

Financial Regulations – May 2023

1 Scope and Observance

- 1.1 Section 95 of the Local Government (Scotland) Act 1973 states that:
“...every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that the proper officer of the authority has responsibility for the administration of those affairs.”
- 1.2 These Financial Regulations fulfil this requirement by providing a mandatory framework for the financial administration of North Ayrshire Council and will apply to every financial transaction and to every employee throughout the Council.
- 1.3 It is the duty of Heads of Service to ensure that all relevant employees are familiar with these Regulations and other relevant documents detailed at Section 10 below and that they are adhered to.
- 1.4 Failure to observe these Financial Regulations may be regarded as a breach of trust and may lead to disciplinary action.

2 Principals of Financial Administration

- 2.1 The financial affairs of the Council will at all times be conducted in accordance with the seven principles of public life as set out by the Nolan Committee on Standards in Public Life:

Selflessness: Employees will not take decisions which will result in any financial or other benefit to themselves, their family or friends. Decisions will be based solely on the Council's best interests.

Integrity: Employees will not place themselves under any financial or other obligation to an individual which might influence them in their work with the Council.

Objectivity: Any decisions which employees make in the course of their work with the Council will be based solely on merit.

Accountability: Employees are accountable to the Council as their employer and, in turn, to the public.

Openness: Employees will be as open as possible in all the decisions and actions that they take.

Honesty: Employees have a duty to declare any private interests which might affect their work with the Council.

Leadership: Management will promote and support the above principles by leadership and example.

- 2.2 In order to comply with these principles of public life, no employee must be in a position where they experience a conflict of interest between their personal life and their employment with North Ayrshire Council.

Examples of conflicts of interest will include:

Procurement: purchasing goods or services from a supplier with whom the employee is either directly involved or with whom the employee has a family relationship or close friendship. Further guidance is contained within the Standing Orders Relating to Procurement.

Systems: an employee must not access or update records which relate either to themselves or family or close friends.

Service Delivery: an employee must not make decisions on service provision which could result in a favourable outcome for themselves or family or close friends.

Where an employee perceives a possible conflict of interest in relation to these or any other transactions of the Council, this must be declared to their line manager and steps put in place to prevent this materialising. Failure to do so may lead to disciplinary action.

- 2.3 No financial transactions will take place unless they fall within the legal powers of the Council. In cases of doubt, Heads of Service must consult with the Head of Democratic Services to obtain clarification as to legality before any liability or expenditure is incurred. Expenditure on new service developments, initial contributions to other organisations and responses to new emergency situations which require expenditure must be clarified as to legality prior to being incurred.
- 2.4 The Local Government in Scotland Act 2003 places the duty on local authorities to make arrangements that secure 'Best Value'. 'Best Value' is defined in the Act as 'continuous improvement in the performance of the authority's functions'.

3 Role of the Council

- 3.1 The full Council is responsible for setting the Council's annual budgets, housing rent and Council Tax levels. The Council is also responsible for approving the Annual Treasury Management and Investment Strategy.

4 Role of the Cabinet

- 4.1 The Cabinet is responsible for monitoring the use of the Council's resources throughout the financial year.

5 Role of Audit and Scrutiny Committee

- 5.1 The Audit and Scrutiny Committee will monitor the effectiveness of controls maintained by Heads of Service within their Service.

6 Role of Head of Finance

- 6.1 The Head of Finance is the proper officer of the Council under Section 95 of the Local Government (Scotland) Act 1973 for the administration of the financial affairs of the Council.

- 6.2 All accounting procedures and records of the Council will be determined by the Head of Finance and all accounts and accounting records of the Council will be compiled by or under the direction of the Head of Finance.
- 6.3 The Head of Finance will act as financial adviser to the Council, the Cabinet and all its Committees and will monitor and report on the financial performance and position of the Council.
- 6.4 The Head of Finance will be entitled to:
- access to any information and to be given such explanations as are considered necessary;
 - issue, and require compliance with, any instructions on any aspect of financial administration;
 - examine administration and control systems within any Service of the Council and secure any improvements which are considered necessary.

7 Responsibilities of Chief Executive, Executive Directors and Heads of Service

- 7.1 The Chief Executive, Executive Directors and Heads of Service are accountable for the financial performance of their Services within the budgets allocated.
- 7.2 They will ensure at all times that they and their employees endeavour to secure the best value for expenditure incurred by them when pursuing the objective of achieving the policies of the Council.
- 7.3 The Chief Executive, Executive Directors and Heads of Service are responsible for the maintenance of effective controls within the financial procedures operated by their Services.

8 Accounting and Internal Control

Internal Control

- 8.1 The following principles will be observed in the allocation of duties:
- There must be an effective **separation of duties** so that the different stages of financial transactions are progressed by different people;
 - Financial transactions will be subject to **internal check** to reduce the likelihood of fraud and errors.
- 8.2 Procedures for calculating, checking and recording sums due to or by the Council should be arranged in such a way whereby the work of one person is proven independently or is complementary to the work of another and these operations will be separated from the duty of collecting or disbursing such sums.
- 8.3 There will be regular **management review** by service managers of financial transactions, other than budget monitoring, to ensure the accuracy and completeness of financial records.

Authorisation

- 8.4 Authorisation of financial transactions indicates acceptance of responsibility for them.

- 8.5 Heads of Service are responsible for determining the numbers and distribution of authorising officers to meet the needs of their Service.
- 8.6 An officer must not authorise a transaction in which they have a personal interest.
- 8.7 A register of all authorised signatories will be maintained by the appropriate section and kept up-to-date. Entries on this register will be authorised by Heads of Service and will detail the following:
- Names, designations and locations of authorised signatories;
 - The financial authorisation limits placed upon individual officers;
 - Sample signatures of authorising officers.

Monthly Financial Performance

- 8.8 Each Head of Service or nominated senior manager will monitor expenditure and income against approved budgets and provide information to Finance to support projections and on actions being taken to address potential overspends or income shortfalls.

Annual Statement of Accounts

- 8.9 Each Head of Service will, at dates to be specified by the Head of Finance, submit to the Head of Finance such information as is required in order that the Council's annual accounts can be closed.

9 Internal Audit

- 9.1 Internal Audit will carry out independent reviews of financial and other systems of the Council to ensure that the interests of the Council are protected.
- 9.2 The objective of Internal Audit is to assist Elected Members and Council officers in the effective discharge of their responsibilities by reviewing and evaluating:
- the completeness, reliability and integrity of financial and other management information;
 - the systems established to ensure compliance with corporate and departmental policies and procedures and legislative requirements;
 - the means of safeguarding assets;
 - the economy, efficiency and effectiveness with which resources are employed;
 - the extent to which operations are being carried out as planned and objectives are being met.
- 9.3 The Senior Manager (Audit, Fraud, Safety and Insurance) reports to the Head of Finance. In addition, the Senior Manager has the right of direct access to the Chief Executive and the Chair of the Audit and Scrutiny Committee on any audit matter.
- 9.4 In relation to Internal Audit work being carried out, the Senior Manager (Audit, Fraud, Safety and Insurance) and any member of the Internal Audit section has the authority to:

- Enter at all reasonable times and without notice any premises or land of the Council, provided that where such premises or land are leased to a third party the terms of the lease are observed;
- Have access to, and remove, all records (both paper and electronic), documents and correspondence within the possession or control of any officer of the Council, relating to any financial or other matters of the Council;
- Be provided with a separate log-in to any computer system within the Council and have full access to any system, network, personal computer or other device in the ownership of the Council;
- Require and receive explanations concerning any matter under examination from any employee, including Chief Officers, and request such explanations from any Elected Member;
- Require any employee of the Council to produce cash, stores or any other Council assets under their control.

10 Associated Procedures and Codes of Practice

The following is a list of other documents which should be read in conjunction with these financial regulations:

10.1 Codes of Financial Practice

Although not contained within the body of these financial regulations, Codes of Financial Practice will be issued under their authority and will have the same status as if they were included therein.

The Codes of Financial Practice are maintained by the Head of Finance.

10.2 Corporate Procurement Strategy

This document sets out the recommended activities and procedures required when purchasing all externally provided goods, services and works.

The strategy is maintained by the Head of Finance.

10.3 Standing Orders Relating to Contracts

The Standing Orders Relating to Contracts set out how the Council will invite tenders and let contracts for the supply of goods, services and works.

This document is maintained by the Head of Democratic Services.

10.4 Scheme of Delegation to Officers

The Scheme of Delegation to Officers contains details of those functions both statutory and non-statutory which the Council has chosen to delegate to officers.

The Scheme of Delegation is maintained by the Head of Democratic Services.

10.5 Risk Management Strategy

The Risk Management Strategy sets out the Council's approach to dealing with risk and explains how risk management should be integrated throughout the Council. The document also defines the roles and responsibilities of Elected Members and officers in dealing with risk.

The Strategy is maintained by the Head of Finance.

10.6 Code of Corporate Governance

The Council's local Code of Corporate Governance demonstrates how the Council complies with the seven core principles of good corporate governance which are outlined in the CIPFA/SOLACE framework 'Delivering Good Governance in Local Government'.

The local Code of Corporate Governance is maintained by the Head of Democratic Services.

10.7 Annual Treasury Management and Investment Strategy

The Annual Treasury Management and Investment Strategy sets out the Council's strategy for borrowing and managing investments.

The strategy is maintained by the Head of Finance.

11 Irregularities

11.1 Any evidence or reasonable suspicion of an irregularity relating to any property of the Council must be reported immediately in accordance with the Council's Defalcation Procedures or "Whistleblowing" Procedure, whichever is appropriate.

11.2 All reported irregularities will be investigated in accordance with the appropriate procedure and the Council's Counter Fraud and Corruption Strategy.

11.3 Any contact with Police Scotland or the Procurator Fiscal will be made only by the Chief Executive or by another officer acting with the prior approval of the Chief Executive.

12 Review of Financial Regulations

12.1 These Regulations may be varied or revoked subject to a report by the Head of Finance on any variations and revocations being approved by the Council.

Mark Boyd
Head of Finance
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