance and, if considered to affect materially the approved budget, the Council (or service Committee where appropriate).

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

6.3.3. Virements that are likely to impact on the level of service activity of more than one Corporate Director should be implemented only after the approval of all relevant officers.

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

6.4. Revenue Budget Under and Overspends

- 6.4.1. An overspend by a service Committee in any financial year may be offset against the service Committee budget for the following financial year at the discretion of the Head of Finance.
- 6.4.2. Any underspends shall be transferred to general reserves at the year-end unless otherwise agreed by the Council.

7. Capital Programme

7.1. Capital Projects

- 7.1.1. All officers and Elected Members shall ensure compliance with the Council's capital project appraisal process, which is available on request. In accordance with paragraph 3.6.1, above, the approval by the Council of the Capital Programme constitutes approval of the individual projects or provisions contained therein.
- 7.1.2. In exceptional circumstances, the Head of Finance may, after consultation with the Leader, the Depute Leader and the Chief Executive, approve any capital expenditure he/she considers is in the interest of the Council and which is fully funded. The Head of Finance may require a report detailing the action taken to be presented to the next scheduled meeting of the Policy and Resources Committee.
- 7.1.3. With the exception of any expenditure approved under regulation 7.1.2 above, any requests to incur expenditure outwith the provisions included in the approved capital programme shall be reported to the Policy and Resources Committee, prior to any commitment being made.
- 7.1.4. No expenditure on the purchase of equipment of a value in excess of £50,000 for each proposal will be made without the prior consent of a Council Committee or Sub-committee even although a general provision has been made in the capital programme or annual revenue estimates. For this purpose each proposal is defined as including separate but associated pieces of equipment. Expenditure up to this limit may be authorised by the Chief Executive or a Corporate Director in consultation with the Head of Finance if generally provided for in the capital programme.

7.2. Capital Programme Virement

- 7.2.1 The Chief Executive and Corporate Directors cannot exercise budget virements between projects in the Capital Programme.

7.3. Capital Programme Slippage

- 7.3.1. Capital Slippage is defined as capital projects which have not progressed in accordance with the provisions made within the approved capital programme.
- 7.3.2. Where no contractual commitment exists or will be made in the current financial year for an approved capital project, the relevant programme provision(s) may be redeployed by the Policy and Resources Committee.
- 7.3.3. Where a contractual commitment does exist, an appropriate provision shall be made in the capital programme for the following financial year to permit completion of the project.
- 7.3.4. Where slippage in capital projects is identified, the Chief Executive and Corporate Directors are responsible for informing the Head of Finance and for reporting delays and revised timescales to the Policy and Resources Committee.

7.4. Capital Overspends

- 7.4.1. Expenditure on a project should not exceed the amount included in the Capital Programme. Where tenders received exceed the approved estimate, by up to 5% of the approved estimate to a maximum excess of £100,000, the Chief Executive or Corporate Director can proceed with the award of the contract after consultation with an agreement to proceed being obtained from the Chair and Vice Chair of the appropriate Committee and the Head of Finance. The overspend must be reported and explained in the next capital monitoring report to the Policy and Resources Committee, including how the overspend will be financed.
- 7.4.2. If the net cost is likely to exceed the approved capital programme, the shortfall must be reported to the next meeting of the appropriate Service Committee before the project is reconsidered by the Policy and Resources Committee, where additional budget can be allocated, or the existing provision redeployed.
- 7.4.3. Where a potential acceleration of the Capital Programme is requested, consideration shall only be given to adjusting timescales within the overall project budget following a report to the Policy and Resources Committee.

7.5. Capital Project Post Completion Reviews

7.5.1. A post project review shall be carried out, when required by the Corporate Leadership Team in consultation with the Head of Finance, at the end of a project to determine how successful the project delivery had been. The client Service should prepare a final report, in consultation with Neighbourhood Services and Infrastructure, and/or other Service where appropriate, and submit to the relevant service committee. The report should cover, among others, the following areas:

- Whether the design brief was satisfied.
- Cost compared to approved budget.
- Time taken to complete compared to original time scale.
- Performance of the contractor.
- Whether the benefits highlighted in the Capital Project Appraisal process have been realised.
- Lessons learned for future projects.

8. Accounting

8.1. Accounting Systems, Procedures and Records

8.1.1. All accounts and accounting records of the Council will be compiled under the direction of the Head of Finance. The Head of Finance will exercise supervision over any records and financial systems maintained by Services, particularly with regard to ensuring uniformity.

8.2. Annual Accounts

8.2.1. The S95 Officer is responsible for the Council'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.

8.3. Year End Accounting Procedures

8.3.1. The Head of Finance will draw up the timetable for final accounts preparation and will advise staff and external auditors accordingly. The Chief Executive and Corporate Directors will comply with accounting guidance provided by the Head of Finance and will supply information when required.

8.4. Committee Reporting

8.4.1. The Head of Finance will prepare the draft statement of accounts and submit this to the Council and to the Controller of Audit not later than 30 June each year.

8.4.2. The Head of Finance will present the audited statement of accounts to the Council not later than two months after receipt of the audit certificate.

9. Banking Arrangements

9.1. Administrative Procedures

- 9.1.1. All administrative arrangements with the Council's bankers, including indemnities, shall be made by or under arrangements approved by the Head of Finance, who shall be authorised to operate such banking accounts as he/she may consider necessary. This regulation shall also apply to bank accounts for all voluntary funds operated by officers of the Council by reason of their employment, and all trusts, endowments and bequests administered by the Council. Official bank accounts bearing the Council's name shall only be opened or closed by the Head of Finance.
- 9.1.2. All Council bank accounts, and other bank accounts operated by Council staff as part of their work with the Council, must be reconciled regularly, as determined by the Head of Finance.

9.2. Cheque Control

- 9.2.1. The Head of Finance will ensure that secure arrangements are in place for the ordering, storage and issue of pre-signed cheques.
- 9.2.2. Cheques drawn on the Council's main bank accounts will bear the facsimile signature of the S95 Officer or be signed by the Head of Finance, or other officers formally authorised by the Head of Finance, in line with delegated authority limits agreed with the bank.

9.3. Bank Transfers

- 9.3.1. All arrangements for transfer, receipt, or payment using any form of automated bank transfer will be made by, or under arrangements approved by, the Head of Finance.
- 9.3.2. All domestic and international bank transfers will be made by, or under arrangements approved by, the Head of Finance.

9.4. Lodgements

- 9.4.1. All monies received shall be paid intact and without delay to Customer Services, with daily lodgements into the Council's bank accounts, unless permission or instructions have been given by the Head of Finance for alternative arrangements.
- 9.4.2. All pay in books shall be ordered and authorised for use by the Head of Finance.
- 9.4.3. Each officer who banks money shall ensure an income voucher is completed which indicates the origin of payment, with the appropriate documentation passed to the Head of Finance, without delay.
- 9.4.4. Personal cheques cannot be cashed out of money held on behalf of the Council or substituted for cash collected on behalf of the Council.

9.5. Overdraft Facilities

9.5.1. The Council's bankers provide the Council with an Intra-Day limit sufficiently high enough to allow the Council to make Bankline payments, cash cheques etc without any unnecessary referral or delay. An Intra-Day limit of £5m applies. Any overdrawn balance is rectified overnight via an auto sweep or by funds transferred from other sources.

10. Purchasing of Work, Goods and Services

10.1. Procurement

10.1.1. Any officer who enters into an agreement for the supply of goods, services and works for the Council must ensure that the agreement complies with the Council's [Contract Standing Orders](#).

10.1.2. Supplementary guidance relating to the Council's Contract Standing Orders issued by the Corporate Director for Strategy, Performance and Business Solutions must also be adhered to at all times.

10.1.3. PCI DSS (Payment Card Industry Data Security Standard) compliance should be ensured when procuring any IT system that will link to the Council's existing receipting or payment systems.

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

11. Orders for Work, Goods or Services

11.1. Form of Ordering System

11.1.1. The Head of Finance shall determine the ordering system across the Council.

11.2. Official Orders

11.2.1. All orders must be in a format approved by the Head of Finance and should be treated as an official financial document. All orders are to be controlled and issued under arrangements approved by the Head of Finance.

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

- Work procured in accordance with Procurement Regulations and/or Contract Standing Orders.
- Services provided in accordance with a formal Service Level Agreement.
- Supplies from other internal Council Services.
- 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 Head of Finance may approve.
- 11.2.3. All goods supplied to, or work executed for the Council shall be ordered or confirmed by means of an official order. Verbal orders are not permitted.
- 11.2.4. 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 Head of Finance.
- 11.2.5. 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 Council.
 - 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.
- 11.2.6 Procedures for the issue of cards, authorisation limits and checking of statements sanctioned by the Head of Finance must be followed at all times. The Head of Finance 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. The 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.

11.3. Prohibition on Use of Orders

- 11.3.1. Official orders must not be used for non-Council purchases.

11.4. Duty to Invite Quotations (up to £50,000)

- 11.4.1. Section 14 of the Contract Standing Orders details the exceptions to competition requirements.
- 11.4.2. Section 15 of the Contract Standing Orders details the requirements where the estimated value of a contract is less than £10,000. The Chief Executive and Corporate Directors 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.
- 11.4.3. 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 Chief Executive and Corporate Directors must obtain three written quotations. If three quotations cannot be obtained, then the Chief Executive or Corporate Director must keep evidence of the reasons for this.
- 11.4.4. Section 32 of the Contract Standing Orders details the requirements which apply where a Dynamic Purchasing System (DPS) is in place. The approved suppliers on the DPS must be used where this is considered to be appropriate to the requirement. The Chief Executive and Corporate Directors select the names of contractors from whom quotations are invited.
- 11.4.5. All exceptions to Contract Standing Orders must be approved by the Chief Executive and relevant Corporate Director in accordance with the Exceptions Procedure (Appendix 1 to the Contract Standing Orders).

11.5. Contracts above £50,000

- 11.5.1. Section 18 to Section 20 of the Contract Standing Orders cover 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.
- 11.5.2. 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 Council's Dynamic Purchasing System or suitable framework appointed contractors exist and the relevant Corporate Director considers the restricted tendering procedure inappropriate.
- 11.5.3. Section 25 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).

11.6. Contracts for Health and Social Care Services

11.6.1. Section 21 of the Contract Standing Orders details the process for selecting a contract for Health and Social Care Services which are subject to separate guidance under the Public Contracts (Scotland) Regulations 2015.

11.7. Check on Work, Goods or Services Received

11.7.1. It shall be the duty of the Chief Executive and Corporate Directors to ensure that all work, goods or services received are of adequate quality, and represent value for money for the Council.

11.8. Leasing

11.8.1. Prior to entering into a non-property asset leasing arrangement, the Chief Executive and Corporate Directors shall obtain approval from the Head of Finance 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 Council.

11.8.2. Prior to entering any leasing arrangements in respect of property, the Chief Executive and Corporate Directors shall consult with the Corporate Director for Neighbourhood Services and Infrastructure and the Head of Property, Asset Management and Facilities in order that consideration can be given to utilising property already owned or let by the Council.

11.8.3. Prior to entering into any leasing arrangement, leases must be evaluated by the Head of Finance in accordance with the Council's Policy on IFRS 16.

12. Payment for Work, Goods or Services

12.1. Payment Requests

12.1.1. Creditor payments will be initiated through submission of a payment request to the Payments Section of the Finance Service.

12.1.2. 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.

12.2. Method of Payment

12.2.1. 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.
- Credit or purchasing cards (see paragraph 11.2.6 above).

12.3. Authorisation

- 12.3.1. All invoices must be certified by an authorised signatory. The Chief Executive and Corporate Directors are responsible for authorising officers to certify and approve payment requests. A list of authorised officers shall be reviewed by the Head of Finance on a regular basis. The Payments Section will maintain records of authorised signatories. It is the responsibility of the Chief Executive and Corporate Directors to supply and update the Payments Section with the details of all authorised officers.
- 12.3.2. Certification will normally be by an appropriate authorised member of staff within the Service to which the payment pertains.
- 12.3.3. In all cases, except those referred to in paragraph 11.2.6 above, the invoice must be matched to the purchase order prior to submission for payment.
- 12.3.4. Prepaying for work, goods or services is not normally permitted and only allowed in exceptional circumstances. The Head of Finance will authorise prepayments where the advantages clearly outweigh the inherent risks of potential non-delivery.

12.4. Certification of Payment Requests

- 12.4.1. 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 Council (e.g. the invoice is in the name of Orkney Islands Council, an integral part of it or a body with which the Council has an agreement in respect of the management of its financial affairs).
 - the appropriate ledger code has been entered and that the payment amount is within the relevant budget provision.
- 12.4.2. For VAT purposes, only original supplier invoices can be used to support a VAT claim.

12.5. Processing of Payment Vouchers

- 12.5.1. Payments will be processed using the Council's standard payment systems as approved by the Head of Finance.
- 12.5.2. Prior to the payment the Payments Section will examine payment requests and are entitled to make enquiries and to receive information and explanations as required.
- 12.5.3. 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 Council's reputation, officers must ensure that all payments are made by the due date.
- 12.5.4. In all situations where discounts are available, care should be taken that the relevant time period is adhered to.
- 12.5.5. 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.

12.6. Following the Public Pound

- 12.6.1. The Council's policy: Funding External Bodies and Following the Public Pound complies with the relevant national guidance and covers all matters pertaining to funding given to Arms-Length External Organisations (ALEOs). The policy is available on the Council's [website](#).
- 12.6.2. All payments to ALEOs should be in accordance with Council Policy, as specified in paragraph 12.6.1 above.
- 12.6.3. It is the responsibility of the Chief Executive and Corporate Directors to maintain individual service registers for their respective ALEOs. A comprehensive corporate register will be maintained by the Head of Finance, which will incorporate all service registers.

13. Salaries, Wages, Pensions and Expense Claims

13.1. Administrative Procedures

- 13.1.1. The Chief Executive and Corporate Directors will ensure that all posts are properly authorised and are included on the appropriate Establishment list.
- 13.1.2. All salaries, wages, pensions, compensation and other payments to Elected Members, employees or former employees of the Council will be made by the Head of Finance or under arrangements approved and controlled by him/her.

13.2. Duty to Provide Information

- 13.2.1. The Chief Executive and Corporate Directors shall notify the Head of Finance and the Head of Human Resources and Organisational Development 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.
- 13.2.2. The Head of Human Resources and Organisational Development and the Head of Finance will keep the Chief Executive and Corporate Directors informed of changes to conditions of service, pension benefits and other relevant matters.

13.3. Certification of Records

- 13.3.1. 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 the Head of Finance and the Head of Human Resources and Organisational Development.
- 13.3.2. 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 the Head of Finance and approved on an annual basis. The Payments Section will maintain lists of authorised officers. It is the responsibility of the Chief Executive and Corporate Directors to supply and update the Payments

Section with the names and specimen signatures of all authorised officers timeously.

- 13.3.3. The Chief Executive and Corporate Directors 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.

13.4. Pensions / Redundancy Payments

- 13.4.1. All pension records and documents shall be in a form prescribed or approved by the Head of Finance. The Head of Finance is responsible for the calculation and payment of all Local Government Pension Scheme (LGPS) benefit payments.
- 13.4.2. The Head of Finance is responsible for the payment of any compensation granted to members of relevant pension schemes retiring early in accordance with existing Council policies.

13.5. Elected Member Expenses

- 13.5.1. Payments to Elected Members will be made by the Head of Finance or under arrangements approved by the Head of Finance. 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.
- 13.5.2. Elected Members may claim travelling and subsistence allowances at the approved rates.
- 13.5.3. 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 Chief Executive and the Head of Finance.

13.6. Staff Expenses

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

13.6.2. Claims should be submitted via the employee expenses system within the prescribed deadlines as detailed at paragraph 13.6.4 below and certified by an authorised signatory. Expense claims can be authorised by those officers with the required authority approved and assigned within Integra.

13.6.3. 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.

13.6.4. 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 Chief Executive or the relevant Corporate Director.

13.7. Advances

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

13.7.2. Officers should not face financial detriment as all travel arrangements should be made in accordance with the Travel Policy.

14. Petty Cash

14.1. Administrative Procedures

14.1.1. The Head of Finance will provide petty cash to Services 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.

14.1.2. All petty cash accounts will be maintained in accordance with guidance notes issued by the Head of Finance.

14.1.3. The Head of Finance must authorise all requests for:

- New petty cash accounts.
- Changes to the existing levels.

- The closure of petty cash accounts.
- 14.1.4. Formal records of the petty cash accounts must be retained. The officer responsible for a petty cash account will provide the Head of Finance with the records concerned for inspection, on request.
- 14.1.5. No income received on behalf of the Council may be paid into a petty cash account but must be banked or paid to the Authority as detailed at paragraph 9.4.1 above.
- 14.1.6. Petty cash accounts cannot be used for the reimbursement of staff travel, subsistence, or associated expenditure.
- 14.1.7. Under no circumstances should cash be removed from the petty cash account for personal use

15. Income Collection

15.1. Administrative Procedures

- 15.1.1. In accordance with paragraph 9.4.1 above, all monies received shall be paid intact and without delay to Customer Services unless permission has been granted by the Head of Finance for alternative arrangements.
- 15.1.2. Cheques shall not be cashed out of money held on behalf of the Council. The exception to this is the replenishment of petty cash accounts.
- 15.1.3. Each officer who lodges money shall ensure an income voucher is completed which indicates the origin of payment, with the appropriate documentation.
- 15.1.4. All cash in transit up to a value of £2,500 can be carried by one member of staff with a mobile phone. Any cash amounts above this level should be accompanied by two or more members of staff and/or in accordance with the Council's insurance policy.

15.2. Issuing of Invoices for the Supply of Goods and Services

- 15.2.1. The Chief Executive and Corporate Directors are responsible for identifying all sources of income within their Service, for calculating the income due to the Council, ensuring that invoices are raised promptly for amounts due.
- 15.2.2. All invoices issued must be in the standard format approved by the Head of Finance.
- 15.2.3. Wherever possible payment in advance or at the time of the provision of the goods and services, should be the default position.
- 15.2.4. The Chief Executive and Corporate Directors are responsible for providing the Head of Finance with the details necessary to ensure collection of all debts.

15.2.5. The Head of Finance will maintain a record of the outstanding invoices and issue regular monitoring reports to each Service.

15.3. Income Vouchers and Stationery

15.3.1. All financial documents used to record income will be controlled by and in a format approved by the Head of Finance.

15.4. Debt Recovery and Write-offs

15.4.1. After exhausting all methods of recovery, the Head of Finance 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.

15.4.2. Full debt recovery procedures can be found on the [Council's website](#)

15.5. External Grant Claims

15.5.1. The Grant claimants shall forward all relevant details of grant awards and claims timeously to the Accountancy Section, including:

- Awarding body.
- Project title.
- Grant type (revenue or capital).
- Period of claim.
- Amount of claim.
- Date claim submitted.
- Ledger code(s).
- Service contact.
- Name of service.

15.5.2. In relation to External funding, see paragraph 25.2 below.

15.6. Corporate Charging and Concessions Policy

15.6.1. The policy establishes the principles which should feature in setting fees and charges for services provided by the Council.

15.6.2. The Corporate Charging Consultative Group (CCCG) has been formed to consider the Charging and Concessions Policy, and new and existing charges, including concessions. The policy will be subject to regular monitoring and review.

- 15.6.3. In accordance with the Corporate Charging and Concessions Policy, charges for services will be reviewed as part of the annual budget setting process.
- 15.6.4. The Head of Finance will be responsible for recommending to the Council the appropriate annual uplift.

15.7. IT Systems – Access, Security and Control

- 15.7.1. Approval should be sought from the Head of Finance before implementation of any IT system that involves the processing of payments and/or receipts.
- 15.7.2. All payment systems and other IT systems which link to the Council's main payment system must provide certification of PCI DSS (Payment Card Industry Data Security Standard) compliance.
- 15.7.3. Procedural guidance should be in place to ensure that all systems are fully operational and successfully integrated with the Council's financial systems.
- 15.7.4. A list of all system users should be maintained and regularly reviewed. User access should be limited to operational requirements only.

16. External Debit/Credit Card Processing

16.1. Use of Card Terminals

- 16.1.1 The Chief Executive and Corporate Directors will ensure that the use of external card terminals is done so in accordance with proper procedures to always ensure the security of card payments and compliance with PCI DSS (Payment Card Industry Data Security Standards).
- 16.1.2. Physical access to card machines should be controlled and based on individual job function. A list of staff processing transactions on the card machine should be provided to the cash office, and all staff should be provided with the procedural documentation for the handling of card payments.
- 16.1.3. Card devices should be inspected periodically to detect tampering (for example, addition of card skimmers to devices), or substitution (for example, by checking the serial number or other device characteristics to verify it has not been swapped with a fraudulent device).
- 16.1.4 All visitors must be authorised before entering and escorted at all times within areas where cardholder data is processed or maintained.

16.2. Card Refunds

- 16.2.1. Card refunds should be processed by a Senior Customer Service Advisor or the Customer Service Team Manager only, and in accordance with proper procedures.

- 16.2.2. Refund requests should include the date and amount of the original transaction, the amount to be refunded and the reason for the refund. The digital process will request the required approval from the relevant team manager or service manager who is authorised to approve the value of the refund.
- 16.2.3. Refund request forms should be submitted to cash-office@orkney.gov.uk using the digital refund form which is available from [Request a Refund - Refund Process - Dash \(achieveservice.com\)](#).

17. Internal Audit

17.1. Responsibility for Internal Audit

- 17.1.1. The Chief Executive has ultimate responsibility for the provision of the Internal Audit service to the Council. The management of Internal Audit is under the control of the Chief Internal Auditor. 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 Elected Members.

17.2. Role of Internal Audit

- 17.2.1. The primary role of Internal Audit is that of an assurance function which provides an independent and objective opinion on the adequacy of the Council'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.
- 17.2.2. 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.
- 17.2.3. 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 Corporate Directors are responsible for ensuring that adequate internal control systems, both financial and non-financial, are in place and that best value is achieved.

17.3. Authority of Internal Audit

- 17.3.1. The Chief Internal Auditor or their authorised representative shall have authority to:
- Enter at all reasonable times on any Council 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 Council.
- Be provided with a separate log-in to any computer system within the Council and have full access to any system, personal computer or other device in the ownership of the Council.
- Require and receive such explanations as are necessary concerning any matter under examination.
- Require any employee or Elected Member of the Council to produce cash, stores or any other Council property under their control.
- Examine financial records of Council owned companies; trusts administered by the Council; and other organisations funded by the Council.

17.4. Use of Departmental Specialists

17.4.1. Upon request from the Chief Internal Auditor, appropriate specialists from departments / services should be made available to take part in any audit or review requiring such specialist knowledge.

17.5. Duty to Notify Irregularities

17.5.1. All Officers and Elected Members of the Council have a duty to inform the Head of Finance and the Chief Internal Auditor of any suspicion of fraud, bribery or irregularity affecting cash, stores, assets, other property or contracts of the Council or any other related matter concerning contravention of these Regulations. The Chief Internal Auditor, in consultation with the Head of Finance, shall be responsible for the investigation of any such matters.

17.6. Internal Audit Involvement

17.6.1. 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 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.

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

17.7. Reporting

17.7.1. 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 Chief Internal Auditor, who retains the right of final edit of all reports.

- 17.7.2. 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.
- 17.7.3. Consultation and distribution arrangements for investigation reports will depend on the circumstances of each case and will be discussed with the relevant parties.
- 17.7.4. The Chief Internal Auditor will submit regular reports to the Monitoring and Audit Committee on the work undertaken by the Internal Audit section.

18. Fraud, Bribery, Theft and Irregularity

18.1. Fraud Definition and Policy

- 18.1.1. 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'.
- 18.1.2. It is the duty of each Council employee and Elected Member to comply with the Council's Corporate Anti-fraud Policy. The policy is available on the [Council's website](#).

18.2. Process of Investigation

- 18.2.1. The Head of Finance and the 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.
- 18.2.2. The Head of Finance and the 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.
- 18.2.3. The Head of Finance shall advise the Chief Executive or appropriate Corporate Director regarding appropriate action to be taken which may involve suspension of an employee for the duration of the formal investigation.
- 18.2.4. In instances where a full investigation confirms that a fraud, bribery, theft or other irregularity has occurred resulting in actual loss, the Chief Executive shall invoke disciplinary procedures and police involvement.

18.3. Housing Benefit and Council Tax Reduction Fraud

18.3.1. The Head of Finance shall be responsible for the detection, recovery and prosecution of Housing Benefit and Council Tax Reduction fraud.

18.3.2. Information and documents relating to Benefit Fraud can be found on the [Council's website](#).

18.4. Segregation of Duties

18.4.1. The Chief Executive and Corporate Directors 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 Council should not collect or process the related income.
- cash collection and cash accounting records are examined and checked by a second, preferably, supervisory officer.
- officers authorising invoice payments should be different to the officers who have issued the related orders.

19. Insurance and Risk

19.1. Duty to Assess Risk

19.1.1. The Chief Executive and Corporate Directors will ensure that appropriate Risk Management measures are taken within their Service.

19.2. Insurance Cover

19.2.1. The Head of Finance is responsible for ensuring that adequate insurance cover is in place and will liaise with service officers and all relevant insurers in respect of the negotiation of any claims made.

19.2.2. The Head of Finance will review all insurances annually, and at such other periods as may be considered necessary, in consultation with the Chief Executive and Corporate Directors, as appropriate.

19.2.3. The Chief Executive and Corporate Directors must ensure that the Head of Finance 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 Council.

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

- 19.2.5. The Chief Executive and Corporate Directors will notify the Head of Finance, the Head of Legal and Governance, the Head of Human Resources and Organisational Development and the Safety and Resilience team of all cases involving personal injury.
- 19.2.6. The Chief Executive and Corporate Directors will consult the Head of Finance and the Head of Legal and Governance regarding the terms of any indemnity that the Council is requested to give.
- 19.2.7. All appropriate officers of the Council will be included in suitable fidelity guarantee insurance.

20. Assets

20.1. Duty to Maintain Inventories and Asset Records

- 20.1.1. The Head of Finance will maintain a record of all buildings, land, infrastructure, vehicles, plant and equipment 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.
- 20.1.2. The Head of Property, Asset Management and Facilities will maintain a register of all properties owned or leased by the Council recording the purpose for which held, location, extent and plan reference, purchase details, particulars or nature of interest and rents payable and particulars of any tenancies granted.
- 20.1.3. All properties held on the Asset Register will be revalued periodically, to ensure that market values continue to be reflected, and in line with the Code of Practice for Local Authority Accounting in the United Kingdom.
- 20.1.4. The Head of Legal and Governance will have the custody of all title deeds under secure arrangements.
- 20.1.5. The Chief Executive and Corporate Directors 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 onto the Insurance Officer and should include the purchase price or cost excluding VAT along with the estimated reinstatement or replacement value.
- 20.1.5. For insurance purposes, the services should keep a copy of the inventory list off site.
- 20.1.6. The Head of Finance shall determine the format in which the inventories shall be kept.
- 20.1.7. In accordance with paragraph 20.1.1, above, Notification of Purchase and Notification of Asset Disposal/Transfer forms should be completed as appropriate and forwarded to the Head of Finance without delay.

20.2. Annual Check

- 20.2.1. 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 Head of Finance immediately.

20.3. Vehicle Control

- 20.3.1. The Service Manager (Fleet) is responsible for ensuring that all vehicles are maintained in a satisfactory state of repair and will take action or issue advice to ensure that all legal and safety requirements are complied with. "Vehicles" includes all those owned, leased, hired by, or otherwise in the custody or control of the Council.
- 20.3.2. The Chief Executive and Corporate Directors are responsible for the operation and control of vehicles in use within their Service and for compliance with any advice issued by the Service Manager (Fleet).
- 20.3.3. Vehicles will only be used for the purposes of Council business, and by such persons and in such a manner as the Chief Executive or Corporate Director directs.
- 20.3.4. Each Corporate Director is responsible for conducting an annual check on the driving licences of employees in their service who are required to drive a vehicle on Council business.
- 20.3.5. No officer may take a vehicle home except on official stand-by duty unless the prior permission of the Chief Executive or Corporate Director has been granted. Permission will only be given if use of the vehicle is essential for the conduct of Council business. The unofficial or unauthorised use of a vehicle including the carrying of unauthorised passengers is prohibited.
- 20.3.6. If any vehicle is involved in an accident, whether or not there is injury or damage, the person in charge of the vehicle at the time of the accident will complete an accident report on the standard form and forward it immediately to the Service Manager (Fleet) and to the Head of Finance.
- 20.3.7. All use of vehicles will be recorded in such logbooks as the Chief Executive or Corporate Director, in consultation with the Service Manager (Fleet), may require.
- 20.3.8. All vehicles surplus to the requirements of the Council will be disposed of by public auction, or by such other method as the Head of Neighbourhood Services and the Head of Finance may jointly determine.

20.4. Security of Assets

- 20.4.1. The Chief Executive and Corporate Directors are responsible for maintaining proper security of all buildings, stocks, stores, furniture, equipment, cash, etc. under their control.

- 20.4.2. The Chief Executive and Corporate Directors are responsible for ensuring that all moveable assets are properly secured and can be accounted for at all times. The Council's property shall not be removed otherwise than in accordance with the ordinary course of the Council's business or used otherwise than for the Council's purposes except in accordance with specific directions issued by the Chief Executive or Corporate Director concerned.
- 20.4.3. Wherever practical, valuable and desirable moveable property should be clearly marked as the property of the Council.

20.5. Obsolete or Surplus Assets

- 20.5.1. Guidelines and procedures on the disposal of obsolete or surplus assets are available on the [Council website](#). On a Service Committee declaring a Land and Property asset surplus to their requirements, the Corporate Director for Neighbourhood Services and Infrastructure will undertake consultation to establish any alternative Service or community need.
- 20.5.2. Assets not required by the Council shall normally be marketed and sold on the open market at the best price achievable. This shall normally involve competitive tender or public auction.
- 20.5.3. The Head of Property, Asset Management and Facilities should be consulted before disposing of any IT equipment. All disposals should be in compliance with ICT Security policies and WEEE (Waste Electrical and Electronic Equipment) directive. The disposal of other inventory items should be undertaken in accordance with paragraph 20.5.1 above.

21. Stocks and Stores

21.1. Security of Stocks

- 21.1.1. The Chief Executive and Corporate Directors are responsible for the control of their stocks and stores. They will ensure that:
- stock is securely stored.
 - stock levels are maintained at the minimum level required to meet operational requirements.
 - records are maintained for all stock items and updated for each stock transaction.
 - stock is counted at least once per year and checked by a person independent of the day-to-day administration of the stock. The appropriate Manager or Supervisor will sign the Final Stock Certificate to confirm agreement with the Final Valuation.
 - any surpluses or deficiencies found on stocktaking or at any other time are investigated and reported to the Manager within the Service, and, if material, to the Head of Finance immediately.

21.2. Surplus Stocks

21.2.1. No adjustments in respect of stocks and stores shall be made to write-off deficiencies or to bring surpluses into charge unless authorised by the Head of Finance. All stock and/or inventory write-offs must be authorised in writing by a manager independent of the day-to-day administration of the stock. This in turn must be approved in writing by the Head of Finance.

21.3. Financial Records

21.3.1. Corporate Directors are responsible for providing the Head of Finance with any information required in relation to stores for the accounting, costing and recording in financial records, as required.

22. Treasury Management

22.1. Code of Practice

22.1.1. The Council has adopted the key recommendations of CIPFA's Code of Practice for Treasury Management in the Public Services.

22.1.2. All borrowing and lending will be performed in the name of the Council.

22.1.3. All funds in the hands of the Council will be aggregated for the purposes of Treasury Management and will be under the control of the Head of Finance.

22.1.4. The Council has created and will maintain, as its cornerstone for effective treasury management:

- a treasury management policy statement, stating the policies and objectives of its treasury management activities:
- suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

22.1.5. The Head of Finance will report to the Council as follows:

- An Annual Strategy at the commencement of each financial year.
- A Mid-year review of the Treasury function.
- An Annual Review of the Treasury function for presentation on the conclusion of each year.
- Quarterly Treasury Management Update (end of June/end of December).

22.1.6. The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Investments Sub-committee.

22.1.7. All executive decisions on borrowing, investment or financing shall be delegated to the Head of Finance, who will be required to act in accordance with the CIPFA Code and in particular:

- All loans to the Council will be negotiated by the Head of Finance and wherever possible will be paid direct by the lender or his/her agent to the Council's bank account.
- All Council loan certificates will, prior to use, be in the custody of the Head of Finance and issued by him/her only when required for completion.
- All heritable securities which are the property of or in the name of the Council and the title deeds of all property in its ownership will be held in custody of the Head of Legal and Governance.
- Any trust funds will wherever possible be in the name of the Council.

22.1.8. The Head of Finance will be the Council's registrar of stocks, bonds and mortgages granted by the Council and will maintain records of all borrowing of money by the Council.

23. Security

23.1. Cash Security

23.1.1. The Chief Executive and Corporate Directors will advise the Head of Finance of all changes in circumstances within the Service where cash is held or is otherwise under the control of officers of the Council. They will ensure that the minimum level of cash is held subject to the practicalities of individual circumstances.

23.1.2. 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 11 and 12 above.

23.1.3. 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 Council's insurance policies.

23.1.4. The transfer of cash or incoming cheques through the Cash Offices should be evidenced by a receipt or written record.

23.1.5. All mail received by the Council should be opened in a secure area by two members of staff. In the case of mail opened that contains cash, cheques, postal orders, or any other form of payment, this should be recorded in a register. The amount of the payment, the date of payment, and details of who made the payment, should be noted. The signatures or initials of the two officials opening the mail should be written next to these details.

23.2 Council Cheque Security

23.2.1. Cheques are to be secured in accordance with paragraph 9.2.1 above.

23.3. Council Credit and Purchase Card Security

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

23.4. Access to Safes, etc

23.4.1. 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 Chief Executive or relevant Corporate Director, the Chief Internal Auditor and the Head of Finance.

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

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

23.5. Data Security

23.5.1. Officers should adhere to the requirements of the Data Protection Act 2018 and any guidance issued by or on behalf of the Head of Legal and Governance.

23.5.2 The Council's Data Protection, Record Retention and Freedom of Information policies can be found on the [Council Policies \(orkney.gov.uk\)](http://orkney.gov.uk).

23.5.3. 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.

23.5.4. The Chief Executive and Corporate Directors shall be responsible for the use and security of all data output from Computer Systems.

23.5.5 Certification of PCI DSS (Payment Card Industry Data Security Standard) compliance must be obtained for all systems that link to the Council's receipting/payment system.

23.6. Security and Retention of Documents

23.6.1. The Chief Executive and Corporate Directors 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 Council and / or management policies and procedures.

- 23.6.2. The Head of Legal and Governance will determine the retention periods for specific documents.
- 23.6.3. It has been agreed with all relevant external bodies that invoices paid through the 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.
- 23.6.4. 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.
- 23.6.5. In accordance with paragraph 20.1.4 above, the Head of Legal and Governance shall be responsible for the custody of securities, property deeds, etc.

24. Private Property and Voluntary Funds

24.1. Administration Procedures

- 24.1.1. These Regulations apply to the safekeeping of personal property and the administration of third-party funds.

24.2. Protection of Private Property

- 24.2.1. Circumstances may arise where the Council is required to assume responsibility over the movable property of a third party such as a list of personal possessions left in an abandoned house or where a client is moving into care.
- 24.2.2. The Chief Executive and Corporate Directors must ensure that a detailed inventory of all such property is prepared. The inventory should be assessed for items of value or legal importance, and arrangements made for their safe custody and eventual disposal.
- 24.2.3. All such incidents should be reported to the Head of Finance and the Head of Legal and Governance without delay.
- 24.2.4. The Council shall not be responsible for any member of staff's personal items taken into the workplace.

24.3. Independent Funds

- 24.3.1. Independent funds are funds held, which operate outwith the Council's general ledger system. All such funds must be approved by the Head of Finance.

24.4. Client Funds

- 24.4.1. Any officer who, by reason of their employment with the Council, is responsible for the custody or management of cash or property belonging to a third party will employ standards of stewardship no less than those laid down elsewhere in these Regulations.
- 24.4.2. Officers will adhere to any guidance issued by the Chief Executive or Corporate Directors.
- 24.4.3. Each officer will, if required by the Head of Finance or by the Corporate Director concerned, provide immediately a full account of all cash and property received from, or on behalf of, a third party.

24.5. Trust Funds

- 24.5.1. Trust funds are money or other assets to be used for the purpose(s) specified in the trust deed. Trust funds are commonly used as a method of donating money for the benefit of a community or project, for example bequests from the public.
- 24.5.2. Trust funds and bequests will be operated under the directions of the Head of Finance and the Head of Legal and Governance.
- 24.5.3. A trust deed setting out the terms and conditions of the trust should be deposited with the Head of Legal and Governance.
- 24.5.4. Trustees are bound by the terms of the trust deed and trust legislation. When they have responsibility for cash or other assets, they should employ standards no less than those laid down elsewhere in these Regulations.

25. Partnerships and Other External Arrangements

25.1. Partnerships

- 25.1.1. Partnerships are likely to play a key role in delivering community strategies and in helping to promote and improve the well-being of Orkney through a shared vision of services based on user wishes. Partnerships may be entered into for a number of reasons:
 - The desire to find new ways to share risk.
 - The ability to access new resources.
 - To provide new and better ways of delivering services.
 - To forge new relationships.
- 25.1.2. In entering into partnerships, Services must accept that they have common responsibilities with their chosen partner, including the following:
 - A willingness to take on a role in the broader programme appropriate to the skills and resources of the partner organisation.

- To act in good faith at all times and in the best interest of the partnerships aims and objectives.
- To be open about any conflicts of interest which may arise.
- To promote the sharing of information, resources and skills between all parties in the partnership.
- To hold confidentially any information received as a result of partnership activities or duties that is of a confidential or commercially sensitive nature.
- To act wherever possible as an ambassador for the Council in the project.

25.1.3. The Head of Finance will advise the Chief Executive and Corporate Directors on the effective financial controls required from such partnerships and ensure that the principles of Best Value are adhered to. Such advice should address the key elements of funding projects including scheme appraisal, risk and management appraisal, resourcing and transaction issues, and audit and security controls.

25.1.4. As detailed in paragraph 12.6.3 above, Finance will maintain a register of all contracts entered into with external bodies. The Chief Executive and Corporate Directors should ensure that a risk management appraisal has been completed and that any agreements and arrangements made do not impact adversely upon the services already provided by the Council, prior to entering into agreements with external bodies.

25.1.5. The Chief Executive and Corporate Directors must also ensure that all agreements and arrangements are properly documented, to the satisfaction of the Head of Legal and Governance, and that the necessary financial information as determined by the Head of Finance is provided in a timely manner to enable the partnership arrangements to be properly accounted for.

25.2. External Funding

25.2.1. External funding is potentially a very important source of income to the Council, but the conditions attached need to be carefully considered to ensure that they are compatible with the aims and objectives of the Council. Whilst funds from external agencies provide additional resources to enable the Council to deliver services to the local community it has to be recognised that the funding may be linked to tight specifications and may not be flexible enough to link to the Council's overall plan.

25.2.2. All requests for external grant funding are required to be approved by the Head of Finance signing off on the grant authorisation form prior to the submission of funding applications.

25.2.3. The Head of Finance should ensure that arrangements are in place to:

- Receive and properly record such income in the Council's accounts.
- Ensure that audit and accounting requirements are met.
- Ensure that the funding requirements are considered prior to entering into any agreements, both in the present and the future.

25.2.4. The Chief Executive or Corporate Directors must ensure that the project progresses in accordance with the agreed terms of the funding agreement and that all expenditure is properly incurred and recorded. They must also ensure that claims for funds are made by the due date.

25.3. Working for Third Parties

25.3.1. Section 20 of the Local Government in Scotland Act 2003 provides the Council with the power to do anything which it considers is likely to promote or improve the well-being of its area or persons within that area subject to statutory limitations. This will enable the Council to provide a range of services to other bodies. Such work may enable individual Council services to maintain economies of scale and existing expertise.

25.3.2. Arrangements must be in place to ensure that any risk associated with this work is minimised and that such work is within the legal power or authority of the Council.

25.3.3. The Chief Executive and Corporate Directors must ensure:

- that the approval of relevant Committees is obtained before any negotiations are concluded to work for third parties.
- that a formal agreement is in place (to the satisfaction, where relevant, of the Head of Legal and Governance, the Head of Human Resources and Organisational Development and the Head of Finance) regulating the duties and obligations of all parties to the agreement, prior to the commencement of the provision of services.
- that a register of all contracts entered into with third parties is maintained in accordance with procedures specified by the Head of Finance.
- that appropriate insurance arrangements are made.
- that the Council is not put at risk from failure to recover any debts.
- that no contracts are subsidised by the Council.
- that wherever possible, payment is received in advance of the delivery of the service.
- that the Service has the appropriate expertise to undertake the contract.
- that such contracts do not impact adversely upon the services provided by the Council.
- that all contracts are properly documented.

- that the Head of Finance is provided in a timely manner with the necessary information to enable the third-party relationship arrangements to be accounted for properly.

26. Variation of Financial Regulations

26.1. Authority to Vary or Amend Regulations

26.1.1. The Head of Finance shall have the power to alter these Regulations as and when required:

- To correct any textual or minor errors.
- To make any consequential amendments required as a result of decision of the Council.
- To reflect changes in legislation and/or established practice.



ORKNEY
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Financial Regulations

~~July 2019~~

June 2024

Review/Updates to the Financial Regulations.

Date	Committee	Review/Update – amendments made.
Oct 2013	Yes - P and R	Full review of the Financial Regulations.
April 2016	No	7.1 – Capital Projects and 15.6 – Corporate Charging Policy.
January 2018	No	11.4 Duty to Invite Quotations (up to £50,000) – 11.7 Check on Work, Goods or Services Received.
June 2018	No	3.7.1 & 7.1.2 – Wording amendment - Convener & Vice Convener to Leader and Deputy Leader
July 2019	No	13.6.4 – Wording amendment – removed Head of Finance. 19.1.4 & 19.2.1 – Duty to maintain inventories and asset records.

June 2024

Yes – P and R

Full Review of the Financial Regulations

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1. Introduction

1.1. Section 95 Officer

- 1.1.1. ~~The Head of Finance~~Corporate Director for Enterprise and Sustainable Regeneration, being the Proper Officer for the purpose of Section 95 (S95) of the Local Government (Scotland) Act 1973, shall be responsible to the Policy and Resources Committee for the proper administration of the Council's financial affairs. The Local Authority Accounts (Scotland) Regulations 1985 require the S95 Officer to determine the system of accounting control and form of accounts and supporting records and to ensure that the accounts and records are kept up-to-date by the relevant ~~Chief Officer~~Corporate Director.
- 1.1.2. The Head of Finance, as the S95 Officer's delegate, shall be entitled to report upon the financial implications of any matter coming before the Council, ~~spending Committees~~ or others Committees, and shall further report to the Policy and Resources Committee, if necessary, in the interests of the financial affairs of the Council.
- 1.1.3. The ~~Head of Finance~~S95 Officer is a member of the Council's Senior ManagementCorporate Leadership Team (SMTCLT) and as such, advises SMT membersCLT on financial matters. ~~He/she~~The Head of Finance is a member of the Council's Extended Corporate Leadership Team (ECLT). For the purposes of these Regulations the terms S95 Officer and Head of Finance are interchangeable. Both officers also ~~has ready~~have access to the Chief Executive and must raise any issues or concerns regarding financial matters with the Chief Executive.
- 1.1.4. Any ~~Chief Officer~~Corporate Director who intends to submit a report, which has financial implications to the Council, a Committee or Sub-Committeecommittee, must forward a copy of the report to the Head of Finance ~~no later than twenty-one days before~~in accordance with dates identified in the meetingCouncil's Standing Orders. Any observations on the report made by the Head of Finance shall be incorporated in the ~~Chief Officer's~~Corporate Director's report.
- 1.1.5. As the Council's financial adviser, the ~~Section 95~~S95 Officer shall report to the Council with respect to the level of resources proposed to be utilised in each financial year and shall keep the Council informed with respect to its finances and financial performance and, where applicable, committees informed with respect to the financial implications of their activities.

1.2. Status of the Financial Regulations

- 1.2.1. These Regulations set down guidelines for officers and Members that the Council requires to be followed. They are designed to ensure the highest standards of probity in dealing with public money and to assist and protect staff in such dealings.

- 1.2.2. In addition to these Regulations, the Head of Finance may issue financial guidelines and instructions. Official guidelines, procedures etc., issued by the Head of Finance have the same status as the Financial Regulations. Subject to the approval of the Head of Finance, ~~The~~the Chief Executive and ExecutiveCorporate Directors may also issue financial guidelines for activities within their Service.

2. Observance of Financial Regulations

2.1. Responsibility

- 2.1.1.— Every Committee, Sub-~~Committee~~committee, Councillor, Officer and Agent of the Council will adhere to these Regulations. It will be the duty of the Chief Executive and ExecutiveCorporate Directors to ensure that there are adequate financial and non-financial internal controls in place for the conduct of all Council business in as correct and secure manner as possible and in accordance with best practice.
- 2.1.2. The Chief Executive and ExecutiveCorporate Directors, in consultation with the Head of Finance, are 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.
- 2.1.3. It is the responsibility of ~~The~~the Chief Executive and ExecutiveCorporate Directors to ensure that all staff within their jurisdiction or Service are made aware of the existence ~~of~~and requirement to conform to the Contract Standing Orders and 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 Finance Service ~~or~~ Buildings, Procurement or Property, Asset Management and Facilities as appropriate.
- 2.1.4. The Head of Finance 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 breach or non-compliance with these regulations must, immediately on discovery, be reported to the Head of Finance, who will discuss the matter with the relevant ExecutiveCorporate Director or Chief Executive as may be appropriate in order to determine the appropriate 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 Council's approved and agreed disciplinary procedures. Some breaches of

Financial Regulations may be treated as offences giving rise to criminal proceedings. ~~The Council's counter fraud policies are~~ The Council's Corporate Anti-Fraud Policy is to be treated as part of the Regulations.

- 2.2.2. In addition to these Regulations, Councillors must abide by ~~The Councillors' Code of Conduct as~~ Councillors' Code of Conduct published by the Standards Commission for Scotland ~~available at:-~~.

~~<https://www.standardscommissionscotland.org.uk/codes-of-conduct/councillors-code-of-conduct>~~

~~<http://www.standardscommissionscotland.org.uk/codes-of-conduct/councillors-code-of-conduct>~~

- 2.2.3. Staff must comply with the Code of Conduct for Employees of Orkney Islands Council ~~available at:-~~, available on the Council website.

~~<https://www.orkney.gov.uk/Service-Directory/S/employee-information.htm>~~

- 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 Head of Finance will determine the format of the budget to be approved by the ~~full~~ Council. 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~~ Provide Information

- 3.2.1. It shall be the duty of ~~The~~ Chief Executive and ~~Executive~~ Corporate Directors to provide the Head of Finance with any ~~detailed~~ information required to allow the timeous preparation of the capital and revenue budgets in accordance with any instruction provided.
- 3.2.2. The Chief Executive and ~~Executive~~ Corporate Directors, in consultation with the Head of Finance, will integrate budgets with ~~service plan~~ the Corporate Delivery Plan and Directorate Delivery Plans, so that budgets can be supported by financial and non-financial performance measures. Budgets should reflect relevant financial aspects related to the delivery of ~~Service plans~~ Directorate Delivery Plans subject to competing corporate priorities and overall funding constraints of the Budget settlement.
- 3.2.3. The Head of Finance shall report to the Policy and Resources Committee on the aggregate effect of the capital programme and revenue budgets on the Council's financial resources and, subject to any proposed amendments, the

Policy and Resources Committee shall submit them to the Council for approval.

3.3. Budget Planning Process

3.3.1. The Budget ~~Planning Process~~planning process takes place on an annual basis and is designed to support the progress towards achievement of the Council's priorities, from limited funding resources. The Chief Executive, ~~Executive Director of the~~ Corporate ~~Services~~Director for Enterprise and Sustainable Regeneration and the Head of Finance work with other members of the ~~Senior Management~~Corporate Leadership Team and ~~Extended~~ Corporate ~~Management~~Leadership Team to develop budget proposals. Through a series of seminars with ~~elected members~~Elected Members, a full understanding of the budget pressures and growth priorities is achieved. In more detail, the process:

- —Supports and reflects the Council's and community planning priorities.
- Undertakes strategic financial planning.
- Plans for medium term financial stability.
- Makes recommendations regarding Council Tax and ~~Budget~~budget setting over an agreed period.
- Advises on use of reserves and balances.
- Advises on year-end flexibility arrangements.
- Advises on the capital project appraisal process.

3.4. Committee Consideration of Estimates

3.4.1.—The draft revenue budgets will be submitted to the Council for approval no later than the date prescribed by statute, in order that Council Tax and ~~Rent~~rent levels can be set.

3.4.2. The Head of Finance will prepare and submit reports to the Council on the resources available on a cycle that ~~reflect~~reflects central government's settlement periods and the implications for the level of Council Tax, subject to that information being made available from the Scottish Government.

3.5. Application for External Grant Funding

3.5.1. Prior to the submission of applications for external grant funding, the Head of Finance shall be required to authorise all grant applications, and shall have the right to refer any application to the relevant Service Committee for approval prior to submission.

~~3.5.2.—The Head of Finance shall be advised timeously of all grant awards received on behalf of the Council.~~

3.5.2. External Grant claims are covered in more detail at Section 15.5.

3.6. Authority to Incur Expenditure

- 3.6.1. The inclusion of items in the approved revenue or capital budgets will constitute authority to the Service, as appropriate in terms of the Scheme of Delegation to Officers, to incur such expenditure.
- 3.6.2. - The Chief Executive and ExecutiveCorporate Directors shall ensure that no expenditure is incurred unless it is within the legal powers of the Council to incur such expenditure. Expenditure must be in accordance with these Regulations, and any other requirements, such as Contract Standing Orders. The Chief Executive and ExecutiveCorporate Directors may not incur expenditure in any financial year that cannot be met from the approved revenue or capital budget, except in accordance with the scheme of virement (paragraph 6.3, below).
- 3.6.3. The Council has adopted the definition of Capital Expenditure, and the stated accounting procedures, as contained in the CIPFA/LASAAC Statement of Recommended Practice (SORP). In general, any spending under £10,000 is unlikely to be considered capital in nature and will therefore be chargeable against the service revenue budget.

3.7. Emergency Powers

- 3.7.1. Nothing in these ~~regulations~~Regulations shall prevent expenditure being incurred which is necessary in an emergency or required as a matter of urgency. The Head of Finance may approve any revenue expenditure which, after consultation with the Leader ~~and Deputy, the Depute~~ Leader and the Chief Executive, he/she considers essential in the interest of the Council and being of an emergency nature cannot await consideration by the Policy and Resources Committee. The Head of Finance may require a report detailing the action taken to be presented to the next available meeting of the Policy and Resources Committee.

4. Statutory Compliance

4.1. The Prudential Code

- 4.1.1. ~~—~~ This Council adopts CIPFA's Prudential Code for Capital Finance in Local Authorities.
- 4.1.2. The Prudential Code increases the flexibility that the Council has in setting the capital programme, however full regard must be taken of the affordability of the programme. The Head of Finance is responsible for ensuring that all affordability considerations are taken into account; are reported to Council in line with the Code; and will monitor performance. Affordability considerations include an assessment of sustainability, by taking account of the level of resources available to the Council in the form of reserves and balances and any long-term revenue commitments.
- 4.1.3. Before the start of each financial year, the Head of Finance will prepare a Treasury Management Strategy Statement ~~to the Policy and Resources~~

Committee, setting out the prudential indicators for the following three years, for approval by the Policy and Resources Committee. These will be based on the capital and revenue spending plans submitted for approval.

5. Financial Administration

5.1. Committee Control

- 5.1.1.— The Policy and Resources Committee is responsible to the Council for regulationregulating and controlling the finances of the Council. Officers will keep CouncillorsElected Members informed as to the state of the Council's finances and will report on the accounts of each financial year as soon as practicable.
- 5.1.2. The Head of Finance shall report to the Policy and Resources Committee on the level of resources available to the Council within a budget period, keep each Committee informed as to its financial performance, and shall keep the Policy and Resources Committee informed as to overall financial performance of the Council.
- 5.1.3. Committee reports must identify any financial and legal implications. -The Head of Finance and the Head of Legal Servicesand Governance respectively must approve the financial and legal implications sections of all reports. All recommendations must be consistent with the terms of the financial and legal implications.

5.2. Probity

- 5.2.1.— The Council regards any corrupt practices as completely incompatible with its public service role.
- 5.2.2. These regulations are not a substitute for common sense and judgement. Elected Members and staff must exhibit the highest standards of financial probity when dealing with the Council's affairs.
- 5.2.3. Employees-and-Elected Members and employees 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.
- 5.2.4. 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.
- 5.2.5. All Elected Members and employees at Head of Service level and above are required to declare changes to their financial and non-financial interests. Such changes will be notified to the Chief Executive within one month of these changes taking place.

5.2.6. The Chief Executive and ~~Executive~~Corporate Directors are accountable for their staff and the security, custody and control of all resources including plant, buildings, materials, cash and stores appertaining to their Services.

5.3. Best Value

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

5.4. Representation at Meetings

5.4.1. The Head of Finance, or any nominee ~~with written authority signed~~authorised by the Head of Finance, shall not be denied access to any meeting within or hosted by the Council where decisions of any financial matter take place.

5.5. ~~State Aids~~Subsidy Control

5.5.1. Any ~~dealings of financial assistance given by the Council (including the sale or lease of Council owned land) to a third party~~ must comply with the ~~European Commission rules regarding State Aid~~on subsidy control as set out in favour of any third party (including a buyer/tenant) the Subsidy Control Act 2022 and other applicable legislation.

6. Revenue Budgetary Controls

6.1. Financial Monitoring Process

6.1.1. The Head of Finance will establish an appropriate framework of budgetary management and control to ensure that ~~:-~~:

- ~~Budget~~budget management is exercised within annual cash limits unless the Council agrees otherwise.
- ~~Budget~~budget management is exercised through a scheme of delegated budget holders across each service.
- ~~Each~~each cost centre has a single named ~~manager~~budget holder, determined by the relevant ~~chief officer~~Corporate Director.
- ~~The~~the Chief Executive and ~~Executive~~Corporate Directors are provided at regular intervals (normally monthly) with information of income and expenditure in sufficient detail to enable budget ~~managers~~holders to fulfil their budgetary ~~responsibilities~~responsibility.
- ~~Significant~~significant variances from approved budgets are investigated and reported by budget holders as appropriate.

6.1.2. The Head of Finance shall be responsible for preparing budget monitoring procedures to set out the Council's budget monitoring arrangements and

distribution of these to ~~The~~ Chief Executive and ~~Executive~~ Corporate Directors.

6.2. Financial Monitoring by Committee

6.2.1. The Chief Executive and ~~Executive~~ Corporate Directors, in consultation with the Head of Finance, are responsible for the submission of regular budget monitoring reports to ~~Members of each service committee~~ Committee, and summary reports to the Policy and Resources Committee. All such reports shall be in a format prescribed by the Head of Finance.

6.3. Revenue Budget Virement

6.3.1. Virements are intended to provide ~~The~~ Chief Executive and ~~Executive~~ Corporate Directors with a degree of flexibility within their overall approved revenue budget. Transfer of approved estimates from one head of expenditure to another, within a service estimate, will be subject to the approval of the Head of Finance and, if considered to affect materially the approved budget, the Council (or ~~spending~~ service Committee where appropriate).

6.3.2. Virements cannot be used to reinstate an item deleted by Committee during budget considerations, or a change in policy, without subsequent approval by the ~~Service~~ service Committee.

6.3.3. Virements that are likely to impact on the level of service activity of more than one ~~Executive~~ Corporate Director should be implemented only after the approval of all relevant officers.

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

6.4. Revenue Budget Under and Overspends

6.4.1. An overspend by a ~~Service~~ service Committee in any financial year may be offset against the ~~Service~~ service Committee budget for the following financial year at the discretion of the Head of Finance.

6.4.2. ~~All under spends~~ Any underspends shall be transferred ~~on an aggregate basis~~ to general reserves at the year ~~-~~ end unless otherwise agreed by the Council.

7. Capital Programme

7.1. Capital Projects

7.1.1. All officers and ~~Elected~~ Members shall ensure compliance with the Council's capital project appraisal process, which is available on ~~the Council's website.~~ request. In accordance with paragraph 3.6.1, above, the approval by the Council of the Capital Programme constitutes approval of the individual projects or provisions contained therein.

- 7.1.2. In exceptional circumstances, the Head of Finance may, after consultation with the Leader ~~and Deputy, the Depute~~ Leader and the Chief Executive, approve any capital expenditure he/she considers is in the interest of the Council and which is fully funded. The Head of Finance may require a report detailing the action taken to be presented to the next scheduled meeting of the Policy and Resources Committee.
- 7.1.3. With the exception of any expenditure approved under regulation 7.1.2 above, any requests to incur expenditure outwith the provisions included in the approved capital programme shall be reported to the Policy and Resources Committee, prior to any commitment being made.
- 7.1.4. No expenditure on the purchase of equipment of a value in excess of £50,000 for each proposal will be made without the prior consent of a Council Committee or Sub-~~Committee-committee~~ even although a general provision has been made in the capital programme or annual revenue estimates. For this purpose each proposal is defined as including separate but associated pieces of equipment. Expenditure up to this limit may be authorised by the Chief Executive or ~~an Executive~~ Corporate Director in consultation with the Head of Finance if generally provided for in the capital programme ~~or revenue estimates~~.

7.2. Capital Programme Virement

- 7.2.1 The Chief Executive and ExecutiveCorporate Directors cannot exercise budget virements within-between projects in the Capital Programme, ~~except in exceptional circumstances and only after consultation with the Head of Finance. The action taken and reasons for such virement must be reported to the next meeting of the Policy and Resources Committee.~~

7.3. Capital Programme Slippage

- 7.3.1. Capital Slippage is defined as capital projects which have not progressed in accordance with the provisions made within the approved capital programme.
- 7.3.2. Where no contractual commitment exists or will be made in the current ~~or previous~~ financial yearsyear for an approved capital project, the relevant programme provision(s) may be redeployed by the Policy and Resources Committee.
- 7.3.3. Where a contractual commitment does exist, an appropriate provision shall be made in the capital programme for the following financial year to permit ~~the~~ completion of the project.
- 7.3.4. Where slippage in capital projects is identified, ~~The~~ the Chief Executive and ExecutiveCorporate Directors are responsible for informing the Head of Finance and for reporting delays and revised timescales to the Policy and Resources Committee.

7.4. Capital Overspends

- 7.4.1. Expenditure on a project should not exceed the amount included in the Capital Programme. Where tenders received exceed the approved estimate, by up to 5% of the approved estimate to a maximum excess of £100,000, the Chief Executive or [Executive Corporate](#) Director can proceed with the award of the contract after consultation with an agreement to proceed being obtained from the Chair and Vice Chair of the appropriate Committee and the Head of Finance. The overspend must be reported and explained in the next capital monitoring report to the Policy and Resources Committee, including how the overspend will be financed.
- 7.4.2. If the net cost is likely to exceed the approved capital programme, the shortfall must be reported to the next meeting of the appropriate Service Committee before the project is reconsidered by the Policy and Resources Committee, where additional budget can be allocated, or the existing provision redeployed.
- 7.4.3. Where a potential acceleration of the Capital Programme is requested, consideration shall only be given to adjusting timescales within the overall project budget following a report to the Policy and Resources Committee.

7.5. Capital Project Post Completion Reviews

7.5.1. A post project review shall be carried out, when required by the Corporate Leadership Team in consultation with the Head of Finance, at the end of a project to determine how successful the project delivery had been. The client Service should prepare a final report, in consultation with the Development/Neighbourhood Services and Infrastructure Service, and/or other Service if/where appropriate, and submit to the client Committee/relevant service committee. The report should cover, among others, the following areas:-:

- Whether the design brief was satisfied.
- Cost compared to approved budget.
- Time taken to complete compared to original time scale.
- Performance of the contractor.
- Whether the benefits highlighted in the GPA Capital Project Appraisal process have been realised.
- Lessons learned for future projects.

8. Accounting

8.1. Accounting Systems, Procedures and Records

8.1.1. All accounts and accounting records of the Council will be compiled under the direction of the Head of Finance. The Head of Finance will exercise supervision over any records and financial systems maintained by Services, particularly with regard to ensuring uniformity.

8.2. Annual Accounts

8.2.1. The Head of Finance/S95 Officer is responsible for the Council'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.

8.3. Year End Accounting Procedures

8.3.1. The Head of Finance will draw up the timetable for final accounts preparation and will advise staff and external auditors accordingly. The Chief Executive and Executive/Corporate Directors will comply with accounting guidance provided by the Head of Finance and will supply information when required.

8.4. Committee Reporting

8.4.1. The Head of Finance will prepare the draft statement of accounts and submit this to the Council and to the Controller of Audit not later than 30 June each year.

- 8.4.2. The Head of Finance will present the audited statement of accounts to the Council not later than two months after receipt of the audit certificate.

9. Banking Arrangements

9.1. Administrative Procedures

- 9.1.1. All administrative arrangements with the Council's bankers, including indemnities, shall be made by or under arrangements approved by the Head of Finance, who shall be authorised to operate such banking accounts as he/she may consider necessary. This regulation shall also apply to bank accounts for all voluntary funds operated by officers of the Council by reason of their employment, and all ~~Trusts, Endowment~~trusts, endowments and ~~Bequests~~bequests administered by the Council.- Official bank accounts bearing the Council's name shall only be opened or closed by the Head of Finance.
- 9.1.2. All Council bank accounts, and other bank accounts operated by Council staff as part of their work with the Council, must be reconciled regularly, as determined by the Head of Finance.

9.2. Cheque Control

- 9.2.1. The Head of Finance will ensure that secure arrangements are in place for the ordering, storage and issue of pre-signed cheques.
- 9.2.2. Cheques drawn on the Council's main bank accounts will bear the facsimile signature of the ~~Head of Finance~~S95 Officer or be signed by the Head of Finance, or other officers formally authorised by the Head of Finance, in line with delegated authority limits agreed with the bank.

9.2.3. Bank Transfers

- 9.3.1. All arrangements for transfer, receipt, or payment using any form of automated bank transfer will be made by, or under arrangements approved by, the Head of Finance.

~~9.3. Lodgements~~

- ~~9.3.2.~~ All domestic and international bank transfers will be made by, or under arrangements approved by, the Head of Finance.

9.4. Lodgements

- 9.4.1. All monies received shall be paid intact and without delay to Customer Services, with daily lodgements into the Council's bank accounts, unless permission or instructions have been given by the Head of Finance for alternative arrangements.
- ~~9.4.2.~~ All pay in books shall be ordered and authorised for use by the Head of Finance.

- 9.34.3. Each officer who banks money shall ensure an income voucher is completed which indicates the origin of payment, with the appropriate documentation passed to the Head of Finance, without delay.
- 9.34.4. Personal cheques cannot be cashed out of money held on behalf of the Council or substituted for cash collected on behalf of the Council.

9.45. Overdraft Facilities

- 9.45.1. The Council's bankers provide the Council with an Intra--Day limit sufficiently high enough to allow the Council to make Bankline payments, cash cheques etc without any unnecessary referral or delay. -An Intra-~~day-Day~~ limit of £5m applies. Any overdrawn balance is rectified overnight via an ~~Auto Sweep~~auto sweep or by funds transferred from other sources.

10. Purchasing of Work, Goods and Services

10.1. Procurement

- 10.1.1. Any officer who enters into an agreement for the supply of goods, services and works ~~for~~ the Council must ensure that the agreement complies with ~~Contract Standing Orders~~the Council's Contract Standing Orders.
- 10.1.2. Supplementary guidance relating to the ~~Council's~~Council's Contract Standing Orders issued by the ~~Executive Director of Corporate Services~~Director for Strategy, Performance and Business Solutions must also be adhered to at all times.
- 10.1.3. PCI DSS (Payment Card Industry Data Security Standard) compliance should be ensured when procuring any IT system that will link to the Council's existing receipting or payment systems.
- 10.1.4. All contracts must be evaluated, prior to agreement, in accordance with the Council's International Financial Reporting Standard (IFRS)16 Leases Policy to ensure any embedded assets are recognised.

11. Orders for Work, Goods or Services

11.1. Form of Ordering System

- 11.1.1. The Head of Finance shall determine the ordering system across the Council.

11.2. Official Orders

- 11.2.1. All ~~official~~ orders must be in a format approved by the Head of Finance and should be treated as accounting stationeryan official financial document. All orders are to be controlled and issued under arrangements approved by the Head of Finance.
- 11.2.2. Official orders must be issued in advance for all work, goods or services to be supplied to the Council, except for ~~:-~~;

- Work procured in accordance with ~~Contract~~Procurement Regulations and/or Contract Standing Orders.
 - Services provided in accordance with a formal Service Level Agreement.
 - Supplies from other internal Council Services.
 - Supplies of ~~public~~ 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 Head of Finance may approve.
- 11.2.3. All goods supplied to, or work executed for the Council shall be ordered or confirmed ~~in writing~~ by means of an official order. Verbal orders are not permitted.
- 11.2.4. Those who have authority to make purchases must ensure that official ~~purchase~~ orders are raised where it is required to do so and are in line with delegated authority limits approved by the Head of Finance.
- 11.2.5. 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 Council.
 - 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.
- 11.2.6 Procedures for the issue of cards, authorisation limits and checking of statements sanctioned by the Head of Finance must be followed at all times. The Head of Finance 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 ~~also~~ to enable VAT to be reclaimed. – The

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. ~~This guidance can also be found on the Council's website.~~

11.3. Prohibition on Use of Orders

11.3.1. Official orders must not be used for non-Council purchases.

11.4. Duty to Invite Quotations (up to £50,000)

11.4.1. ~~Section 15~~ Section ~~15~~14 of the Contract Standing Orders details the exceptions to competition requirements where the estimated value of a Contract is between £10,000 and £50,000. ~~In general, The Chief Executive and Executive Directors must obtain 3 written quotations. If 3 quotations cannot be obtained then the Chief Executive or Executive Director must keep evidence of the reasons for this.~~

11.4.2. ~~In all cases where there is an approved list~~ Section 15 of contractors, then the ~~list must be used when The Chief Executive and Executive Directors select~~Contract Standing Orders details the names of contractors from whom quotations are invited.

~~11.4.3. Where requirements where~~ the estimated value of a contract is less than £10,000. The Chief Executive and ~~Executive~~Corporate Directors 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.

11.4.4.3 Section ~~13~~17 of the Contract Standing Orders details the exceptions to competition requirements where the estimated value of a Contract is between £10,000 and £50,000. In general, the Chief Executive and Corporate Directors must obtain three written quotations. If three quotations cannot be obtained, then the Chief Executive or Corporate Director must keep evidence of the reasons for this.

11.4.4. Section 32 of the Contract Standing Orders details the requirements which apply where a Dynamic Purchasing System (DPS) is in place. The approved suppliers on the DPS must be used where this is considered to be appropriate to the requirement. The Chief Executive and Corporate Directors select the names of contractors from whom quotations are invited.

11.4.5. All exceptions to Contract Standing Orders must be approved by the Chief Executive ~~Director of and relevant~~ Corporate ~~Services and the Head of Legal Services~~Director in accordance with the Exceptions Procedure (Appendix 1 to the Contract Standing Orders).

11.5. Contracts above £50,000

11.5.1. Section ~~46~~18 to Section ~~48~~20 of the Contract Standing Orders ~~covers~~cover orders for works, goods and services over £50,000. Section ~~46~~18, Section ~~47~~19 and Section ~~25 details~~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 ~~approved list of Dynamic Purchasing System or suitable framework appointed~~ contractors exists.

11.5.2. Section ~~4618~~, Section ~~4719~~ and Section ~~2628~~ of the Contract Standing Orders ~~details~~detail the process for selecting a contract under the open tendering procedure, and would apply where the proposed contract would exceed £50,000, no ~~approved list of suitable~~ contractors ~~exist on the Council's Dynamic Purchasing System or suitable framework appointed contractors exist~~ and the ~~Executive Director of relevant~~ Corporate ~~Services Director~~ considers the restricted tendering procedure inappropriate.

11.5.3. Section ~~2325~~ of the Contract Standing Orders details the process for selecting a contract under ~~the negotiated a~~ tendering procedure. using both Quality and Cost award criteria – Most Economically Advantageous Tender (MEAT).

11.6. Contracts for Health and Social Care Services

11.6.1. Section ~~4921~~ of the ~~Contracts~~Contract Standing Orders details the process for selecting a contract for Health and Social Care Services which are subject to separate guidance under the Public Contracts (Scotland) Regulations 2015. ~~11.7. Check on Work, Goods or Services Received~~

11.7. Check on Work, Goods or Services Received

11.7.1. It shall be the duty of ~~The~~the Chief Executive and ~~Executive~~Corporate Directors to ensure that all work, goods or services received are of adequate quality, and represent value for money for the Council.

11.8. Leasing

11.8.1. Prior to entering into a non-property asset leasing arrangement, ~~The~~the Chief Executive and ~~Executive~~Corporate Directors shall obtain approval from the Head of Finance 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 Council.

11.8.2. Prior to entering ~~into~~ any leasing arrangements in respect of property, ~~The~~the Chief Executive and ~~Executive~~Corporate Directors shall consult with the ~~Executive~~Corporate Director ~~of Corporate for Neighbourhood~~ Services and ~~Infrastructure and the~~ Head of ~~Buildings~~Property, Asset Management and Facilities in order that consideration can be given to utilising property already owned or let by the Council.

~~11.9. Use of Consultants~~

~~11.9.1. The appointment of Professional Consultants is subject~~8.3 Prior to these Regulations and the Contract Standing Orders. ~~Due to their specialised~~

~~fixed term nature consultancy appointments are closely scrutinised and, therefore, before contracts are entered into The Chief Executive and Executive Directors should obtain specific Committee approval to employ consultants subject to application of Regulation 3.7, above or any leasing arrangement, leases must be evaluated by the Head of Finance in accordance with the procurement exception request process as set out in Contract Standing Orders. Council's Policy on IFRS 16.~~

12. Payment for Work, Goods or Services

12.1. Payment ~~Vouchers~~Requests

12.1.1. Creditor payments will be ~~requested~~initiated through submission of a payment ~~voucher~~request to the Payments Section of the Finance Service.

12.1.2. Payment ~~vouchers~~requests will normally be supplier invoices. In the absence of an invoice, ~~self-generated indent forms~~special payments supported by appropriate documentation ~~and signed by the authorised signatories~~ can be used as a substitute payment ~~voucher~~. ~~The format of the indent form will be as prescribed or approved by the Head of Finance~~request.

12.2. Method of Payment

12.2.1. All payments, except those from petty cash and advances ~~or by electronic procurement via the internet~~, will be by:-

- ~~The automated transfer of funds (BACS) from the Council's main bank accounts.~~
- Cheque.
- ~~The automated transfer of funds (BACS) from the Council's main bank accounts; or in certain circumstances.~~
- Credit or purchasing cards (see paragraph 11.2.6, above).

12.3. Authorisation

12.3.1. All invoices must be certified by an authorised signatory. The Chief Executive and ~~Executive~~Corporate Directors are responsible for authorising officers to certify and approve payment ~~vouchers~~requests. A list of authorised officers shall be ~~provided to and approved~~reviewed by the Head of Finance on a regular basis. The Payments Section will maintain records of authorised signatories. It is the responsibility of ~~The~~the Chief Executive and ~~Executive~~Corporate Directors to supply and update the Payments Section with the details of all authorised officers.

12.3.2. Certification will normally be by an appropriate authorised member of staff within the Service to which the payment pertains. ~~It is best practice for the authorised signatory of the invoice to be different from the authorised signatory signing the related purchase order.~~

12.3.3. In all cases, except those referred to in paragraph 11.2.6 above, the invoice must be matched to the purchase order prior to submission for payment.

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

12.4. Certification of Payment ~~Vouchers~~Requests

12.4.1. The officer certifying payment ~~voucher~~requests must be satisfied that:-:

- ~~The~~the work, goods or services to which the payment ~~voucher~~request relates have been received and examined or carried out and approved.
- ~~The invoice matches the purchase order price, including any extensions.~~
- ~~The arithmetic is correct including discounts, allowances and credits.~~
- ~~The invoice complies with the requirements of HM Revenues and Customs, as regards VAT (e.g. must have VAT number, proper address, and all other relevant details) and is correctly calculated.~~
- ~~The~~the relevant expenditure has been properly incurred and is in accordance with all relevant sections of these Regulations.
- Appropriate~~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~~the payment voucher has not been previously passed for payment and is a proper liability of the Council (e.g. the invoice is in the name of Orkney Islands Council, an integral part of it or a body with which the Council has an agreement in respect of the management of its financial affairs).
- ~~The~~the appropriate ledger code has been entered and that the payment amount is within the relevant budget provision.
- ~~Only in exceptional circumstances can expenditure be approved above the budget provision, and this approval must have the appropriate Committee decision reference and/or approval from the Head of Finance attached to the payment voucher.~~

12.4.2. ~~Certifying officers must ensure that duplicate payments are not made.~~

~~12.4.3.~~ For VAT purposes, only original ~~or certified~~ supplier invoices can be used to support a VAT claim.

12.5. Processing of Payment Vouchers

- 12.5.1. Payments will be processed using the Council's standard payment systems as approved by the Head of Finance.
- 12.5.2. ~~Once certified, payment vouchers should be passed without delay to the Payments Section for processing.~~ Prior to the payment the Payments Section will examine payment ~~vouchers~~requests and are entitled to make enquiries and to receive information and explanations as required.
- 12.5.3. 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 Council's reputation, officers must ensure that all payments are made by the due date.
- 12.5.4. In all situations where discounts are available, care should be taken that the relevant time period is adhered to.
- 12.5.5. 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~~Regulations detailed above.

12.6. Following the Public Pound

- 12.6.1. The Council's policy: Funding External Bodies and Following the Public Pound complies with the relevant national guidance and covers all matters pertaining to funding given to Arms-Length External Organisations (ALEOs). The policy is available on the Council's ~~website~~website.
- 12.6.2. All payments to ALEOs should be in accordance with Council Policy, as specified in paragraph 12.6.1 above.
- 12.6.3. ~~Once certified, payment vouchers should be passed to the Payments Section without delay, and will be processed in accordance with the guidelines detailed at Section 12.5, above.~~
- ~~12.6.4.~~ It is the responsibility of ~~The~~the Chief Executive and ~~Executive~~Corporate Directors to maintain individual service registers for their respective ALEOs. A comprehensive corporate register will be maintained by the Head of Finance, which will incorporate all service registers.

13. Salaries, Wages, Pensions and Expense Claims

13.1. Administrative Procedures

13.1.1. The Chief Executive and ExecutiveCorporate Directors will ensure that all posts are properly authorised and are included on the appropriate Establishment list, ~~if applicable~~.

13.1.2. All salaries, wages, pensions, compensation and other payments to Elected Members, employees or former employees of the Council will be made by the Head of Finance or under arrangements approved and controlled by him/her.

13.2. Duty to Provide Information

13.2.1. The Chief Executive and ExecutiveCorporate Directors shall notify the Head of Finance and the Head of HRHuman Resources and PerformanceOrganisational Development 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. ~~and~~
- 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.

13.2.2. The Head of HR and PerformanceHuman Resources and Organisational Development and the Head of Finance will keep ~~The~~the Chief Executive and ExecutiveCorporate Directors informed of changes to conditions of service, pension benefits and other relevant matters.

13.3. Certification of Records

13.3.1. 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 the Head of Finance and the Head of Human Resources and Organisational Development.

13.3.2. 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 the Head of Finance and approved on an annual basis. –The Payments Section will

maintain lists of authorised officers. -It is the responsibility of ~~The~~ Chief Executive and ~~Executive~~ Corporate Directors to supply and update the Payments Section with the names and specimen signatures of all authorised officers timeously.

- 13.3.3. The Chief Executive and ~~Executive~~ Corporate Directors 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 ~~they~~ the ~~hours~~ were actually worked, and will ensure that the Working Time Directive is adhered to.

13.4. Pensions / Redundancy Payments

- 13.4.1. All pension records and documents shall be in a form prescribed or approved by the Head of Finance. The Head of Finance is responsible for the calculation and payment of all Local Government Pension Scheme (LGPS) benefit payments.
- 13.4.2. The Head of Finance is responsible for the payment of any compensation granted to members of relevant pension schemes retiring early in accordance with existing Council policies.

13.5. ~~Members~~ Elected Member Expenses

- 13.5.1. Payments to Elected Members will be made by the Head of Finance or under arrangements approved by the Head of Finance. 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.
- 13.5.2. Elected Members may claim travelling and subsistence allowances at the approved rates.
- 13.5.3. 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 Chief Executive and the Head of Finance.

13.6. Staff Expenses

- 13.6.1. The ~~re-imbusement~~ reimbursement of expenses must be in accordance with the Council's approved scheme of allowances, the approved Travel Policy and any additional guidance as issued by the Head of Finance. Claims

should only be made in respect of expenditure incurred whilst undertaking approved Council duties.

13.6.2. Claims should be ~~made on an approved form~~ submitted via the employee expenses system within the prescribed ~~Payments Section~~ deadlines as detailed at paragraph 13.6.4 below and certified by an authorised signatory. ~~The Payments Section will maintain lists of~~ Expense claims can be authorised signatories. It is the responsibility of The Chief Executive and Executive Directors to supply and update the Payments Section by those officers with the names and details of all authorised officers, which may include specimen signatures required authority approved and assigned within Integra.

13.6.3. 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~~ both as verification and.
- ~~To~~ 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.

13.6.4. 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~~ the Chief Executive or ~~Executive~~ the relevant Corporate Director.

13.7. Advances

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

13.7.2. ~~In circumstances where the officer is likely to~~ Officers should not face financial detriment, ~~the Head of Service can approve as all travel arrangements for payment to any suppliers through the normal payment methods, e.g. hotels, etc~~ should be made in accordance with the Travel Policy.

14.-Petty Cash

14.1. Administrative Procedures

14.1.1. The Head of Finance will provide petty cash to Services 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.

14.1.2. All petty cash accounts will be maintained in accordance with guidance notes issued by the Head of Finance.

14.1.3. The Head of Finance must authorise all requests for:

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

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

~~14.1.5. Officers will be personally responsible for the petty cash account which they hold. On leaving the employment of the Council they will be required to reconcile the petty cash account in conjunction with their line manager and the Head of Finance prior to leaving their post. This will also apply to officers who transfer to other sections within the Council.~~

~~14.1.6. No income~~14.1.5. No income received on behalf of the Council may be paid into a petty cash account but must be banked or paid to the Authority as detailed at paragraph 9.34.1, above.

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

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

15. Income Collection

15.1. Administrative Procedures

15.1.1. In accordance with paragraph 9.34.1 above, all monies received shall be paid intact and without delay to Customer Services unless permission has been granted by the Head of Finance for alternative arrangements.

15.1.2. Cheques shall not be cashed out of money held on behalf of the Council. The exception to this is the replenishment of petty cash accounts.

- 15.1.3. Each officer who lodges money shall ensure an income voucher is completed which indicates the origin of payment, with the appropriate documentation.
- 15.1.4. All cash in transit up to a value of £2,500 can be carried by one member of staff with a mobile phone. Any cash amounts above this level should be accompanied by two or more members of staff and/or in accordance with the Council's insurance policy.

15.2. Issuing of Invoices for the Supply of Goods and Services

- 15.2.1. The Chief Executive and ExecutiveCorporate Directors are responsible for identifying all sources of income within their Service, for calculating the income due to the Council, ensuring that invoices are raised promptly for amounts due.
- 15.2.2. All invoices issued must be in the standard format approved by the Head of Finance.
- 15.2.3. Wherever possible payment in advance or at the time of the provision of the goods and services, should be the default position.
- 15.2.4. The Chief Executive and ExecutiveCorporate Directors are responsible for providing the Head of Finance with the details necessary to ensure collection of all debts.
- 15.2.5. The Head of Finance will maintain a record of the outstanding invoices and issue regular monitoring reports to each Service.

15.3. Income Vouchers and Stationery

- 15.3.1. All stationeryfinancial documents used to record income will be controlled by and in a format approved by the Head of Finance.

15.4. Debt Recovery and Write-offs

- 15.4.1. After exhausting all methods of recovery, the Head of Finance 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.

- 15.4.2. Full debt recovery procedures can be found on the Council's website at the following link:-[Council's website](https://www.orkney.gov.uk/Service-Directory/C/Council-Tax-Arrears.htm)

<https://www.orkney.gov.uk/Service-Directory/C/Council-Tax-Arrears.htm>

15.5. External ~~Grants~~Grant Claims

15.5.1. The ~~Chief Executive and Executive Directors~~Grant claimants shall forward all relevant details of grant ~~payments~~awards and claims timeously to the ~~Head of Finance~~Accountancy Section, including:-;

- Awarding body.
- Project title.
- Grant type (revenue or capital).
- Period of claim.
- Amount of claim.
- Date claim submitted.
- Ledger code(s).
- Service contact.
- Name of service.

15.5.2. In relation to ~~the submission of grant applications, see section 3.5, above~~External funding, see paragraph 25.2 below.

15.6. Corporate Charging and Concessions Policy

15.6.1. The policy establishes the ~~Corporate Charging and Concession Principles~~principles which should feature in setting fees and charges for services provided by the Council.

15.6.2. The Corporate Charging ~~Working~~Consultative Group (~~CCWG~~CCCG) has been formed to consider the Charging and Concessions Policy, and new and existing charges, including concessions. The policy will be subject to regular monitoring and review.

15.6.3. In accordance with the Corporate Charging and Concessions Policy, charges for services will be reviewed as part of the annual budget setting process.

15.6.4. The Head of Finance will be responsible for recommending to the Council the appropriate annual uplift.

15.7. IT Systems – Access, Security and Control

15.7.1. Approval should be sought from the Head of Finance before implementation of any IT system that involves the processing of payments and/or receipts.

15.7.2. All payment systems and other IT systems which link to the Council's main payment system must provide certification of PCI DSS (Payment Card Industry Data Security Standard) compliance.

15.7.3. Procedural guidance should be in place to ensure that all systems are fully operational and successfully integrated with the Council's financial systems.

15.7.4. A list of all system users should be maintained and regularly reviewed. User access should be limited to operational requirements only.

16. External Debit/Credit Card Processing

16.1. Use of Card Terminals

16.1.1 The Chief Executive and Corporate Directors will ensure that the use of external card terminals is done so in accordance with proper procedures to always ensure the security of card payments and compliance with PCI DSS (Payment Card Industry Data Security Standards).

16.1.2. Physical access to card machines should be controlled and based on individual job function. A list of staff processing transactions on the card machine should be provided to the cash office, and all staff should be provided with the procedural documentation for the handling of card payments.

16.1.3. Card devices should be inspected periodically to detect tampering (for example, addition of card skimmers to devices), or substitution (for example, by checking the serial number or other device characteristics to verify it has not been swapped with a fraudulent device).

16.1.4 All visitors must be authorised before entering and escorted at all times within areas where cardholder data is processed or maintained.

16.2. Card Refunds

16.2.1. Card refunds should be processed by a Senior Customer Service Advisor or the Customer Service Team Manager only, and in accordance with proper procedures.

16.2.2. Refund requests should include the date and amount of the original transaction, the amount to be refunded and the reason for the refund. The digital process will request the required approval from the relevant team manager or service manager who is authorised to approve the value of the refund.

16.2.3. Refund request forms should be submitted to cash-office@orkney.gov.uk using the digital refund form which is available from Request a Refund - Refund Process - Dash (achieveservice.com).

17. Internal Audit

17.1. Responsibility for Internal Audit

17.1.1. The Chief Executive has ultimate responsibility for the provision of the Internal Audit service to the Council. The management of Internal Audit is

under the control of the Chief Internal Auditor. 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 ~~members~~Elected Members.

4617.2. Role of Internal Audit

4617.2.1. The primary role of Internal Audit is that of an assurance function which provides an independent and objective opinion on the adequacy of the Council's control environment. Internal audit work is designed to add value and improve ~~an~~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.

4617.2.2.- 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.

4617.2.3.- 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 ~~Executive~~Corporate Directors are responsible for ensuring that adequate internal control systems, both financial and non-financial, are in place and that best value is achieved.

4617.3. Authority of Internal Audit

4617.3.1. The Chief Internal Auditor or their authorised representative shall have authority to:-

- Enter at all reasonable times on any Council 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 Council.
- Be provided with a separate log-in to any computer system within the Council and have full access to any system, personal computer or other device in the ownership of the Council.
- Require and receive such explanations as are necessary concerning any matter under examination.
- Require any employee or ~~member~~Elected Member of the Council to produce cash, stores or any other Council property under ~~his~~their control.
- Examine financial records of ~~council~~Council owned companies; trusts administered by the Council; and other organisations funded by the Council.

4617.4. Use of Departmental Specialists

4617.4.1.-__ Upon request from the ~~Head of Finance~~ Chief Internal Auditor, appropriate specialists from departments / services ~~other than Finance~~ should be made available to take part in any audit or review requiring such specialist knowledge.

4617.5. Duty to Notify Irregularities

4617.5.1. All Officers and Elected Members of the Council have a duty to inform the Head of Finance and the Chief Internal Auditor of any suspicion of fraud, bribery or irregularity affecting cash, stores, assets, other property or contracts of the Council or any other related matter concerning ~~the~~ contravention of ~~the Council's Financial~~ these Regulations. The Chief Internal Auditor, in consultation with the Head of Finance, shall be responsible for the investigation of any such matters.

4617.6. Internal Audit Involvement

4617.6.1.-__ Prior to the commencement of any new major systems development or enhancement, a standard pro-forma detailing the proposals, timescale ~~for development and~~, development cost and expected benefits shall be provided to Internal Audit. On receipt of the report, the 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.

4617.6.2. In this regard the pro-forma can be obtained electronically from the Chief Internal Auditor.

4617.7. Reporting

4617.7.1.-__ 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~~ managers of the areas under review and thereafter will be formally issued in the name of the Chief Internal Auditor, who retains the right of final edit of all reports.

4617.7.2.-__ 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, ~~that~~ 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.

4617.7.3.-__ Consultation and distribution arrangements for investigation reports will depend on the circumstances of each case and will be discussed with the relevant parties.

~~4617~~.7.4. – The Chief Internal Auditor will submit regular reports to the Monitoring and Audit Committee on the work undertaken by the Internal Audit section.

4718. Fraud, Bribery, Theft and Irregularity

4718.1. Fraud Definition and Policy

4718.1.1. 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'.

4718.1.2. It is the duty of each Council ~~Employee~~employee and Elected Member ~~of the council~~to comply with the Council's ~~counter-Corporate Anti-fraud policies~~Policy. The policy is available on the ~~Council's website~~Council's website.

4718.2. Process of Investigation

4718.2.1. The Head of Finance and ~~the~~ 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.

4718.2.2. The Head of Finance and ~~the~~ 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.

4718.2.3. The Head of Finance shall advise the Chief Executive or appropriate ~~Chief Official with regard to~~Corporate Director regarding appropriate action to be taken which may involve suspension of an employee for the duration of the formal investigation.

4718.2.4. In instances where a full investigation confirms that a fraud, bribery, theft or other irregularity has occurred resulting in actual loss, the Chief Executive shall invoke disciplinary procedures and police involvement.

4718.3. Housing Benefit and Council Tax Reduction Fraud

4718.3.1. The Head of Finance shall be responsible for the detection, recovery and prosecution of Housing Benefit and Council Tax Reduction fraud.

4718.3.2. Information and documents relating to Benefit Fraud can be found on the ~~Council's website using the following link:-~~Council's website.

~~<https://www.orkney.gov.uk/Service-Directory/B/Benefit-Fraud-2.htm>~~

4718.4. Segregation of Duties

4718.4.1. The Chief Executive and ~~Executive~~Corporate Directors 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 Council 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.

4819. Insurance and Risk

4819.1. Duty to Assess Risk

4819.1.1. The Chief Executive and ~~Executive~~Corporate Directors will ensure that appropriate Risk Management measures are taken within their Service.

4819.2. Insurance Cover

4819.2.1. The Head of Finance is responsible for ensuring that adequate insurance cover is in place and will liaise with service officers and all relevant insurers in respect of the negotiation of any claims made.

4819.2.2. The Head of Finance will review all insurances annually, and at such other periods as may be considered necessary, in consultation with ~~The~~the Chief Executive and ~~Executive~~Corporate Directors, as appropriate.

4819.2.3. The Chief Executive and ~~Executive~~Corporate Directors ~~will notify~~must ensure that the Head of Finance ~~is notified~~is notified promptly of any changes in relation to:-

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

4819.2.4. Staff must comply with any requirements imposed by the Council's insurers as a condition of the policies.

4819.2.5. The Chief Executive and ~~Executive~~Corporate Directors will notify the Head of Finance, ~~the~~ Head of Legal ~~Services~~ and ~~Governance~~, ~~the~~ Head of Human Resources and ~~Performance~~Organisational Development and the Safety and Resilience team of all cases involving personal injury.

4819.2.6. The Chief Executive and ~~Executive~~Corporate Directors will consult the Head of Finance and the Head of Legal ~~and Governance~~ regarding the terms of any indemnity that the Council is requested to give.

4819.2.7. All appropriate officers of the Council will be included in suitable fidelity guarantee insurance.

1920. Assets

1920.1. Duty to Maintain Inventories and Asset Records

1920.1.1. The Head of Finance will maintain a record of all buildings, land, infrastructure, vehicles, plant and equipment 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.

1920.1.2. The Head of Buildings Property, Asset Management and Facilities will maintain a register of all properties owned or leased by the Council recording the purpose for which held, location, extent and plan reference, purchase details, particulars or nature of interest and rents payable and particulars of any tenancies granted.

20.1.3. All properties held on the Asset Register will be revalued periodically, to ensure that market values continue to be reflected, and in line with the Code of Practice for Local Authority Accounting in the United Kingdom.

1920.1.~~34~~. The Head of Legal Services and Governance will have the custody of all title deeds under secure arrangements.

1920.1.~~45~~. The Chief Executive and Executive Corporate Directors 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 £~~50005,000~~ must be recorded and passed onto the insurance officer~~Insurance Officer~~ and should include the purchase price or cost excluding VAT along with the estimated reinstatement or replacement value.

1920.1.5. For insurance purposes, the services should keep a copy of the inventory list ~~should be kept~~ off site.

1920.1.6. The Head of Finance shall determine the format in which the inventories shall be kept.

1920.1.7. In accordance with paragraph 1920.1.~~31~~, above, Notification of Purchase and Notification of Asset Disposal/Transfer forms should be completed as appropriate and forwarded to the Head of Finance without delay.

1920.2. Annual Check

1920.2.1. 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 Head of Finance immediately.

4920.3. Vehicle Control

- 4920.3.1. The Service Manager (~~Fleet Manager~~) is responsible for ensuring that all vehicles are maintained in a satisfactory state of repair, and will take action or issue advice to ensure that all legal and safety requirements are complied with. "Vehicles" includes all those owned, leased, hired by, or otherwise in the custody or control of the Council.
- 4920.3.2. The Chief Executive and ExecutiveCorporate Directors are responsible for the operation and control of vehicles in use within their Service and for compliance with any advice issued by the FleetService Manager, (Fleet).
- 4920.3.3. Vehicles will only be used for the purposes of Council business, and by such persons and in such a manner as the Chief Executive or ExecutiveCorporate Director directs.
- 4920.3.4. Each ExecutiveCorporate Director is responsible for conducting an annual check on the driving licences of employees in their service who are required to drive a vehicle on Council business.
- 4920.3.5. No officer may take a vehicle home except on official stand-by duty unless the prior permission of ~~The~~ Chief Executive or ExecutiveCorporate Director has been granted. Permission will only be given if use of the vehicle is essential for the conduct of Council business. The unofficial or unauthorised use of a vehicle including the carrying of unauthorised passengers is prohibited.
- 4920.3.6. If any vehicle is involved in an accident, whether or not there is injury or damage, the person in charge of the vehicle at the time of the accident will complete an accident report on the standard form and forward it immediately to the FleetService Manager, (Fleet) and to the Head of Finance.
- 4920.3.7. All use of vehicles will be recorded in such logbooks as ~~The~~ Chief Executive or ExecutiveCorporate Director, in consultation with the FleetService Manager, (Fleet), may require.
- 4920.3.8. All vehicles surplus to the requirements of the Council will be disposed of by public auction, or by such other method as the Head of Buildings and Facilities Neighbourhood Services and the Head of Finance may jointly determine.

1920.4. Security of Assets

1920.4.1. The Chief Executive and ~~Executive~~Corporate Directors are responsible for maintaining proper security of all buildings, stocks, stores, furniture, equipment, cash, etc. under their control.

1920.4.2. The Chief Executive and ~~Executive~~Corporate Directors are responsible for ensuring that all moveable assets are properly ~~secure~~secured and can be accounted for at all times.- The Council's property shall not be removed otherwise than in accordance with the ordinary course of the Council's business or used otherwise than for the Council's purposes except in accordance with specific directions issued by ~~The~~the Chief Executive or ~~Executive~~Corporate Director concerned.

1920.4.3. Wherever practical, valuable and desirable moveable property should be clearly marked as the property of the Council.

1920.5. Obsolete or Surplus Assets

1920.5.1. Guidelines and procedures on the disposal of obsolete or surplus assets are available on the ~~Council website~~Council website. On a Service Committee declaring a Land and Property asset surplus to their requirements, the ~~Executive Director of~~ Corporate Director for Neighbourhood Services and Infrastructure will undertake consultation to establish any alternative Service or community need-.

~~20.5.2.~~ Assets not required by the Council shall normally be marketed and sold on the open market at the best price achievable. This shall normally involve competitive tender or public auction.

~~19.5.2. This shall normally involve competitive tender or public auction.~~

1920.5.3. The Head of ~~IT~~Property, Asset Management and ~~Support Services and the Head of Finance~~Facilities should be consulted before disposing of any IT equipment. All disposals should be in compliance with ICT Security policies and WEEE (Waste Electrical and Electronic Equipment) directive. The disposal of other inventory items should be undertaken in accordance with paragraph 20.~~25~~.1, ~~below~~ above.

2021. Stocks and Stores

2021.1. Security of Stocks

2021.1.1. The Chief Executive and ~~Executive~~Corporate Directors are responsible for the control of their stocks and stores. They will ensure that:-;

- ~~Stock~~stock is securely stored.
- ~~Stock~~stock levels are maintained at the minimum level required to meet operational requirements.

- ~~Records~~records are ~~to be~~ maintained for all stock items and updated for each stock transaction.
- ~~Stock~~stock is counted at least once per year and checked by a person independent of the day-to-day administration of the stock. The appropriate Manager or Supervisor will sign the Final Stock Certificate to confirm agreement with the Final Valuation.
- ~~Any~~any surpluses or deficiencies found on stocktaking or at any other time are investigated and reported to the Manager within the Service, and, if material, to the Head of Finance immediately.

2021.2. Surplus Stocks

2021.2.1. No adjustments in respect of stocks and stores shall be made to write-off deficiencies or to bring surpluses into charge unless authorised by the Head of Finance. All stock and/or inventory write-offs must be authorised in writing by a manager independent of the day-to-day administration of the stock. This in turn must be ~~sanctioned~~approved in writing by the Head of Finance.

2021.3. Financial Records

2021.3.1. ~~Executive~~Corporate Directors are responsible for providing the Head of Finance with any information required in relation to stores for the accounting, costing and recording in financial records, as required.

2422. Treasury Management

2422.1. Code of Practice

2422.1.1. The Council has adopted the key recommendations of CIPFA's Code of Practice for Treasury Management in the Public Services.

2422.1.2. All borrowing and lending will be performed in the name of the Council.

2422.1.3. All funds in the hands of the Council will be aggregated for the purposes of Treasury Management and will be under the control of the Head of Finance.

2422.1.4. The Council has created and will maintain, as its cornerstone for effective treasury management:-;

- ~~A~~a treasury management policy statement, stating the policies and objectives of its treasury management activities:-;
- ~~Suitable~~suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

2422.1.5. The Head of Finance will report to the Council as follows:-;

- An Annual Strategy at the commencement of each financial year.
- A Mid-year review of the Treasury function.
- An Annual Review of the Treasury function for presentation on the conclusion of each year.
- 21Quarterly Treasury Management Update (end of June/end of December).

22.1.6. The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the InvestmentInvestments Sub-committee.

2122.1.7. All executive decisions on borrowing, investment or financing shall be delegated to the Head of Finance, who will be required to act in accordance with the CIPFA Code and in particular:-:

- All loans to the Council will be negotiated by the Head of Finance and wherever possible will be paid direct by the lender or his/her agent to the Council's bank account.
- All Council loan certificates will, prior to use, be in the custody of the Head of Finance and issued by him/her only when required for completion.
- All heritable securities which are the property of or in the name of the Council and the title deeds of all property in its ownership will be held in custody of the Head of Legal Servicesand Governance.
- Any trust funds will wherever possible be in the name of the Council.

2122.1.8. The Head of Finance will be the Council's registrar of stocks, bonds and mortgages granted by the Council and will maintain records of all borrowing of money by the Council.

2223. Security

2223.1. Cash Security

2223.1.1. The Chief Executive and ExecutiveCorporate Directors will advise the Head of Finance of all changes in circumstances within the Service where cash is held or is otherwise under the control of officers of the Council. They will ensure that the minimum level of cash is held subject to the practicalities of individual circumstances.

2223.1.2. 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 through Creditors, Section 12, using approved procedures set out at paragraphs 11 and 12 above.

2223.1.3. 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 Council's insurance policies.

2223.1.4. The transfer of cash or incoming cheques through the Cash Offices should be evidenced by a receipt or written record.

2223.1.5. All mail received by the Council should be opened in a secure area by two members of staff. In the case of mail opened that contains cash, cheques, postal orders, or any other form of payment, this should be recorded in a register. The amount of the payment, the date of payment, and details of who made the payment, should be noted. The signatures or initials of the two officials opening the mail should be written next to these details.

2223.2. Council Cheque Security

2223.2.1. Cheques are to be secured in accordance with paragraph 9.2.1~~7~~ above.

2223.3. Council Credit and Purchase Card Security

2223.3.1. Credit and ~~Purchase Cards~~purchase cards are restricted to authorised officers only and must be kept in a secure place.

2223.4. Access to Safes, etc

2223.4.1. Authorised Officers are responsible for the security of safes and similar receptacles. Access should be limited~~u~~ 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~~the Chief Executive or relevant ~~Executive~~Corporate Director, the Chief Internal Auditor and the Head of Finance.

2223.4.2. Keys and combination codes for any safe or strong~~u~~ room shall not be left on the premises whilst the Council is closed for business purposes to comply with insurance requirements.

2223.4.3. -Combination codes should be changed on a regular basis.

2223.5. Data Security

2223.5.1. Officers should adhere to the requirements of the Data Protection Act ~~1998~~2018 and any guidance issued by or on behalf of the Head of Legal ~~Services~~and Governance.

~~22.5.~~223.5.2 The Council's Data Protection, Record Retention and Freedom of Information policies can be found on the Council Policies (orkney.gov.uk).

23.5.3. 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.

~~2223~~.5.34. The Chief Executive and ~~Executive~~Corporate Directors shall be responsible for the use and security of all data output from Computer Systems.

~~2223~~.5.5 Certification of PCI DSS (Payment Card Industry Data Security Standard) compliance must be obtained for all systems that link to the Council's receipting/payment system.

~~23~~6. Security and Retention of Documents

~~2223~~.6.1. The Chief Executive and ~~Executive~~Corporate Directors 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 Council and / or management policies and procedures.

~~2223~~.6.2. The Head of Legal ~~Services~~and Governance will determine the retention periods for specific documents.

~~2223~~.6.3. It has been agreed with all relevant external bodies that invoices paid through the ~~Creditors~~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.

~~2223~~.6.4. 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.

~~2223~~.6.5. In accordance with paragraph ~~1920~~.1.3,4 above, the Head of Legal ~~Services~~and Governance shall be responsible for the custody of securities, property deeds, etc.

~~2324~~. Private Property and Voluntary Funds

~~2324~~.1. Administration Procedures

~~2324~~.1.1. These Regulations apply to the safekeeping of personal property and the administration of third-party funds.

~~2324~~.2. Protection of Private Property

~~2324~~.2.1. Circumstances may arise where the Council is required to assume responsibility over the movable property of a third party such as a list of personal possessions left in an abandoned house or where a client is moving into care.

~~2324~~.2.2. The Chief Executive and ~~Executive~~Corporate Directors must ensure that a detailed inventory of all such property is prepared. The inventory

should be assessed for items of value or legal importance, and arrangements made for their safe custody and eventual disposal.

~~2324~~.2.3. All such incidents should be reported to the Head of Finance and the Head of Legal Services and Governance without delay.

~~2324~~.2.4. The Council shall not be responsible for any member of staff's personal items taken into the workplace.

~~2324~~.3. Independent Funds

~~2324~~.3.1. Independent funds are funds held, which operate outwith the Council's general ledger system. All such funds must be approved by the Head of Finance.

~~2324~~.4. Client Funds

~~2324~~.4.1. Any officer who, by reason of their employment with the Council, is responsible for the custody or management of cash or property belonging to a third party will employ standards of stewardship no less than those laid down elsewhere in these Regulations.

~~2324~~.4.2. Officers will adhere to any guidance issued by ~~The~~the Chief Executive or Executive Corporate Directors.

~~2324~~.4.3. Each officer will, if ~~so~~ required by the Head of Finance or by the Executive Corporate Director concerned, provide immediately a full account of all cash and property received from, or on behalf of, a third party.

~~2324~~.5. Trust Funds

~~2324~~.5.1. Trust funds are money or other assets to be used for the purpose(s) specified in the trust deed. Trust funds are commonly used as a method of donating money for the benefit of a community or project, for example bequests from the public.

~~2324~~.5.2. Trust funds and bequests will be operated under the directions of the Head of Finance and the Head of Legal and Governance.

~~2324~~.5.3. A trust deed setting out the terms and conditions of the trust should be deposited with the Head of Legal Services and Governance.

~~2324~~.5.4. Trustees are bound by the terms of the trust deed and trust legislation ~~and when~~. When they have responsibility for cash or other assets, they should employ standards no less than those laid down elsewhere in these Regulations.

2425. Partnerships and Other External Arrangements

2425.1. Partnerships

2425.1.1. Partnerships are likely to play a key role in delivering community strategies and in helping to promote and improve the well-being of Orkney through a shared vision of services based on user wishes. Partnerships may be entered into for a number of reasons:-:

- The desire to find new ways to share risk.
- The ability to access new resources.
- To provide new and better ways of delivering services.
- To forge new relationships.

2425.1.2. In entering into partnerships, Services must accept that they have common responsibilities with their chosen Partnerpartner, including the following:-:

- A willingness to take on a role in the broader programme appropriate to the skills and resources of the partner organisation.
- To act in good faith at all times and in the best interest of the Partnershippartnerships aims and objectives.
- To be open about any conflicts of interest which may arise.
- To promote the sharing of information, resources and skills between all parties in the Partnershippartnership.
- To hold confidentially any information received as a result of partnership activities or duties that is of a confidential or commercially sensitive nature.
- To act wherever possible as an ambassador for the Council in the project.

2425.1.3. The Head of Finance will advise Thethe Chief Executive and ExecutiveCorporate Directors on the effective financial controls required from such Partnershippartnerships and ensure that the principles of Best Value are adhered to. Such advice should address the key elements of funding projects including scheme appraisal, risk and management appraisal, resourcing and transaction issues, and audit and security controls.

2425.1.4. As detailed in paragraph 12.6.4,3 above, the Finance Service will maintain a register of all contracts entered into with external bodies. The Chief Executive and ExecutiveCorporate Directors should ensure that a risk management appraisal has been completed and that any agreements and arrangements made do not impact adversely upon the services already provided by the Council, prior to entering into agreements with external bodies.

2425.1.5. The Chief Executive and ~~Executive~~Corporate Directors must also ensure that all agreements and arrangements are properly documented, to the satisfaction of the Head of Legal ~~Services and Governance~~, and that the necessary financial information as determined by the Head of Finance is provided in a timely manner to enable the ~~Partnership~~partnership arrangements to be properly accounted for.

2425.2. External Funding

2425.2.1. External funding is potentially a very important source of income to the Council, but the conditions attached need to be carefully considered to ensure that they are compatible with the aims and objectives of the Council. Whilst funds from external ~~Agencies~~agencies provide additional resources to enable the Council to deliver services to the local community it has to be recognised that the funding may be linked to tight specifications and may not be flexible enough to link to the Council's overall plan.

2425.2.2. All requests for external grant funding are required to be approved by the ~~Executive Director of Corporate Services and the~~ Head of Finance signing off on the ~~External Grant Prior Approval~~grant authorisation form prior to the submission of funding applications.

2425.2.3. The Head of Finance should ensure that arrangements are in place to:-
:

- Receive and properly record such income in the Council's accounts.
- Ensure that audit and accounting requirements are met.
- Ensure that the funding requirements are considered prior to entering into any agreements, both in the present and the future.

2425.2.4. The Chief Executive or ~~Executive~~Corporate Directors must ensure that the project progresses in accordance with the agreed terms of the funding agreement and that all expenditure is properly incurred and recorded. They must also ensure that claims for funds are made by the due date.

2425.3. Working for Third Parties

2425.3.1. Section 20 of the Local Government in Scotland Act 2003 provides the Council with the power to do anything which it considers is likely to promote or improve the well-being of its area or persons within that area- subject to statutory limitations. This will enable the Council to provide a range of services to other bodies. Such work may enable individual Council services to maintain economies of scale and existing expertise.

2425.3.2. Arrangements must be in place to ensure that any risk associated with this work is minimised and that such work is within the legal power or authority of the Council.

2425.3.3. The ~~Head of Finance is responsible for the issue of such guidance as is required regarding third party contracts, and the maintenance of the~~

~~contract register. For their part The~~ Chief Executive and ~~Executive~~Corporate Directors must ensure:-:

- that the approval of relevant Committees is obtained before any negotiations are concluded to work for third parties:-;
- that a formal agreement is in place (to the satisfaction, where relevant, of the ~~Executive Director~~Head of ~~Corporate Services~~Legal and ~~Governance, the Head of Human Resources and Organisational Development and the Head of Finance~~) regulating the duties and obligations of all parties to the agreement, prior to the commencement of the provision of services:-;
- that a register of all contracts entered into with third parties is maintained in accordance with procedures specified by the Head of Finance:-;
- that appropriate insurance arrangements are made:-;
- that the Council is not put at risk from failure to recover any debts:-;
- that no contracts are subsidised by the Council:-;
- that wherever possible, payment is received in advance of the delivery of the service:-;
- that the Service has the appropriate expertise to undertake the contract:-;
- that such contracts do not impact adversely upon the services provided by the Council:-;
- that all contracts are properly documented; ~~and~~;
- that the Head of Finance is provided in a timely manner with the necessary information to enable the third-party relationship arrangements to be accounted for properly.

2526. Variation of Financial Regulations

2526.1. Authority to Vary or Amend Regulations

2526.1.1. The Head of Finance shall ~~be authorised~~have the power to ~~amend~~alter these Regulations as and when required, ~~to take account~~;

- To correct any textual or minor errors.
- To make any consequential amendments required as a result of alterations in Financial Practice and Legislation. Such changes will be reported to decision of the Council.
- To reflect changes in legislation and/or established practice.