

# AUDIT COMMITTEE

## Financial Regulations 17 September 2014

### Report of the Chief Officer (Resources)

#### PURPOSE OF REPORT

To seek Members' endorsement for a newly drafted set of Financial Regulations and to propose amendments to an associated Article of the Council's Constitution.

**This report is public**

#### RECOMMENDATIONS

1. That Members endorse the newly drafted Financial Regulations.
2. That the proposed revision of Article 14 of the Constitution be referred on to Council for approval.

#### 1.0 Introduction

- 1.1 At its last meeting on 18 June 2014 the Committee supported in principle new proposals for the future responsibility for drafting, maintaining and approval of Financial Regulations and associated instructions and guidance. In essence, the proposals establish responsibility for the financial regulations with the Chief Officer (Resources) as Section 151 Officer, whilst recognising that the Council might choose to instruct that officer on particular matters, so long as any such instruction is itself consistent with the Accounts & Audit (England) Regulations 2011.
- 1.2 In line with those proposals, Council has since approved an amendment to the Committee's terms of reference, which now state its responsibility as: *"To consider and endorse amendments to the Council's Financial Regulations and Contract Procedure Rules and, on behalf of full Council, give any instructions to the Section 151 Officer as may be appropriate."* (the Constitution, part 3 section 8, TOR 8.16).
- 1.3 The council's current Financial Regulations and associated Financial Procedures were originally approved by the Audit Committee in April 2002, with the last update (relating to project and capital programme management) being approved in September 2007.

#### 2.0 Draft Financial Regulations

- 2.1 As well as being overdue an update, it has been recognised that there is a general need to modernise and refresh the regulations and tie them in with other ongoing reviews of the Constitution, in particular the recently updated Scheme of Delegation. In support of the Financial Regulations and Contract Procedure Rules, the Council has previously adopted an associated set of Financial Procedures, as well as a wide

range of separate financial policies and guides. To be effective, it is important that these sources of instruction and guidance are drawn together into a clear and cohesive structure and 'library' of information.

- 2.2 The newly drafted version of the Financial Regulations attached as **Appendix A** have been developed by the Chief Officer (Resources), Financial Services Manager and Internal Audit Manager with consultation of Management Team.
- 2.3 The draft Regulations therefore incorporate the following structure for the future:

Level	Document(s)	Status	Ownership and Approval
1	Financial Regulations	Organisational rules. High level statement of responsibilities for financial administration. Part of the Council's Constitution	Chief Officer (Resources) responsible for reviewing, updating and promoting the Regulations. Changes to be reported to Audit Committee for endorsement.
2	Standing Financial Instructions & Guidance	More detailed rules, procedural instructions and guidance in support of the Regulations	Responsibility for maintenance, approval and promotion rests with the Chief Officer (Resources)

- 2.4 Aside from addressing these proposals, the key aims in developing this new draft have been to provide:
- a unified, definitive and more concise set of rules for financial administration;
  - a more readable and informative source of information for both Officers and Elected Members; and
  - an effective foundation for raising awareness and understanding of, and levels of competence in the application of, financial standards and processes.
- 2.5 Whilst the presentation of the new Regulations appears quite different from the current version, the majority of the principles, 'rules', and responsibilities are not changed, but simply expressed differently. Members' attention is drawn to Section 4, covering the Management of Budgets, which has changed more significantly than most, with the objective of providing all parties with greater clarity on the budget management framework and their individual roles and responsibilities. More explanation will be provided at the meeting.
- 2.6 Committee's endorsement is sought for the draft Regulations, to be implemented on by 30<sup>th</sup> September 2014. Following this, all documents and information contributing to the level 2 Standing Financial Instructions and Guidance will be reviewed with a view to having a complete framework in place by 31<sup>st</sup> March 2015.
- 2.7 As indicated in the wording of the Committee's terms of reference, Members have the opportunity, on behalf of full Council, to issue the Section 151 Officer with instructions regarding financial administration, the caveat being that any such instruction must comply with the legislative requirements set out in the Accounts and Audit (England) Regulations 2011.

### 3.0 Contract Signing Issues

- 3.1 The review of Financial Regulations has been undertaken with due consideration to other provisions within the Council's Constitution. In doing so, an anomaly has been

identified regarding requirements for the signing of contracts. Currently, Article 14.04 of the Constitution relating to the 'Authentication of Documents' requires any contract with a value exceeding £50,000 to be signed by the Section 151 Officer (or deputy) and the Chief Executive or a Chief Officer. The subsequent article, number 14.05 covering use of the Common Seal of the Council, requires that affixing of the seal be attested by only one officer, namely the Chief Executive or any Chief Officer.

3.2 The Section 151 Officer and Chief Officer (Governance) have discussed this, and feel that, in addressing the anomaly, there is also scope to provide greater clarity regarding the requirements for all levels of contract and at the same time modernise the provisions of article 14. The wording of the existing article 14 and proposed re-draft are attached at **Appendix B**.

3.3 Members are asked to consider this proposed re-draft and recommend it for approval by full Council.

#### **4.0 Details of Consultation**

4.1 Members of Management Team have been consulted on the draft Financial Regulations. The Chief Officer (Governance) has also been consulted specifically on the matters relating to contract approval and completion.

#### **5.0 Options and Options Analysis (including risk assessment)**

5.1 The proposals are that the Audit Committee:

- a) supports and endorses the proposed new draft Financial Regulations; and
- b) accepts and refers to full Council the proposed revision to article 14 of the Constitution.

5.2 Regarding the draft Financial Regulations, Members of Audit Committee could make suggestions as to their content, and also, at this stage, have the opportunity to consider issuing any appropriate instructions to the Section 151 Officer.

5.3 As regards the changes to article 14 of the Constitution, Members have the option to accept these as proposed, suggest changes, or not accept the proposals.

5.4 The preferred option is that the proposals are accepted as stated.

#### **6.0 Conclusion**

6.1 The Council's Financial Regulations are in need of review and update. The proposals in this report aim to establish more efficient procedures for the future maintenance of Financial Regulations and associated instructions/guidance, taking account of the current legislative requirements.

6.2 The proposed changes to article 14 of the Constitution contribute to the overall review and modernisation of the Council's Constitution.

<b>CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)</b>
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This report has no direct impact on these areas.
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<b>FINANCIAL IMPLICATIONS</b>
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None arising directly from this report
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**SECTION 151 OFFICER'S COMMENTS**

The Section 151 Officer is also the Council's Chief Officer (Resources), in whose name this report has been prepared; she has no further comments to add.

**LEGAL IMPLICATIONS**

The proposals are in accordance with the provisions of the relevant legislation.

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments.

**BACKGROUND PAPERS**

None

**Contact Officer:** Derek Whiteway

**Telephone:** 01524 582028

**E-mail:** [dwhiteway@lancaster.gov.uk](mailto:dwhiteway@lancaster.gov.uk)

**Ref:** aud/ctte/aud/140917/FinRegs