

Report of Chief Officer (Audit & Risk)

Report to Corporate Governance & Audit Committee

Date: 23 April 2012

Subject: Financial Procedure Rules / Financial Regulations

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. A root and branch review of the council's Financial Procedure Rules (FPRs) is being carried out to modernise the rules and make them fit for purpose. This will be achieved by providing concise and clearer guidance to colleagues, concentrating on the key rules, thus enabling them to comply with their responsibilities for managing the Council's financial affairs and enhance the control of the Council's financial arrangements .
2. The document will set out a core set of rules for managing the council's financial affairs and will be supported by specific procedures and guidelines relevant to each rule.
3. Each rule will be owned by a nominated Chief Officer, who will be responsible for keeping the FPR and underpinning procedures and guidelines up to date.
4. Nominated contacts will be identified for providing day to day guidance on each FPR.

Recommendations

5. Members are asked to note and comment on the content of the report.

1 Purpose of this report

- 1.1 To inform Members of the rationale behind the current update of FPRs.
- 1.2 To inform Members of the format of the proposed document by way of example (Appendix A).

2 Background information

- 2.1 FPRs apply to Members and all colleagues involved in financial transactions on behalf of the Council.
- 2.2 FPRs are a significant part of the Council's control environment and this review will improve and enhance that environment.
- 2.3 FPRs provide the framework for managing the Council's financial affairs. They are supported by more detailed guidance and procedures which set out how FPRs will be implemented. They were last revised in 2010.
- 2.4 The approval of FPRs is delegated to the Director of Resources under the Constitution as part of his personal Section 151¹ responsibilities to make arrangements for the proper administration of financial affairs.
- 2.5 In order to continually meet the Council's "Spending Money Wisely" value, it is vital that we maintain good, sound financial management which helps to ensure that the Council is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
- 2.6 Adherence to modern FPRs will help us to control spending, ensure due probity of transactions and allow decisions to be informed by accurate accounting information. They also protect colleagues in that if they are complying with the regulations they cannot be subject to criticism

3 Main issues

- 3.1 FPRs will be renamed Financial Regulations (FR). The existing FPRs have been criticised for being exhaustive and confusing which has led, on occasions, to them not being followed. The intention of this review is to modernise the rules and make them fit for purpose. Examples of current FPRs which cause confusion and/or are hard to adhere to:-

7.5 (g) Where a debtor fails to pay for goods or service invoiced, and unless express permission is given by the Director of Resources, no further goods or services shall be provided by the authority until the original debt is settled in full.

e.g. how would a sports centre receptionist know that a customer had not paid an invoice for goods or services provided elsewhere in the Council?

7.8 (a) The post collection box on the premises should, wherever possible, be connected to a locked receptacle, which should only be emptied in the presence of two persons. A notice should be

¹ Local Government Act 1972

placed on or near to the collection box stating that no cash should be placed in the box. Where a self-locking mail bag is utilised for collecting mail from the Post Office, this should similarly be opened by two persons.

- (b) The opening of the post should be in the presence of at least two persons.

Not practical under most circumstances where the majority of mail is correspondence and money is rarely received.

- 3.2 FRs will set out the key rules for managing the Council's financial affairs and are underpinned by detailed procedures and guidelines. As the procedures and guidelines will be separate but integral to the FRs, it will make the FRs more streamlined and easier to update, and each procedure / guideline can be updated independently.
- 3.3 Each FR will provide concise and clearer guidance to colleagues, concentrating on the key rules, thus enabling them to comply with their responsibilities for managing the Council's financial affairs.
- 3.4 Each FR will have the following information:-
- Objectives – what the FR is aiming to achieve.
 - Key Risks – what could happen if the rule is not followed.
 - Key Rules – what must, or must not, be done.
 - Owner – the Chief Officer with responsibility for ensuring that the FR and associated procedures and guidelines are relevant and up to date.
 - Contacts – nominated colleagues for answering day to day queries.
 - Key Procedures / guidelines – detailed procedures and guidelines that underpin the FR.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 Directorate and corporate Finance Managers, FR owners and nominated contacts have been consulted. Once approved, the FRs will be publicised via the intranet.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 Not applicable.

4.3 Council policies and City Priorities

- 4.3.1 FPRs are part of the constitution and therefore impact on adherence to Council policies and meeting the City Priorities.

4.4 Resources and value for money

- 4.4.1 This is the essence of the FRs and, to stress its importance, there is a specific FR on spending money wisely.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 The Council's responsible financial officer is required by statute to make arrangements for the proper administration of financial affairs. Financial Regulations are an integral part of such proper arrangements and regular reviews will help ensure that the regulations are fit for purpose.

4.6 Risk Management

- 4.6.1 Risk management is not directly applicable to this report.

5 Conclusions

- 5.1 The revised FRs are more concise and provide clearer guidance to colleagues. They concentrate on the key rules for managing the Council's financial affairs and there will be a nominated owner for each FR.
- 5.2 By removing some of the detail from the FRs and including it in linked procedures and guidelines the FRs should remain more clear, thus improving the control environment.
- 5.3 With the identification of an owner and contact(s) for each FR any queries should be easier to resolve and the owner will be responsible for ensuring that associated policies and procedures are kept up to date.

6 Recommendations

- 6.1 Members are asked to note and comment on the content of the report.

7 Background documents²

- 7.1 Current Financial Procedure Rules.

² The background documents listed in this section are available for inspection on request for a period of four years following the date of the relevant meeting. Accordingly this list does not include documents containing exempt or confidential information, or any published works. Requests to inspect any background documents should be submitted to the report author.