



## SHETLAND ISLANDS COUNCIL

### CONSTITUTION

#### PART D

### FINANCIAL REGULATIONS 2022

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Contents	Page
<b>1 Overview</b>	<b>5</b>
1.1 Introduction	5
1.2 Principles	6
1.3 Role of the Chief Financial Officer (Executive Manager – Finance)	7
1.4 Role of the Chief Executive / Directors / Executive Managers	8
1.5 Glossary of Terms	8
<b>2 Financial Planning</b>	<b>9</b>
2.1 Revenue	9
2.2 Capital	10
<b>3 Budgetary Control</b>	<b>12</b>
3.1 General	14
3.2 Changes to Approved Budgets	14
<b>4 Financial Controls and Accounting</b>	<b>16</b>
4.1 General Principles	16
4.2 Grants and External Funding	17
4.3 Leasing	18
4.4 Authorised Signatories	18
4.5 Bad Debts and Write Offs	20
4.6 Trading Operations	20
4.7 Orders for Goods and Services	21
4.8 Payment of Accounts	23
4.9 Purchasing/Credit Cards	25
4.10 Stocks, Stores and Inventories	26
4.11 Payroll, Pensions, Travel and Subsistence	28
Payroll and Pension Payments	28
Travel and Subsistence Allowances	29
Other Payroll and Pension Requirements	30
4.12 Councillors' Remuneration and Expenses	30
4.13 Contracts for Building, Construction or Engineering Work	32
4.14 Information Security and Records Management	33
Information Security	33
Records Management	34
<b>5 Management of Funds and Reserves</b>	<b>35</b>
5.1 Treasury, Capital Financing and Investment Management	35
5.2 Banking Arrangements	36
5.3 Investment Management	38
5.4 Small Trust Funds	39
5.5 Income	39

5.6	Petty Cash Imprest and Cash Floats	41
5.7	Tax and VAT	42
<b>6</b>	<b>Control of Resources and Risk Management</b>	<b>43</b>
6.1	Property and Security	43
6.2	Gifts, Hospitality and Conduct	44
6.3	Audit Services	46
	Internal Audit	46
	External Audit	47
6.4	Prevention and Detection of Fraud and Corruption	48
6.5	Risk Management and Insurance	48
	Risk Management	48
	Insurance	50
<b>7</b>	<b>External Financial Arrangements</b>	<b>51</b>
7.1	Awards to Voluntary Organisations, Commissioned Services and Service Level Agreements	51
7.2	Partnerships	53
	Partnerships	53
	External Funding	54
	Working for Third Parties	54
<b>8</b>	<b>Pension Fund Administration and Investment</b>	<b>55</b>

# 1. Overview

## 1.1 Introduction

1.1.1 These Financial Regulations are a key component of Shetland Islands Council's governance arrangements and facilitate effective financial management in accordance with the Local Government (Scotland) Act 1973 (The 1973 Act). The Executive Manager – Finance fulfils the role of proper officer with regard to the 1973 Act, which states:

*'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.'*

*[Section 95, Local Government (Scotland) Act 1973]*

1.1.2 The Executive Manager – Finance is sometimes referred to as the Council's Section 95 Officer or Chief Financial Officer. In order to fulfil the statutory duties as proper officer, the Executive Manager - Finance relies upon the systems, policies, procedures and controls put in place across the Council to enable robust and effective financial management. In practice, this means that any member of staff or agent of the Council who undertakes financial tasks are effectively working on behalf of the Executive Manager – Finance, and as such are expected to maintain attention to detail, follow established procedures and be diligent in the completion of their work.

1.1.3 Compliance with these Financial Regulations is **mandatory** for all employees and agents of the Council (i.e. Officers of the Council), employees of any subsidiary organisations and, where referred to, Councillors. Each Director of the Council is responsible for ensuring that:

- all Officers are aware of their respective duties and responsibilities under these Financial Regulations;
- where appropriate, job descriptions reflect the requirements of these Financial Regulations; and
- where appropriate, Officers receive copies of, or extracts, from these Financial Regulations.

1.1.4 The Chief Executive is responsible for ensuring that Councillors are aware of their duties and responsibilities under these Financial Regulations.

1.1.5 **Failure to comply with any requirement of these Financial Regulations may result in the matter being dealt with under the Council's disciplinary procedures.**

1.1.6 These Financial Regulations are supported by a suite of guidance notes and manuals which are available on the Council's intranet site. If any Officer or Councillor is unsure about the correct process or procedure, the matter should be raised with the Executive Manager – Finance or their nominated representative in the first instance.

## 1.2 Principles

1.2.1 The financial affairs of the Council shall at all times be conducted in accordance with the core principles of the CIPFA/SOLACE framework: *'Delivering Good Governance in Local Government'*:

A	<i>Behaving with integrity, demonstrating a strong commitment to ethical values and respecting the rule of law.</i>
B	<i>Ensuring openness and comprehensive stakeholder engagement.</i>
C	<i>Defining outcomes in terms of sustainable economic, social and environmental benefits.</i>
D	<i>Defining the interventions necessary to optimise achievement of intended outcomes.</i>
E	<i>Developing the entity's capacity, including the capability of its leadership and the individuals within it.</i>
F	<i>Managing risks and performance through robust internal control and strong public financial management.</i>
G	<i>Implementing good practices in transparency, reporting and audit to deliver effective accountability.</i>

1.2.2 These Financial Regulations require that financial transactions **do not take place** unless they fall within the legal powers of the Council. Where new obligations, service developments or contributions (financial or otherwise) to other organisations arise, or where any doubt exists, clarification as to the lawfulness of any proposed action by the Council **must** be obtained from the Executive Manager – Governance and Law before any liability or expenditure is incurred by the Council.

- 1.2.3 These Financial Regulations are informed by legislation, statutory guidance and best practice, which may change from time to time. The Executive Manager – Finance shall review these Financial Regulations regularly. The Policy and Resources Committee is responsible for reviewing and approving the Council’s Financial Regulations at least every 3 years. Minor updates or changes may be made by the Executive Manager – Finance in the interim period.
- 1.2.4 The Executive Manager – Governance and Law is responsible for reviewing the Council’s Code of Corporate Governance and reporting that review to the Council’s Audit Committee on an annual basis. This review shall also be used to inform the Council’s Annual Governance Statement which is a statutory requirement.

### **1.3 Role of the Chief Financial Officer (Executive Manager – Finance)**

- 1.3.1 The Executive Manager - Finance shall act as Proper Officer in terms of Section 95 of the 1973 Act, and, accordingly, shall be responsible for the proper administration of the financial affairs of the Council.
- 1.3.2 The Executive Manager - Finance shall be responsible for issuing instructions for safe and efficient arrangements for the receipt of monies payable to, and for the issue of monies payable by, the Council. They shall make the arrangements for keeping the accounts of the Council in terms of Section 96 of the 1973 Act.
- 1.3.3 The Executive Manager - Finance shall be responsible for the provision of financial advice, including the interpretation of the Council’s financial policies, strategies and circumstances. The Executive Manager – Finance is responsible for advising the Council and its Committees, Councillors and Officers on all financial matters and reporting on the Council’s performance and overall financial position.
- 1.3.4 The Executive Manager – Finance is responsible for determining the Council’s system of accounting control, the form of accounts and supporting records and that the system of accounting control is observed and that the accounts and supporting records are kept up to date.
- 1.3.5 Any alterations to these Financial Regulations, the supporting procedures, systems, documents, instructions, can only be approved by the Executive Manager – Finance.

- 1.3.6 The Executive Manager - Finance shall be consulted by Directors and Executive Managers on all reports to Committees. All reports shall be submitted in a timely manner to the Executive Manager - Finance for comment prior to their inclusion on an agenda. The Executive Manager - Finance must be satisfied that the financial implications are adequately and fully explained within each report. Where reports are deficient in outlining the financial implications of any proposal, the Executive Manager - Finance can insist on changes being made or withhold their report clearance until such changes are made. If the Executive Manager – Finance is not satisfied, or if their concerns have not been adequately addressed, the Executive Manager – Finance can instruct Committee Services to withdraw any report that has not been cleared for publication.
- 1.3.7 The Executive Manager has delegated authority to undertake certain functions. These functions are set out in Part C of the Scheme Administration and Delegations, Section 3.

#### **1.4 Role of the Chief Executive, Directors and Executive Managers**

- 1.4.1 The Chief Executive, Directors and Executive Managers will be responsible for ensuring that reports submitted to Committees by them containing proposals which have financial implications are discussed and agreed with the Executive Manager - Finance prior to such reports being submitted to the Committee.
- 1.4.2 The Chief Executive, Directors and Executive Managers shall be responsible for ensuring that all Officers within their areas of responsibility comply with these Financial Regulations.
- 1.4.3 The Chief Executive, each Director and Executive Manager shall provide the Executive Manager - Finance with a list of authorised signatories together with specimen signatures, details of the areas of responsibility. The financial limits of authorisation of each employee are determined by the Executive Manager – Finance. A regular review of the authorised signatory database will be undertaken by the Executive Manager – Finance.

#### **1.5 Glossary of Terms**

- 1.5.1 These Regulations shall be known as the “Shetland Islands Council Financial Regulations 2022” (Financial Regulations).
- 1.5.2 In these Regulations, unless the context otherwise requires, the following expressions shall have the meaning assigned to them, that is to say -



- **the 1973 Act** means the Local Government (Scotland) Act 1973, and any subsequent Regulations and Instruments pertaining thereto;
- **the 2003 Act** means the Local Government in Scotland Act 2003, and any subsequent Regulations and Instruments pertaining thereto;
- **Chief Internal Auditor** refers to the Chief Internal Auditor, or their nominated representative;
- **Council** means Shetland Islands Council;
- **Committee** means all the committees of the Council, including equivalent or subsidiary committees, boards, forums etc.;
- **CMT** means Corporate Management Team;
- **Manager** means the Chief Executive, Directors, Executive Managers and all other Officers designated as a Manager by the Council;
- **Officer** means employee or agent of the Council.
- **CIPFA** means Chartered Institute of Public Finance.
- **AIP** means Asset Investment Plan.
- **Gateway Process** means Gateway Process for the management of capital projects.

## 2. Financial Planning

This section outlines the arrangements for financial planning in relation to capital and revenue expenditure.

### 2.1 Revenue



*Further information and guidance about financial planning will be issued to Directors as part of the annual budget-setting exercise*

- 2.1.1 Prior to the commencement of each financial year the Council will approve its Revenue and Capital Financial Plan and this will include setting the Council Tax for the forthcoming year. The Council is required to approve a balanced budget for the forthcoming financial year and will ensure that the revenues of the Council including Government Grant, Non-Domestic Rate income, Fees & Charges and planned budget savings are sufficient when combined with the Council Tax product to finance the expenditure plans for the Council.
- 2.1.2 Following consultation with the Chief Executive the Executive Manager - Finance will, in sufficient time each year, intimate to the CMT the arrangements for the preparation of capital and revenue budget.
- 2.1.3 The CMT, Councillors and the Executive Manager - Finance, will ensure that they fully participate in the preparation of capital and revenue financial plans

for their Service Areas in accordance with the processes and directions referred to in 2.1.1 and 2.1.2 above.

- 2.1.4 The 5 year AIP comprises the capital budget for the forthcoming year followed by indicative capital budgets for the subsequent 4 years, as approved by Councillors.
- 2.1.5 The revenue budget is the Council's annual financial plan to support the delivery of services in the forthcoming financial year. Should the Scottish Government implement multi-year settlements, the revenue budget would be prepared on a similar multi-year basis to provide as much certainty as possible for service users.
- 2.1.6 The Executive Manager - Finance will also prepare, on an annual basis, a Medium Term Financial Outlook/Plan which is a key element in effective financial planning and financial management. This provides the framework for developing the Council's operational annual revenue and capital budgets, its longer-term capital investment aspirations, and provides insight into the likely opportunities and challenges facing the Council.
- 2.1.7 The detailed form of the capital and revenue financial plans will be determined by the Executive Manager - Finance and be in accordance with any general directions given by the Council.
- 2.1.8 The Council, when setting the annual budget, will also set the Council Tax to be levied in the forthcoming financial year.
- 2.1.9 Managers shall review charges on an annual basis in line with the Council's Charging Framework.

## **2.2 Capital**



*Further information and guidance is available on the Council's intranet:*

- *Gateway Process for the Management of Capital Projects*

- 2.2.1 The Executive Manager - Finance shall issue guidance on what constitutes capital expenditure, including de minimis levels where appropriate. The determination of "capital expenditure" will be at the sole discretion of the Executive Manager - Finance in accordance with proper accounting practice and professional accounting regulations.
- 2.2.2 The Executive Manager - Finance will annually submit to the Council the 5 Year AIP following consultation with the Executive Manager – Assets, Commissioning and Procurement (ACP).

- 2.2.3 The Executive Manager – ACP will ensure through the Gateway Process that the projects included in the AIP are linked with the Council’s priorities as set out in the Corporate Plan.
- 2.2.4 All capital projects need to pass through all gateways in the Gateway Process before budgetary provision is established in the AIP. There must be no capital expenditure incurred prior to the project being approved for implementation in the AIP.
- 2.2.5 Capital expenditure can only be incurred if the following conditions are met:
- (1) An investment decision has been made by the Council which gives lawful authority to incur expenditure (for example, by approving a Business Justification Case, an Outline Business Case or Full Business Case);

*AND*

- (2) Budgetary provision has been established in the Council’s AIP.

Any capital expenditure incurred *prior* to meeting the two conditions noted above will be unlawful expenditure and the Executive Manager – Finance will report to the relevant Committee and Council to notify them of any such instances of unlawful expenditure, and the steps required to regularise any unlawful expenditure. This may also require further reporting to external bodies as necessary.

- 2.2.6 Managers and the Executive Manager - ACP will be responsible for ensuring that the Gateway process is followed properly.
- 2.2.7 The Executive Manager – Finance will determine how the AIP is to be funded in accordance with The Prudential Code for Capital Finance in Local Authorities. The Prudential Code requires Councils to agree and monitor a number of prudential indicators, including capital financing requirements and borrowing limits, in order to assess the affordability, prudence and sustainability of the AIP. Separate tests of affordability are required for each fund i.e. the Housing Revenue Account (HRA), the Harbour Account, and the General Fund.
- 2.2.8 Funding (including borrowing) for any projects will follow the procedures set out in the Borrowing Policy and the Medium Term Financial Plan.

- 2.2.9 The Executive Manager – Finance is responsible for the preparation of the Prudential Code Indicators, which ensures the 5 year AIP is within the affordable limits as set out in the annual Treasury Management Strategy Statement & Annual Investment Strategy.
- 2.2.10 General Fund capital receipts cannot be retained by services to fund additional capital expenditure or earmark them for future use. The Executive Manager – Finance will determine how capital receipts will be applied.
- 2.2.11 Housing Revenue Account capital receipts can only be applied to the Housing Revenue Account. The Executive Manager – Finance will determine how the capital receipts will be applied.
- 2.2.12 Harbour Account capital receipts can only be applied to the Harbour Account. The Executive Manager – Finance will determine how the capital receipts will be applied.

### **3. Budgetary Control**

This section provides details of the Council's requirements for budgetary control and the framework for reporting to Committees. Budget monitoring is an essential tool in developing a business and management culture which continually monitors and reviews the use of resources in seeking to achieve the strategic aims of the Council.

#### **3.1 General**

- 3.1.1 The primary responsibility for detailed monitoring and control of Service budgets lies with the relevant Manager.
- 3.1.2 For each Council budget there is a named Budget Responsible Officer (BRO). The BRO is responsible for preparation, monitoring and control of that budget and are accountable to their line manager. Typically most, budgets within a cost centre will be the responsibility of the BRO. The Accountancy Service maintains a register of BROs matched to each budget in the Council and advice should be sought from Management Accountancy for any changes.
- 3.1.3 The Executive Manager - Finance is responsible for relevant financial information in a timely manner. Directors and Executive Managers have a responsibility to undertake detailed financial monitoring for all of the budgets within their remit. Management Accountancy is here to support Managers to fulfil this responsibility.

- 3.1.4 The Executive Manager - Finance is responsible for the management of the financial management system (Integra). Reconciliation of any other feeder systems into Integra is required on a regular basis to ensure the integrity of management information. The responsibility for these reconciliations rest with the respective Executive Manager.
- 3.1.5 The Executive Manager – Finance will report the Council’s overall financial position to the Policy & Resources Committee and Council, on a quarterly basis.
- 3.1.6 The Executive Manager – Finance may instruct that specific reports be presented to the Policy & Resources Committee where it is deemed necessary to address a financially significant variance.
- 3.1.7 The Executive Manager – Finance, following consultation with the Executive Manager – ACP, will manage the AIP to provide sufficient budgets to meet planned capital expenditure. All changes to the AIP will be reported to Policy & Resources Committee and Council for approval.
- 3.1.8 Once the AIP has been approved by the Council, the capital projects will be deemed to have approval to proceed provided that an investment decision has been made through the Gateway Process. Capital expenditure cannot exceed the budget established in the AIP without further approval by the Council.
- 3.1.9 Should the predicted cost be greater than the budget approved in the AIP then the procedures set out in the Council’s Contract Standing Orders must be followed.
- 3.1.10 The purchase of individual items such as plant and equipment below the de minimus level (except for items classed as collective items), may form part of the revenue budget, therefore may not feature in the AIP. The classification of expenditure (capital or revenue) for accounting purposes will be determined by the Executive Manager – Finance.
- 3.1.11 As early as possible, and no later than 30 June, in the succeeding financial year, the Executive Manager - Finance will submit, to the Council, a report setting out the draft outturn position for the previous financial year compared with the budget, together with an explanation of major variances.
- 3.1.12 Managers shall provide all information requested in the year end accounting instructions issued by the Executive Manager - Finance and comply with the year-end timetable in order to ensure that the Annual Accounts can be completed in line with the statutory deadline.

- 3.1.13 The Annual Accounts will be prepared in accordance with International Financial Reporting Standards (IFRS). The Controller of Audit is required to receive the draft Accounts no later than 30 June and the audited Accounts no later than 30 September of the same year. The Local Authority Accounting (Scotland) Regulations 2014 require the Council to meet before 31 August to consider the unaudited accounts. The Regulations require the Council to meet to consider the audited accounts and aim to approve these accounts for signature no later than 30 September.
- 3.1.14 In consultation with appropriate Managers, the Executive Manager - Finance shall be responsible for ensuring that adequate arrangements are made for the notification to them of any cessation or change of use affecting rents or payments in connection with contracts, leases and any other agreements.
- 3.1.15 In consultation with appropriate Managers, the Executive Manager - Finance shall be responsible for ensuring that adequate arrangements are made for the notification to them of any acquisitions, disposals or vacancies in properties that may affect the rates or other financial charges on the properties.
- 3.1.16 Expenditure which is essential to meet any immediate needs created by a sudden emergency, or which is referred to in Section 84 of the 1973 Act, may be incurred subject to this being reported to the Chief Executive and Executive Manager - Finance in the first instance and reported to the functional Committee and full Council at the earliest opportunity.

## **3.2 Changes to approved Budgets**

This section details the arrangements for moving budgets, known as a virement. This provides BROs with flexibility to adjust budgets, if required, in response to changes to service delivery/demands. Virements can only be created and actioned by the Accountancy Section under instruction from BROs. Advice should be sought from the Accountancy Section prior to requesting a virement to ensure it is appropriate.

- 3.2.1 A Budget Book is created annually and contains the approved budget for each Service that the Council expects to be delivered. Legal authority to incur any expenditure is established by the Council's approval of the Budget Book which includes the annual revenue and capital budget for the coming year. This means BROs have the legal authority to spend money to deliver services within their area.

Therefore any changes to budgets need to be made within the overall budget and in accordance with virement rules below. Virements may be made to accommodate common changes such as:

- A need for additional capital or revenue resources to deliver services;
- To reflect expenditure that is to be met from external or grant funding; and
- To reflect any implications created by a Scottish Government policy initiative funding letter.

**3.2.2 Expenditure must not be incurred where there is no provision within revenue or capital budgets in the Budget Book.**

3.2.3 Decisions regarding additional budget requires Council approval prior to incurring any expenditure (both capital and revenue). For the avoidance of doubt this includes:

- Any additional funding from the Scottish Government (through circulars or letters);
- Any external grant funding from any agency or organisation; and
- Any additional expenditure that is required/intended to be funded from Council resources which cannot be found from within the existing approved budget.

3.2.4 There is one exception, additional authority from the functional Committee is required for a third party grants and payments budget which does not have a delegated scheme already approved. Where there is an approved delegated scheme for that budget no further approval is required. If no budget has already been approved by the Council for this purpose then normal virement rules would apply to create a budget, or if supplementary budget is required, further approval would require to be sought from the Council.

3.2.5 Principles for a virement (expenditure and income)

- There is no need to carry out virements within a cost centre as long as there is no overall impact on the cost centre;
- Virements between cost centres within the same Service Area are allowed without limitation where there is no overall impact on the service outcomes approved by the Committee/Council (for example, between schools, between care centres, between ferries, between offices, or between roads maintenance and winter maintenance, self directed

support payments and direct care delivery, home schooling and direct school delivery etc.);

- Virements between cost centres within a Directorate but across Service Areas are permissible and do not need to be reported to the relevant functional committee if they are under £50,000. Virements over £50,000 will need to be reported/drawn to the attention of the functional committee at the earliest opportunity which will usually be the quarterly performance report; and
- Virements should not create an additional ongoing financial commitment into future financial years unless reported and approved by the functional committee and Council.

3.2.6 The Executive Manager – Finance has discretion to determine if any virement is necessary and compliant with these principles.

3.2.7 Any new expenditure that cannot be met from within existing budgets will need Council approval prior to any actual expenditure being incurred. Any additional income received which is over £100,000 should be drawn to the attention of the functional committee and any additional income received over £250,000 should be drawn to the attention of the full Council.

3.2.8 Any proposal to include a new capital project, or to increase the financial provision for an existing project, within the AIP must follow the normal Gateway Process. Any changes to existing capital budgets should be reported and approved through the AIP quarterly reporting by the Executive Manager - ACP.

3.2.9 For budget virements in respect of the Integrated Joint Board (IJB) please refer to IJB governance arrangements.

## **4. Financial Controls and Accounting**

### **4.1 General principles**

4.1.1 The Executive Manager - Finance, as Proper Officer, is statutorily responsible for all financial matters in which the Council is involved. The Executive Manager - Finance shall be responsible to the Council for proposing regulations and controls to ensure the proper administration of the finances of the Council. In this regard the Executive Manager - Finance will issue guidance for procedural control which ensures that:

- all expenditure is a proper charge;
- all income due to the Council is collected;



- all assets are protected;
- all liabilities are accounted for;
- proper financial reports are prepared; and
- proper authorisation procedures are in place.

4.1.2 The Executive Manager - Finance will ensure that the Accounts are properly maintained and prepared in accordance with Council Policy, the relevant legislation and appropriate Codes of Practice.

4.1.3 The following will be carried out according to procedures and instructions issued by the Executive Manager - Finance:

- the determination of the format of financial records;
- preparation of the statutory Accounts; and
- production of the Council's financial information in Service Plans including estimated revenue and capital expenditure.

4.1.4 The following principles shall be observed in the allocation of accounting duties:

- The duties of providing information regarding the sums due to or from the Council, and of calculating, checking and recording these sums, shall be separated as completely as possible from the duty of collecting or disbursing them.
- Officers charged with the duty of examining and directing the accounts of cash transactions shall not themselves be engaged in any of these transactions.
- Where the foregoing principles cannot be complied with it shall be the duty of the Officer concerned to report such details to the Executive Manager - Finance who will advise as to what steps should be taken.
- All checking and authorisation undertaken by Officers should be evidenced by initials or signature, whichever is appropriate, or by appropriately controlled electronic signatures.

## **4.2 Grants and External Funding**

4.2.1 In advance of any application being made for grants and external funding, the Executive Manager – Finance must be approached for advice. This is to ensure that the Council is well placed to meet the terms and conditions of any external funding offer and that the application for external funding is consistent with the Council's existing plans and priorities. Applications should be part of a costed plan with regard to an approved service need /

programme of work / project, with all additional funding requirements e.g. match funding, identified and approved by the Council.

4.2.2 Grant offers may only be accepted (signed off) by the Executive Manager – Finance.

4.2.3 All claims, returns, written submissions and financial statistics relating to grants and external funding should be checked by Finance prior to submission. Information should be e-mailed to the Finance Services – Grants Information e-mail box in advance of deadlines.

### **4.3 Leases**

4.3.1 If a Manager proposes to acquire/create an asset using a leasing arrangement they must consult with the Executive Managers of Finance and ACP before any lease/liability is signed. The Executive Manager – Finance is responsible for determining if a lease is the appropriate vehicle for the asset and that the financial arrangements of the leasing agreement to be made with a leasing organisation meets with IFRS16 requirements.

4.3.2 The Executive Manager – Governance and Law is the appointed Proper Officer for the purpose of awarding and signing procurement contracts, variations, novation orders and terminations on behalf of the Council.

### **4.4 Authorised Signatories**

4.4.1 The Financial Regulations state that the procedures for establishing and recording authorised signatories are maintained by the Executive Manager – Finance. The following principles are to be followed:

- Salary payments - named individuals who have authority to certify time records and pay documents shall be agreed by the Executive Manager – Finance.
- Payment of Accounts - BROs issuing orders are responsible for ensuring independent examination, verification and certification of related invoices, and any other payment vouchers or accounts, to ensure the appropriate segregation of duties. Specific authorisation limits have been set for various levels of staff, as shown in the table below.

4.4.2 The principle of segregation of duties should be reflected in the arrangements made for authorised signatories. The general principle is that signatory powers should be given to facilitate the efficient and effective delivery of Council services while maintaining separation of duties.

#### 4.4.3 Other general principles are:

- authorisation should be done within the Service/Department affected and by those with the responsibility for the Service or budget;
- the signatory powers of the post should be limited to those Service areas the post is responsible for;
- authorisation powers should be given at an appropriate level;
- authorisation powers should start at an appropriate level and move upwards within a service; and
- the actions of those higher up the structure should not be authorised by those lower down.

4.4.4 Any change in post-holder should be notified to Financial Accountancy by e-mail. Guidance on the existing details of the current signatories and their powers are available from Financial Accountancy.

4.4.5 A new system of authorised signatories was agreed by CMT, which simplifies the procedure. Financial and other authorisation rights have been set up for different groups of staff, which will allow for a post to fall automatically within a defined group. The Executive Manager – Finance has the discretion to apply a different limit or other authorisation rights to an individual or a defined group of staff, or remove authorisation if it is deemed appropriate.

The following are the main financial authorisation limits which have been created:

<b>Levels</b>	<b>Limits</b>	<b>Structure</b>
Level 1	Unlimited	EM Finance (section 95 officer)
Level 2	up to £250,000	CE/Directors
Level 3	up to £100,000	Executive Managers
Level 4	up to £25,000	Team Leaders/ Equivalentents
Level 5	up to £10,000	BRO's (not included in groups above)
Level 6	up to £500	Cooks/Others agreed to use Manual Orders

4.4.6 The Executive Manager – Finance reserves the right to withdraw any financial or other authorisation permissions or set a lower limit for individuals where there is evidence of non-compliance with these Financial Regulations.

## 4.5 Bad Debts

4.5.1 This section relates to the authority of the Executive Manager - Finance to manage and report bad debts. The Council will pursue all debts in line with our debt recovery procedures.



*Further information and guidance is available on the Council's intranet:*

- *Policy and Procedure for the Collection of Sundry Debtors*

4.5.2 The Executive Manager – Finance has authority to write off any bad debts only once all avenues of debt recovery have been exhausted.

4.5.3 The Executive Manager - Finance will report an annual summary of irrecoverable debt including any individual bad debts in excess of £5,000.

4.5.4 The Executive Manager - Finance shall lodge claims with the appropriate person (including liquidators, administrators, administrative receivers, supervisors of compositions or schemes, trustees in sequestration and trustees under a trust deed for creditors) in relation to sums due to the Council.

4.5.5 No financial sums or other assets in excess of £10,000 shall be written out of the main accounts or subsidiary records of the Council except by the Executive Manager - Finance who shall report all such sums written off to the Council. Sums or other assets (including salary overpayments) of less than £10,000 may be written out of the main accounts or subsidiary records of the Council but only with the express authority of the Executive Manager - Finance.

## 4.6 Trading Operations

4.6.1 This covers the arrangements for the Council when operating a Trading Operation and, in particular, for a Significant Trading Operation (STO). Trading Operations are defined as providing a service in a competitive environment and on a basis other than straightforward recharge of cost.

4.6.2 Where a Council operates a Significant Trading Operation, it is required to have statutory trading accounts and it should break even over a three-year rolling period. Councils are also required to publish a performance report in this regard with the accounts.

4.6.3 The Executive Manager - Finance shall be responsible for ensuring that the financial provisions of the Local Government in Scotland Act 2003 and of

any other relevant legislation, shall be properly applied in relation to any trading operations of the Council.

4.6.4 Where the Executive Manager – Finance identifies a trading operation, the 2003 Act requires further consideration to determine if the trading operations are significant. Where a Significant Trading Operation is identified, specific financial disclosures are required.

4.6.5 The criteria approved by the Council in identifying Significant Trading Operations, are based on:

**Financial Criteria:**

- Turnover: Trading Operations having an annual turnover more than 2.5% of the Council's Net Budgeted Expenditure

**Non-Financial Criteria:**

- Risk of loss of service or reputation: trading operations that may expose the Council to the risk of loss of service or reputation; and
- Stakeholder interest: trading operations that are likely to be of significant interest to stakeholders and their needs; and
- Trading accounts: importance of maintaining trading accounts to demonstrate service improvements and achievement of targets.

**4.7 Orders for Goods and Services**

4.7.1 This covers the guidance on the ordering of goods and services: the responsibilities, authorisation and documentation. Section 4.12 contains information on contracts and tendering for building, construction or engineering work.



*Further information and guidance is available on the Council's intranet:*

- *Purchase Ordering Procedures*
- *Integration Joint Scheme Procurement Strategy*

4.7.2 Each Manager shall be responsible for all orders from their Service and shall fully observe all instructions issued by the Executive Manager - Finance, Accounts Payable Supervisor, and Executive Manager - ACP. All contracts entered into by the Council for goods and services must comply with the terms of the Council's Contract Standing Orders. All contracts, orders and tenders must adhere to Council payment terms of 30 days from receipt of invoice and inform suppliers that payment will be by BACS. Any exceptions to the Council's payment terms must be approved by the Executive Manager - Finance.

- 4.7.3 All orders shall be issued in a form approved by the Executive Manager - Finance. All orders issued via the Integra purchasing system shall be raised only by Officers authorised to do so by their Executive Manager and shall be raised in accordance with the instructions contained in the current system user manuals issued by the Executive Manager – Finance. The Executive Manager – ACP will provide supplementary guidance or instructions with regard to procurement.
- 4.7.4 Where authority is delegated for the approval of orders, the names of the Officers who hold this delegated authority is held by the Finance Service. Where orders are being signed, the names of the Officers and specimens of their signatures are also held by the Finance Service. The value levels of delegated authority are determined by the Executive Manager – Finance.
- 4.7.5 Where official order forms or books are in use, these will be prepared by the Executive Manager - Finance. Once issued for Service use, official order books must be held securely and used in numerical sequence. If an order is cancelled prior to issue, all parts of the cancelled form must be retained by the Service.
- 4.7.6 All orders not given in writing or by electronic transmission must be confirmed by an official order in accordance with the Purchase Ordering Procedures. This must be done not later than the next working day. Such orders should only be used in exceptional circumstances.
- 4.7.7 Except as provided elsewhere in these Regulations, no orders shall be issued for goods and services where the cost is not allowed for within an approved budget and each Manager shall be responsible for ensuring that costs are allocated to appropriate financial codes.
- 4.7.8 Official orders should be used for all goods and services to be supplied to the Council. All purchase orders must be completed in accordance with Purchase Ordering Procedures issued by the Finance and Procurement functions and they shall indicate clearly the quantity of the goods, the nature of the work or service and whether these are covered by contract or by an agreed price specified thereon. All official orders should specify payment will only be made on receipt of a valid invoice. All official orders must be completed in such a way as to prevent any unauthorised addition thereto.
- 4.7.9 Supplies of all goods and services must be ordered in accordance with the relevant authority and related procurement policies/procedures.

## **4.8 Payment of Accounts (applicable only to external payments)**

- 4.8.1 This section details the Council's requirements for payments of accounts, grants etc. It includes procedures to ensure that the Council and any partner only makes payments which are due to be paid and for the correct amount.
- 4.8.2 Managers must ensure that appropriate and efficient systems for certification of invoices for payment operate within their Service Areas and that of any partner in line with these Regulations and Integra Guidance.
- 4.8.3 Standard payment terms by the Council are 30 days. Managers must ensure that all invoices are processed at least within 21 calendar days of receipt unless held back due to dispute. In scheduling the payment of invoices etc, the Executive Manager - Finance must take account of commercial terms and conditions, and the cash management needs of the Council.



Guidance Note: Purchase Ordering Procedures can be found on the Intranet.

- 4.8.4 All accounts and invoices must be paid in accordance with these Regulations. Any variation from these Regulations must be agreed with the Executive Manager - Finance.
- 4.8.5 All official orders must show the address to which invoices should be sent. All official orders must comply with Shetland Islands Council's standard payment terms and include an instruction to quote the order number on all correspondence.
- 4.8.6 Shetland Islands Council employees must not create any form of payment documentation on behalf of suppliers.
- 4.8.7 Shetland Islands Council employees must not add or remove any item from an invoice or any other supplier documentation used for making payments. This includes processing invoices and credits together as one document.
- 4.8.8 These Regulations make proper provision for the examination, verification, authorisation and expenditure allocation of invoices and claims. As part of the approval for payment process, the instructions provide for the matching of invoices with orders and records of goods received and the following checks must be carried out and evidenced where appropriate:
- the work(s), goods or services to which the account relates have been received or carried out. They have been examined and approved and

deemed to be satisfactory as regards quality and quantity and conform to the official order;

- the price, extensions, calculations, trade discounts, other allowance credits and VAT, where appropriate, are correct;
- the expenditure has been properly incurred and is within the budget and the invoice has been correctly coded;
- the invoice has not previously been passed for payment;
- the invoice is the proper liability of the Council;
- if VAT applies, the invoice is a proper VAT document and the VAT element is properly chargeable, shown at the correct rate and allocated to the appropriate financial code; and
- the order record has been annotated to show appropriate details of the goods/service received and the payment made, in a manner that will prevent any duplicate payment.

4.8.9 Managers must ensure that procedures are in place to update inventories and/or stock records on receipt of goods. The relevant delivery documentation must be retained as per the Council's Document Retention Schedule for internal control purposes.

4.8.10 Payment in advance is a business risk and should be avoided wherever possible. If all efforts to obtain goods and/or services by normal methods fail, payment in advance may be sanctioned by the Executive Manager - Finance. Services must consult with Accounts Payable prior to entering any binding arrangement. Electronic submission via BACS is Shetland Islands Council's preferred method of payment and any other method must be sanctioned in advance by the Executive Manager - Finance. Services must consult with Accounts Payable prior to entering any binding arrangement.

4.8.11 Where payment documentation (invoices, claims payment requisitions etc.) are being processed within a Service, relevant instructions contained in the these Regulations must be followed. This includes instructions regarding authorisation and approval within Integra. Managers must issue internal procedures which comply with the requirements of these Regulations covering invoice processing and authorisation within their own Service Areas. Copies of all records must be available for audit purposes.

4.8.12 Invoices and claims must be verified and processed into the Integra Accounts Payable system or relevant feeder system timeously. To avoid penalty under Late Payment legislation, invoices must be in the Accounts Payable system in time to be paid in accordance with Shetland Islands Council's payment terms. All relevant discounts should be taken.



- 4.8.13 The Executive Manager - Finance is responsible for the provision of guidance and advice to Managers on the application of Late Payment legislation. Compliance with the legislation is the responsibility of Managers.
- 4.8.14 The Executive Manager - Finance may have any transaction entered into the Integra Accounts Payable system examined and is entitled to any information and/or explanation required.
- 4.8.15 Subject to compliance with these Regulations, the Executive Manager - Finance will pay all invoices and claims without undue delay.
- 4.8.16 Payment will only be made on a duplicate or copy invoice when the certifying officer is satisfied that the copy has not previously been paid.
- 4.8.17 The duties of ordering goods, receiving goods, certifying or processing the relative invoices for payment must each be performed by different individuals. Where this is not practicable, the Executive Manager - Finance must be informed, in writing, and their agreement sought to such arrangements as deemed appropriate.
- 4.8.18 After the end of each financial year, and within the timetable laid down by the Executive Manager - Finance, where necessary, each Manager will notify the Executive Manager - Finance of all outstanding invoices relating to the previous financial year in line with the year-end accruals procedures.
- 4.8.19 As early as possible, each Manager will be responsible for notifying the Executive Manager - Finance of all other claims upon the Council which involve, or may involve, the Council in the disbursement of money and, in any event, will provide the Executive Manager - Finance with a summary of these at the end of each financial year in the manner and timetable set by the Executive Manager - Finance.
- 4.8.20 There is further instruction in paragraph 4.13 when dealing with payments for Contracts for Building, Construction or Engineering Work.

#### **4.9 Purchasing/Credit Cards**

- 4.9.1 The Executive Manager - Finance, or such Officers authorised by the Executive Manager - Finance will be responsible for approving applications for issuing of purchasing/credit cards, duly applied for by Services for such officers as may need them to meet the requirements of their Service Area.
- 4.9.2 Managers will be responsible for ensuring that proper procedures are prepared and maintained, and records are kept, to support the use of

purchasing/credit cards including payment of accounts, in line with guidance provided by the Executive Manager - Finance.

- 4.9.3 Purchases made using purchasing/credit cards must take account of any procurement contracts that the Council may have in place.
- 4.9.4 Payments using purchasing/credit cards must only be made on occasions when no other form is acceptable/practical and for such other items as the Executive Manager - Finance may approve. They must be supported by a valid receipt, and are subject to the same controls and authorisation procedures as all other purchase ordering processes. The card is required to be office based and must not be taken out with the office. The card must be stored securely in a locked drawer or safe. Each card must only be used by the registered cardholder. Any exceptions to the above procedures must be agreed in advance with the Executive Manager – Finance.
- 4.9.5 On leaving the employment of the Council, or otherwise ceasing to be entitled to hold a purchase/credit card, an Officer must return the card immediately to the Executive Manager - Finance for cancellation.

#### **4.10 Stocks, Stores and Inventories**

##### **Stocks and Stores**

- 4.10.1 This section gives details of Council requirements for the control of stocks and stores. Stocks and stores can be defined as items used in the delivery of a service - fuel, raw materials, ingredients, spare parts, cable, light bulbs, cement, wood, glass, sink units, piping and other similar items. Stocks and stores are different from inventories which relate mainly to furniture and equipment.
- 4.10.2 Each Manager is responsible for the care and custody of stocks and stores in their Service, including periodical stocktaking and test checks, ensuring that all stocks and stores are checked at least once in every financial year. Stocktaking guidelines shall be issued annually by the Executive Manager - Finance as part of the year-end process and these must be followed.
- 4.10.3 Stocks must not be carried by any service in excess of reasonable requirements, as determined by the Service Director and the Executive Manager – Finance.
- 4.10.4 The Executive Manager - Finance is entitled to receive from each Manager such information as they require in relation to stores for the accounting, costing and financial records. Each Manager must provide a certificate of

stock held to the Executive Manager - Finance at the end of each financial year within the set deadline.

- 4.10.5 The Manager must report any stock adjustments arising from the periodical or year-end stock checks to the Executive Manager - Finance. The Executive Manager - Finance will make the necessary financial and accounting record adjustments, after making any enquires and receiving such explanations as are required.
- 4.10.6 Where not needed elsewhere by Shetland Islands Council, surplus materials, stores and equipment will be disposed of by the relevant Manager in accordance with disposal methods and procedures jointly approved by the Executive Manager – Finance and Executive Manager - ACP .
- 4.10.7 Stocks and stores records must be kept in a format and location approved by the Executive Manager - Finance.

### **Inventories**

- 4.10.8 This section provides guidance on the control of movable assets e.g. furniture, fittings and equipment, computer hard/software, vehicles, plant and machinery, these regulations apply in all Council service areas.
- 4.10.9 Each Manager must maintain inventories, in specified format and location approved by the Executive Manager - Finance, of furniture, fittings, equipment (including all computer equipment), machinery, scientific apparatus and other valuable property. Such inventories must be kept up to date at all times.
- 4.10.10 Each Manager is responsible for checking all items on the inventory during the course of the year, for taking action in relation to identified surpluses or deficiencies and for updating the inventory accordingly. Details of annual inventories must be held centrally and be accessible directly by the Executive Manager – Finance and other relevant staff at any time.
- 4.10.11 Items on the Council's inventory shall not be removed from Council premises otherwise than in accordance with the ordinary course of the Council's business without the written approval of the Manager concerned.
- 4.10.12 Where not needed elsewhere by Shetland Islands Council, surplus inventory items will be disposed of by the relevant Manager in accordance with disposal methods and procedures jointly approved by the Executive Manager – Finance and Executive Manager - ACP.

## **4.11 Payroll and Pensions, Travel and Subsistence**

4.11.1 This section provides details of the responsibilities and processes for the administration and payment of payroll, pensions and travel and subsistence allowances for employees or former employees of the Council.

### **Payroll and Pension Payments**

4.11.2 The Executive Manager - Finance is responsible for the payment of all salaries, pensions, compensation, and other emoluments to all employees or former employees of the Council. This includes the administration and regulation of salaries, payments and pension administration.

4.11.3 Each Manager must conform to all instructions made by the Executive Manager - Finance for the maintenance of controls, checks, submission of accurately completed documents, records, procedures and deadlines for computer data processing.

4.11.4 The determination of all salaries and other emoluments and allowances (other than Travelling and Subsistence allowances) is a matter for decision or delegation by the Council.

4.11.5 Decisions relating to the payment of salaries and other allowances and changes to Conditions of Service approved by the Council, will be jointly notified to the Directors by the Executive Manager - Finance and the Executive Manager Human Resources. It is the responsibility of each Director to implement such decisions.

4.11.6 Directors will notify the Executive Manager – Human Resources, who in turn will notify the Executive Manager - Finance in a prescribed format and in accordance with approved deadlines of all matters affecting payments in this section including:

- appointments, resignations, dismissals, suspensions, secondments and transfers;
- absences from duty for maternity, sickness, adoption, parental leave or other reasons apart from approved annual/flexi leave;
- changes in remuneration, other than normal increments, pay awards and agreements of general application;
- information necessary to maintain records of service for pensions, income tax and national insurance purposes; and
- information necessary to make payment i.e. timely submission of bank mandates.

- 4.11.7 Directors will notify the Executive Manager – Finance in a prescribed format and in accordance with approved deadlines of all other matters affecting payments in this section including absences for sickness and any cases where employees have been paid incorrectly.
- 4.11.8 Directors are responsible for ensuring that appointments of staff within their service areas are made in accordance with the staff budgets approved by the Council. No appointment is to be made without an approved budget.
- 4.11.9 Directors must ensure that authorisation and internal control procedures are applied to the activity of payroll and pensions administration within their service areas.

### **Travel and Subsistence Allowances**



*Further information and guidance is available on the Council's intranet:*

- *Travel and Subsistence Policy*

- 4.11.10 All travel and expenses payments, including claims for car mileage, subsistence allowances, travel and incidental expenses must be in a format approved by the Executive Manager - Finance. Employees are required to submit expense and mileage claims electronically and provide receipts directly to Payroll in support of any expenses or allowances claimed. These documents must be approved by an authorised signatory and the claimant must declare that they have adhered with the Travel and Subsistence Policy prior to approval. All such documents must be forwarded to the Executive Manager - Finance within the prescribed deadlines,.
- 4.11.11 Through the relevant Director, requests by employees to travel outwith the United Kingdom on Council business must be considered and approved by the Chief Executive in consultation with the Leader prior to the journey taking place. Subsistence and expenses will be paid in line with the Travel and Subsistence Policy. Receipts in foreign currency must be converted to pounds sterling before submission.
- 4.11.12 All claims for the Chief Executive and Assessor and Electoral Registration Officer (when Shetland Islands Council staff are the Proper Officers to the Orkney & Shetland Valuation Joint Board) should be sent to the Executive Manager - Finance or the Executive Manager – Governance and Law for certification.

4.11.13 Certification of any expenses claims by Directors or nominated Officers indicates satisfaction as to the accuracy of the claim and that it agrees with all terms of the Travel and Subsistence Policy.

4.11.14 Directors will regularly review the arrangements in place within their Service areas for the certification of any claim to ensure that checks are being performed to the standards detailed in the Travel and Subsistence Policy.

### **Other Payroll and Pensions Requirements**

4.11.15 Managers will timeously provide the Executive Manager - Finance with any details required for the annual return of employee taxable benefits.

4.11.16 Managers will timeously provide the Executive Manager - Finance with any details required for the annual payroll verification exercise.

4.11.17 In consultation with the Executive Manager - Human Resources, the Executive Manager - Finance will develop a procedure to be applied in cases of incorrect payment to employees.

4.11.18 The Executive Manager - Finance is responsible for the timely transmission of pension contributions to the Council Pension Fund and payment of statutory payroll deductions, including tax and national insurance, to His Majesty Revenue and Customs (HMRC) within statutory timescales.

4.11.19 All claims relating to a given financial year should be submitted within one month of 31 March or as may be stipulated in any year-end instructions issued on behalf of the Executive Manager - Finance. No payment will be made in relation to claims over six months old except in very exceptional circumstances which will require Managers to seek approval by the Executive Manager – Finance.

4.11.20 The Executive Manager - Finance will maintain a record of all various payments made to employees and Councillors that are required to be disclosed in the Annual Accounts i.e. termination benefits, pension payments, remuneration levels and the Councillors' register of payments.

4.11.21 All claims should be submitted timeously. Only in exceptional circumstances, will the Executive Manager – Finance approve claims over 6 months old. All claims relating to a specific financial year should be submitted within the year or within one month of the end of the financial year.

## **4.12 Councillors' Remuneration and Expenses**

- 4.12.1 This section details the Council's requirements for the payment of Councillors' Remuneration and Expenses and provides guidance on claims procedures.
- 4.12.2 Payment of Councillors' Remuneration and Expenses will be in accordance with the 'Scheme for Councillors Remuneration and Expenses', as adopted by the Council.
- 4.12.3 Payment of remuneration will be made in 12 equal instalments by the Executive Manager - Finance. Councillors are not required to submit a claim for remuneration.
- 4.12.4 Councillors are entitled to payment of travel and subsistence expenses or other expenditure reasonably incurred while on approved duties. Councillors are required to submit expense claims electronically and provide receipts in support of any expenses or allowances claimed. This is certified by the Executive Manager – Executive Services. The rates applicable are approved by the Council. Details of the deadlines for submission and rates applicable are available from the Executive Manager - Finance.
- 4.12.5 Requests by Councillors to travel outwith the United Kingdom on Council business must be considered and approved by the Chief Executive in consultation with the Leader prior to the journey taking place. Subsistence and expenses will be paid in line with the Travel and Subsistence Policy. Receipts in foreign currency must be converted to pounds sterling before submission.
- 4.12.6 The Executive Manager - Finance will maintain a Members' Register of all remuneration and expenses paid to or on behalf of Councillors under the Scheme, detailing name, amount and nature of payment. This will be available for inspection by the public at the Council's offices at 8 North Ness, Lerwic, published locally in the press and within the Annual Accounts.
- 4.12.7 Managers authorising expenses must ensure procedures are followed and controls are maintained under the Scheme.
- 4.12.8 All claims should be submitted timeously. Only in exceptional circumstances, will the Executive Manager – Finance approve claims over 6 months old. All claims relating to a specific financial year should be submitted within the year or within one month of the end of the financial year.

#### **4.13 Contracts for Building, Construction or Engineering Work**

- 4.13.1 This deals with the regulations relating to contracts for work undertaken for building, construction and engineering work. These regulations should be read in conjunction with the Council's Standing Orders for Meetings, Scheme of Administration and Delegations and Contract Standing Orders.
- 4.13.2 All works contracts progressed by the Council, whether by Committee approval, or by any Officers exercising delegated powers, must comply with the Standing Orders in relation to contracts made by the Council under Section 81 or the 1973 Act, as set out in the Council's Contract Standing Orders and the procedures approved by the Executive Manager - Finance and Executive Manager - ACP. These Regulations deal with the financial arrangements necessary to carry through the various contracts. All contracts, orders and tenders must adhere to Council payment terms of 30 days from receipt of invoice and inform suppliers that payment will be by BACS, unless otherwise agreed.
- 4.13.3 Where work included in a tender is covered by the Construction Industry Scheme, the tender documentation must stipulate the requirement for tenderers to have Scheme registration, as appropriate. The Executive Manager - Finance will be responsible for the provision of guidance and advice to Managers on the application of the Construction Industry Scheme, compliance with which will be the responsibility of Managers.
- 4.13.4 Payments to contractors on account of contracts shall be made by the Executive Manager - Finance on a payment certificate derived from an invoice or other application for payment issued by the Executive Manager - Finance, or an Officer nominated by the Executive Manager - Finance who must be an authorised signatory. The certificate shall show the total value of the contract, the value of work executed, retention money, amount paid to date and amount now authorised for payment.
- 4.13.5 Any extensions or variations to a contract for building or civil engineering work should be notified to the Executive Manager – Governance and Law by the appropriate Director or other responsible Officer. The Executive Manager – Governance and Law is the appointed Proper Officer for the purpose of awarding and signing procurement contracts, variations, extensions, novation orders and terminations on behalf of the Council.
- 4.13.6 Where extras, variations or any other factor result in the predicted outturn cost exceeding the approved budget, this must be reported in the AIP update report to Policy and Resources Committee by the Executive Manager – ACP.



- 4.13.7 Where the predicted outturn cost of a project exceeds the approved budget, this must be reported to the Council by the Executive Manager – ACP in the next quarterly AIP report.
- 4.13.8 To the extent considered necessary, the Executive Manager - Finance will require suppliers and contractors to provide information on their financial standing and they shall be entitled to make all enquires and receive such information and explanations as they may require in accordance with the Financial Assessment Register Policy.
- 4.13.9 Current policy on performance bonds is that they will not be used unless by exception. Should an exception arise, Managers must consult with the Executive Manager - Governance and Law and the Executive Manager - Finance, who will determine the arrangements for obtaining performance bonds/guarantees from contractors with regard to performance of contracts when these are deemed necessary.

#### **4.14 Information Security and Records Management**

- 4.14.1 This section relates to the security and control of all forms of information and data held by the Council.

##### **Information Security**

- 4.14.2 Each Manager is responsible for the proper governance of information and data under their control. In addition, the following officers have specific responsibilities for information governance and security:
- **Senior Information Risk Owner** [Director of Corporate Services]  
Responsible for the corporate monitoring and implementation of the Information Management Strategy and Improvement Programme; managing the risks and assurance measures, maturity level targets, and reporting regularly to CMT on the effectiveness of this programme of work and alerting to issues of non-compliance.
  - **Data Protection Officer** [Executive Manager - Governance and Law]  
The Chief Legal Officer is also the current designated Data Protection Officer. The Data Protection Officer must inform and advise the Data Controller [the Council] of its obligations under the Data Protection Act 2018, and monitor the implementation and application of the Council's policies and training on personal information management. The Data Protection Officer determines the purposes for which, and the manner in which, any personal data are, or are to be, processed, and has overall

responsibility for ensuring the Council's compliance with the Data Protection Act 2018.

- **Senior Information Asset Owner** [Directors]  
Directors are individually the authorising person within a Directorate, who is responsible for ensuring the Information Management Strategy and improvement targets are implemented and adopted by staff and is responsible for the information assets within their Department and Service Areas. They are also the owners of the associated Information Management Risks and for ensuring that the risks are managed in accordance with Council policy and practice.
- **Information Asset Owners** [Executive Managers]  
Information Asset Owners are responsible for ensuring information management policies and procedures are followed, recognising actual or potential security incidents, consulting the Senior Information Risk Owner on incident management; ensuring that information asset registers are accurate and up to date and that appropriate monitoring and reporting is in place.
- **The Executive Manager - ICT** is responsible for the Council's electronic infrastructure and the management of all security risks relating to that infrastructure.

### **Records Management**

- 4.14.3 This outlines the Council's records management arrangements and policies for the retention and destruction of financial documents.
- 4.14.4 It is important that documents are retained not only for the smooth operation of the Council but also to comply with legal requirements imposed by, amongst others, HMRC (HM Revenue and Customs) and Grant Awarding Bodies (e.g. European Funding) which must be strictly adhered to.
- 4.14.5 Full details of the document retention periods for all documents can be found in the Council's Document Retention and Destruction Schedule and further guidance can be found in the Council's Records Management Strategic Policy which is available on the intranet.
- 4.14.6 The Executive Manager - Governance and Law will provide guidance to each service on retention scheduling, the destruction of records and other records management issues.

- 4.14.7 Directors, as Senior Information Asset Owners, are responsible for ensuring that the Council's Information Management Strategy and improvement targets are implemented and adopted by staff, and for the assets within their Departments and Service Areas. Executive Managers, as Information Asset Owners, will be responsible for the implementation of the Council's information management policies and procedures within their Service Areas. Each Service should also identify an Information Asset Administrator for their service. This should be the same person as, or who works closely with the person, who has responsibility for the co-ordination and administration of Data Protection and Freedom of Information requests.
- 4.14.8 Each Manager must draw up retention schedules for their records. The schedules will state how long the records should be kept to comply with statutory requirements and business needs, and what the final disposal should be, i.e. destruction, review or permanent preservation. Each schedule must be approved by the Director concerned and by the Executive Manager - Governance and Law.
- 4.14.9 The Executive Manager - Governance and Law will co-ordinate the creation of a Council retention schedule. Records Management Co-ordinators will regularly review and update the schedule.
- 4.14.10 Financial records, including documentation relative to contracts for work done, services and supplies, shall not be disposed of other than in accordance with the Records Management Strategic Policy and Document Retention and Destruction Schedule.

## **5. Management of Funds and Reserves**

The Executive Manager - Finance will manage all funds and reserves in accordance with the limits and conditions imposed by statute and by the Council and in accordance with the Treasury Management Strategy Statement and Annual Investment Strategy.

### **5.1 Treasury Management, Capital Financing and Investment Management**

- 5.1.1 Treasury management is an essential function of the Council that enables the delivery of day-to-day services and facilitates future investment in services. The Council is legally required to operate within a balanced budget each year, so it is essential that we balance the cash we receive during the year with the cash needed to pay for our planned revenue and capital expenditure.

- 5.1.2 The Council has adopted the revised CIPFA Code of Practice for Treasury Management in Public Services 2021 (The Code) within its annual [Treasury Management Strategy Statement](#) & Annual Investment Strategy.
- 5.1.3 In line with the Code, the Treasury Management Strategy Statement and Annual Investment Strategy is approved by the Council prior to the start of each financial year, under direction from Policy & Resources Committee.
- 5.1.4 This document sets out the strategy and procedures approved by the Council to carry out the functions of Treasury Management. The implementation and monitoring of these functions are reported to the Policy and Resources Committee and the Council.
- 5.1.5 The Executive Manager – Finance has overall responsibility for the Council's banking arrangements. This includes all bank accounts administered by the Council including any accounts managed on behalf of other individuals or organisations. Treasury Section monitor all administered bank accounts on a daily basis.
- 5.1.6 Should the Council require to borrow funds, the Council's Borrowing Policy is applied. This forms part of the Treasury Management Strategy & Annual Investment Strategy and sets out when it is appropriate to borrow and the procedures to be followed.
- 5.1.7 The Executive Manager – Finance will determine which staff should be given authorisation to sign cheques, approve internet payments, transfers of money to and from fund managers and action borrowing requests. Electronic signatures are acceptable for these purposes, a list of authorised signatures is maintained by the Treasury Section including copies of electronic signatures
- 5.1.8 Managers are required to inform the Treasury Section of any large payments or receipts (greater than £500,000) of cash as soon as these are known, to assist with managing the Council's bank account.
- 5.1.9 Treasury Section provide a daily online internet banking facility for same-day urgent payments, and for all foreign payments. All urgent or foreign payments for the Council will go through the Accounts Payable Section, and all urgent or foreign Pension payments will go through the Pension Section.
- 5.1.10 To assist Treasury management, officers have an important role in facilitating effective cash flow for example by banking all income timeously and giving the Executive Manager - Finance advance notice of any large requests for payment or of anticipated large receipts.

## **5.2 Banking arrangements**

- 5.2.1 This section includes all the Council's bank accounts including, non-corporate and corporate bank accounts. This covers the Council's banking arrangements including:
- appointment of bankers;
  - opening and closing bank accounts;
  - cheque and cheque control;
  - banking of income; and
  - payments by BACS and CHAPS.
- 5.2.2 Shetland Islands Council (SIC) has the power to hold Corporate Appointeeship to manage a person's Department of Work and Pensions (DWP) pensions and benefits when the person does not have the ability to manage their own finances and there is no next of kin deemed suitable or legally entitled to do so.
- 5.2.3 The Council DWP appointee is responsible for setting up and managing the Appointeeships. Treasury Section set up the required accounts which are managed in accordance with the "DWP scheme".
- 5.2.4 The Executive Manager - Finance has overall responsibility for all of the Council's bank accounts including non-corporate accounts. This is in relation to Section 95 of the Local Government (Scotland) Act 1973.
- 5.2.5 All pre-printed cheques on the Council's main bank account must bear the signature of the Executive Manager - Finance or their nominee and manual cheques must be signed by the Executive Manager - Finance, or their nominee. Pre-printed cheques for an amount above £25,000 require a second authorised signature and manual cheques for above £10,000 require a second authorised signature.
- 5.2.6 The Executive Manager - Finance, or their nominee(s) shall be responsible for authorising all payments or electronic transfers from, or transfers between, the Council's bank accounts.
- 5.2.7 Council bank accounts must be reconciled to supporting records monthly and copies of reconciliations will be retained and if requested, forwarded to the Executive Manager - Finance for review.

- 5.2.8 The Executive Manager - Finance, or their nominee(s), is responsible for giving any indemnity required by the Council's bank regarding the administration of the banking arrangement if required.
- 5.2.9 On occasion, Services may require specific bank accounts to be opened. No bank accounts will be opened without the authority of the Executive Manager – Finance. Following a request that has been authorised by the Executive Manager – Finance to open a bank account, the Treasury Section will open any bank accounts required.

### **5.3 Investment Management**

- 5.3.1 This outlines the procedures for the management of the Council and SIC Pension Fund investments with external fund managers.
- 5.3.2 The Council reserves are invested under the Local Government Investments (Scotland) Regulations 2010. These Regulations require that a Local Authority may only invest money with the consent of Scottish Ministers, and a general consent was issued by the Scottish Ministers dated 1 April 2010, which sets out the conditions for permitted investments. Under the requirements attached to the consent the Council must receive the following specific reports as a minimum:
- mid-year performance report;
  - year-end performance report; and
  - Annual Investment Strategy (alongside the Treasury Management Strategy Statement).
- 5.3.3 In addition to the specific reports noted above, quarterly monitoring reports will be presented to the Council for completeness.
- 5.3.4 All investments on behalf of the Council must be made in the name of the Council and invested as set out in the Annual Investment Strategy. For the SIC Pension Fund, all investments on behalf of the SIC Pension Fund must be made in the name of the SIC Pension Fund and invested as set out in the SIC Pension Fund Investment Strategy.
- 5.3.5 Any investment with a fund manager is governed by an Investment Management Agreement. This is a document signed by both the Council and the fund manager that covers all aspects of the investment, including the investment parameters, fees, benchmarks, and authorised signatures.
- 5.3.6 Fund managers investing on behalf of the Council will give an annual performance review presentation to the Council. Fund managers investing

on behalf of the Pension Fund will be invited as required to give presentations to the Pension Fund Committee and Pension Board.

- 5.3.7 Treasury Section will prepare monthly fund manager reconciliations.
- 5.3.8 All transfers of funds between the Council and fund managers must be authorised by the Executive Manager – Finance, or their nominee.
- 5.3.9 The Council’s Investment portfolio is reviewed every five years to ensure it aligns with the Council’s Medium Term Financial Plans. The SIC Pension Fund Investment portfolio is also reviewed every five years to ensure it continues to achieve returns sufficient to meet its objectives.

## **5.4 Small Trust Funds**

- 5.4.1 This section outlines the procedures for the management of the Council’s Small Trust Funds.
- 5.4.2 Supervision of the investments of the Small Trust Funds and bequests will be by the Councillors, as trustees.
- 5.4.3 The Executive Manager - Finance will determine the investment procedures of the small Funds / Trusts.
- 5.4.4 Within the context of the approved administration and investment strategies, plans and procedures, the Executive Manager - Finance will have the authority to decide upon specific purchases and sales of stocks, shares or any other investments.
- 5.4.5 All small Trust Funds shall be managed by, or under the supervision of, the Executive Manager - Finance subject to any statutory requirements and, wherever possible, be in the name of the Council.

## **5.5 Income**

- 5.5.1 This section sets out the procedures and responsibilities for the collection and banking of income. All staff must ensure that all money collected by the Council is accounted for correctly and banked as soon as possible.



*Further information and guidance is available on the Council’s intranet:*

- *Debtors Policy*
- *Petty Cash Regulations and Cash Handling Procedures*

- 5.5.2 The Executive Manager - Finance is responsible for ensuring that there are arrangements in place to allow the collection of all income due to the Council. Where day-to-day responsibilities for collection and recording of income are delegated to other Officers, they will act in accordance with these Financial Regulations or in accordance with procedures otherwise agreed with the Executive Manager – Finance.
- 5.5.3 All income received by Officers of the Council must be paid into the Council's bank account as required by the Executive Manager – Finance without delay.
- 5.5.4 In order to demonstrate Best Value, the Executive Manager – Finance must be consulted prior to the agreement of any contract, lease or other arrangement which involves the receipt of income. The Executive Manager – Finance or their nominee must give their approval before any such arrangement is signed by the Executive Manager – Governance and Law.
- 5.5.5 Where possible, **payment in advance** for the provision of Council goods and services is to be **actively encouraged at all times**. This is particularly important where:
- the individual/business have a poor track record of payment; or
  - for goods and services that cost less than £30, the cost of issuing an invoice is uneconomical.
- 5.5.6 Where it has not been possible for payment to be made in advance, invoices should be raised for goods or services supplied by the Council. Managers are responsible for ensuring that information on the invoice is accurate and all invoices are issued promptly, to ensure compliance with VAT Regulations.
- 5.5.7 No personal cheques shall be cashed out of income held on behalf of the Council.
- 5.5.8 No payments from income collected on behalf of the Council shall be used to offset expenditure.
- 5.5.9 All transfers of income between Council Officers shall be evidenced in the records of the Services concerned by the signature of both Officers.
- 5.5.10 The Executive Manager – Finance shall be responsible for ensuring that all receipts, documents, books, tickets and other papers relating to the collection of income are suitable for their purpose and adequately controlled.



- 5.5.11 Where the design and ordering of receipts, documents etc, is delegated to other Services, the Directors of the Services are responsible for ensuring that all such receipts and documents have approval for design from the Executive Manager - Finance. The Directors are responsible for ensuring that proper records of the issue and stocks of such receipts and documents are maintained.
- 5.5.12 All income requires a receipt. This must only be given on a form of receipt that has been approved by the Executive Manager - Finance.
- 5.5.13 Each Executive Manager must, as soon as possible after 31 March, and not later than specified in the final accounts timetable, notify the Executive Manager - Finance of all outstanding income due but not received relating to the previous financial year. For example, a late grant income payment or sale of goods/assets not yet processed by 31 March.

## 5.6 Petty Cash Imprest and Cash Floats

- 5.6.1 This section provides guidance on the use of petty cash and cash floats, and one-off cash imprests. Petty Cash is held for small value purchases as defined in the Petty Cash Regulations. Floats are made available to provide change to assist in cash collection.



*Further information and guidance is available on the Council's intranet:*

- *Petty Cash Regulations and Cash Handling Procedures*

- 5.6.2 The Executive Manager - Finance shall approve petty cash imprests to Officers on completion of a petty cash request form to enable payment of small items of expenditure or for a float for cash collection duties.
- 5.6.3 The Executive Manager - Finance will issue guidance notes detailing how imprests will be managed and maintained.
- 5.6.4 All imprest holders are required undertake training as specified by Finance Services before taking on responsibility for managing an imprest.
- 5.6.5 No income should be paid into an imprest apart from a top up to maintain the pre-approved level. Any other income should be banked.
- 5.6.6 Payments from petty cash shall be limited to minor items of expenditure or for specific purposes expressly approved by the Executive Manager - Finance. All expenditure must be recorded and supported by a valid receipt. As a general rule petty cash should not be used to pay for goods or services which, in the normal course of business, would be expected to be ordered

through the Council's procurement and purchase order arrangements. Cash received by the Council cannot be used to pay for such expenditure.

- 5.6.7 Nominated Officers will be personally responsible for such advances, including the keeping of cash and stamps in a safe and lock fast place.
- 5.6.8 For the safe-keeping of advances, bank accounts may, as a last resort, be opened by the Executive Manager - Finance in the name of the Council. These bank accounts should require two authorised signatories for all transactions and shall not be permitted to be overdrawn.
- 5.6.9 If an imprest holder, leaves their role for any reason they must provide an account for the total amount advanced to them to the Executive Manager – Finance. Any new Nominated Officers must undertake training prior to any petty cash being advanced.
- 5.6.10 Nominated Officers are required to produce an annual certificate for each Petty Cash imprest or float held, certifying they still hold the total sum advanced. In addition an Officer responsible for a cash imprest shall, if and when requested at any time during the year, give the Executive Manager - Finance a certificate as to the state of the imprest.

## 5.7 TAX and VAT

This section summarises the Council's requirements for Tax and VAT Management. It includes:

- the allocation of responsibility for taxation to the Executive Manager - Finance;
- the appointment of professional advisers; and
- the requirement for Directors to consult the Executive Manager -Finance on transactions which have tax implications.



*Further information and guidance is available on the Council's intranet:*

- *VAT Manual*

- 5.7.1 Periodically, the Council is inspected by HM Revenue and Customs (HMRC). These inspections may result in the imposition of penalties for non-compliance with tax law. Therefore, it is essential that Managers ensure that employees are aware of any relevant taxation matters and that where necessary, guidance is obtained from the Executive Manager - Finance.

- 5.7.2 The Executive Manager - Finance will be responsible for the taxation procedures of the Council, ensuring where possible, that tax liabilities and obligations are properly reported and accounted for, avoiding any possible losses.
- 5.7.3 In particular, the Executive Manager - Finance will be responsible for:
- ensuring that transactions comply with relevant statutory requirements and authorities;
  - minimising the Council's tax liability; and
  - maximising the Council's tax flow.
- 5.7.4 In carrying out such responsibilities the Executive Manager - Finance will:
- define and allocate duties in relation to taxation and tax management;
  - ensure that financial control systems operate effectively, produce the necessary information and minimise the risk of error;
  - ensure appropriate guidance is provided to employees involved in processing tax-related transactions;
  - ensure assistance is provided for any investigations undertaken by any Government Agency and that any assessments made resulting from investigations are properly reviewed;
  - implement arrangements to monitor the execution of these responsibilities; and
  - report any significant changes to the Council's tax affairs to the appropriate Committee/Council.
- 5.7.5 The Executive Manager - Finance may, from time to time, appoint external tax specialists.
- 5.7.6 The Executive Manager - Finance will be responsible for the dissemination of information on tax matters as appropriate. Managers will be responsible for implementing guidelines introduced by the Executive Manager - Finance regarding any aspect of tax.
- 5.7.7 Where transactions of a new or unusual nature are being considered, Managers will consult with the Executive Manager - Finance on the tax implications before committing the Council.
- 5.7.8 Prior to employing consultants or agents to provide a service on behalf of the Council, Directors should consult with the Executive Manager - Finance to ensure that the contractual arrangements avoid any tax/NIC liability to the Council.

## **6 Control of Resources and Risk Management**

### **6.1 Property and Security**

- 6.1.1 This section relates to the security of all buildings, property, cash, stocks, stores, furniture and equipment.
- 6.1.2 The Executive Manager - Finance, or such Officers authorised by the Executive Manager - Finance, shall maintain a register of all land and heritable properties owned or leased by the Council in a form designed to meet all internal and external requirements for such information, including the Best Value requirement to ensure that best use is made of Council assets. For the Integration Joint Board, reference should be made to the Integration Joint Board Scheme.
- 6.1.3 The Executive Manager - Governance and Law shall have the custody of all title deeds and lease documents, and shall ensure their security.
- 6.1.4 Each Director is responsible for proper security of the property (including access to buildings after opening hours), cash, stock, stores, furniture, equipment, etc., under their control.
- 6.1.5 The Executive Manager - Finance will advise the maximum limits for cash holdings and these limits must not be exceeded except with the permission of the Executive Manager - Finance.
- 6.1.6 Keys to safes and similar containers shall be carried by the nominated Officer, or held in a secure place if this is impracticable.
- 6.1.7 A register of key holders must be held for each location. The Executive Manager - Governance and Law will advise on matters relating to information security. Wherever appropriate, they will seek and take account of advice on security issues from other sources within the Council, for example, from the Executive Manager - ICT.
- 6.1.8 Arrangements for the security of Information Systems/Technology, and associated data, software and services are set out in the ICT Security Policy, which must be complied with at all times, this can be found on the intranet.

### **6.2 Gifts, Hospitality and Conduct**



*Further information and guidance is available on the Council's intranet:*

- *Employee Code of Conduct*
- *Councillors' Code of Conduct,*  
*which is part of the Council's constitutional documents*

- 6.2.1 Councillors and employees are personally liable for their conduct. Councillors are obliged to comply with the Councillors' Code of Conduct and Officers are required to comply with the Employee Code of Conduct.
- 6.2.2 The Chief Executive and Directors are responsible for ensuring that all staff are aware of the terms of the Code of Conduct for Employees and that they comply with the Code.
- 6.2.3 The Executive Manager – Governance and Law is responsible for ensuring that all Councillors are aware of the terms of the Code of Conduct for Councillors and that they understand the need to comply with the Code.
- 6.2.4 Each Director is entitled to extend hospitality within their area up to £500 (excluding VAT) per occasion, subject to budget availability and evidenced by appropriate receipts up to an annual maximum of £2,000. To be classed as hospitality the expenditure must not be solely for Councillors and/or Council Officers.
- 6.2.5 The Convener, as Civic Head of the Council, or any other person deputising for the Convener in carrying out civic duties, has access to a civic allowance of up to £2,000 per annum to reimburse any receipted expenditure incurred by the Civic Head or deputy in carrying out civic duties. This is separate from the reimbursement of travel and subsistence costs.
- 6.2.6 Reasonable hospitality extended to Council employees by current or prospective clients, customers, suppliers etc, is an accepted practice. However, the acceptance of hospitalities or gifts other than small token gifts, goes beyond what is proper for a public official regardless of whether or not such gifts do or are intended to, influence them in an official capacity. The offer of any hospitality or gift deemed likely to exceed £50 in value must be approved by the Chief Executive or relevant Director prior to its acceptance. Each Director will maintain a register for gifts or hospitality for their staff.
- 6.2.7 Councillors should notify the Executive Manager - Governance and Law of any gifts or hospitality provided to them. The Executive Manager – Governance and Law is responsible for maintaining a central register of gifts and hospitality for Councillors.
- 6.2.8 The Executive Manager - Governance and Law shall ensure that all Councillors have signed a declaration of acceptance of offer of office that

includes an undertaking for Councillors to meet the requirements of Councillors' Code in the performance of their duties.

- 6.2.9 All Councillors are issued with a copy of the Councillors' Code of Conduct and guidance issued by the Standards Commission, and are expected to comply with their code in the matter of their gifts and hospitality.

### **6.3 Audit Services**

- 6.3.1 This section sets out the role of Internal Audit and External Audit functions.

#### **Internal Audit**



*Further information and guidance is available on the Council's intranet:*

- *Internal Audit Charter*

- 6.3.2 Internal Audit is an independent appraisal function, operating under the supervision and direction of the Director of Corporate Services, specifically established to assess the effectiveness of the Council's internal control, governance and risk management environment. Internal Audit does not relieve the Council's management of its responsibility for maintaining effective control. It can, however reassure management when control is adequate, and identify and report inadequate control to enable those accountable to strengthen weaknesses before any serious breakdown occurs.
- 6.3.3 The Director of Corporate Services shall arrange for the examination and evaluation of the adequacy and effectiveness of corporate governance, risk management and internal control, the efficiency with which resources are utilised and the quality of performance in carrying out operations of the Council by its Officers. They are supported in this analysis by the Executive Manager- Governance and Law and Executive Manager - Finance.
- 6.3.4 Internal Audit shall, with or without previous notice:
- have authority to enter any Council establishment at all reasonable times;
  - have access to all Council files, correspondence, documents and records including computer records;
  - require and receive explanations as necessary concerning any matter under examination; and

- require any employee of the Council to produce cash, stores or any other Council property under their control.
- 6.3.5 The terms of reference and key aspects of the operation of the above arrangements will be set out in an Internal Audit Charter which will be approved by the Audit Committee and amended as necessary from time to time.
- 6.3.6 Directors shall consult the Executive Manager - Finance and Internal Audit on systems development projects so that appropriate guidance may be given on systems affecting the financial operations of the Council.
- 6.3.7 Directors are required to notify the Executive Manager - Finance and Internal Audit immediately on becoming aware of any financial irregularities or suspected irregularities or of any circumstances which may suggest the possibility of irregularities, including those affecting cash, stores, contracts or property. Internal Audit shall inform the Director of Corporate Services and the Executive Manager - Governance and Law in cases where it appears that there may be a criminal offence involved and such steps shall be taken, by way of investigation and report, as may be considered necessary.
- 6.3.8 In all circumstances of financial irregularity, if investigations indicate that there are reasonable grounds for believing that a criminal offence has been committed, the Director of Corporate Services will arrange for the matter to be reported to the Police as appropriate, having previously notified the Chief Executive.
- 6.3.9 In the event that any transactions, activities or contracts initiated or under the direct supervision of the Executive Manager - Finance are brought into question, the Director of Corporate Services will assume the reporting arrangements which would otherwise be undertaken by the Executive Manager - Finance.

### **External Audit**

- 6.3.10 This section outlines some of the powers exercised by the Council's External Auditors. External Audit is independent of the Council. Their authority is mostly contained within the Local Government (Scotland) Act 1973.
- 6.3.11 The Council's External Auditors shall, with or without previous notice:
- have authority to enter any Council establishment at all reasonable times;

- have access to all Council files, correspondence, documents and records including computer records;
- require and receive explanations as necessary concerning any matter under examination; and
- require any employee of the Council to produce cash, stores or any other Council property under their control.

## **6.4 Prevention and Detection of Fraud and Corruption**

6.4.1 Shetland Islands Council recognises that its main protection against fraud and error is the diligence of employees and the alertness and good citizenship of the public at large. The Council's Strategy for the Prevention and Detection of Fraud and Corruption outlines the Council's approach to counter fraud and corruption.



*Further information and guidance is available on the Council's intranet:*

- *Anti-Fraud, Bribery and Corruption Policy*

6.4.2 Shetland Islands Council will be robust in dealing with any financial malpractice, and can be expected to deal timeously and thoroughly with any person who attempts to defraud the Council or who engages in corrupt practices, whether they are Councillors, employees, consultants, contractors or other suppliers, benefit claimants, tenants or unrelated third parties.

6.4.3 All suspicions of impropriety must be reported to the Executive Managers - Finance and Governance and Law and will be investigated. Where staff are implicated, the Executive Manager - HR must be consulted.

6.4.4 Where there are reasonable grounds for believing that a criminal offence has been committed, the Director of Corporate Services will arrange for the matter to be reported to the Police as appropriate having previously notified the Chief Executive.

6.4.5 The Council's Disciplinary Procedures will be used where the outcome of investigation indicates improper behaviour on the part of employees.

6.4.6 Where loss has been suffered through fraudulent activity, the Council will pursue the perpetrator for recovery, including taking appropriate legal action.

## **6.5 Risk Management and Insurances**



- 6.5.1 This section provides details of the Council's arrangements and policies for risk management and insurance arrangements.

### **Risk Management**

- 6.5.2 A Risk Management Strategy and Risk Management Policy have been approved by the Council. The Strategy provides for the continuous review, and management, of potential risks to any aspect of the Council's business. For the Strategy to be successful a risk awareness culture must form an integrated part of service delivery.



*Further information and guidance is available on the Council's intranet:*

- [Risk Management](#)
- *Insurance Procedures*

- 6.5.3 Risk Management concerns itself with the identification and management of those uncertain future events that could influence the achievement of an organisation's strategic, operational and financial objectives. The Council actively promotes a positive Risk Management culture in respect of all working practices within the Council while liaising with partnership organisations on risk related matters.
- 6.5.4 It will be the responsibility of each Executive Manager to manage those risks that affect their Service Areas and to co-operate in the compilation of records that assist in the evaluation and effective management of those risks. Directors and Executive Managers will encourage all staff and Councillors to participate in risk reduction and bring to their attention the principles of risk management.
- 6.5.5 The Council maintains and develops systems and procedures that identify, evaluate and economically eliminate or minimise those existing and anticipated risks which threaten its ability to achieve its business priorities, service delivery, assets, efficiency and public image of the Council.
- 6.5.6 In the course of service delivery, the Council will do everything in its power to prevent harm to an individual; and wants to limit its exposure to health and safety, environmental, reputational, legal, financial and regulatory and compliance risks. It recognises that some level of risk is necessary in pursuit of better outcomes for the community and service users. The Council embraces the idea that opportunities can be positive risks in that their outcomes may be uncertain, but there could be the potential for, or likelihood of, worthwhile outcomes. When considering whether or not a risk is being managed appropriately, officers must consider:

- the potential benefits from accepting the risk as it is;
- the views of the stakeholders;
- the possible costs (including opportunity costs) of taking action to manage the risk;
- the risk rating (likelihood and severity of the risk) as scored using the Council's risk management scoring criteria matrix; and
- the Council's capability and capacity to manage the risk effectively, e.g. does effective management of the risk sit outside core competencies or is the Council getting involved in activities it has little track record in delivering.

6.5.7 When considering any risk, account must be taken of:

- the political salience of the risk, and if it is something Councillors would be interested in e.g. should the risk be referred to Councillors;
- if accepting the risk or taking an action would breach any Council standing order, policy or procedure;
- if the risk represents a breach of any relevant laws or regulations; or where any breach could lead to potential damage to the Council's legitimacy bearing in mind its separate enforcement roles; and
- at what level the Council's scheme of delegated authority allows the risk to be managed.

6.5.8 All incidents which have or could have resulted in loss should be reported to the Director of Corporate Services or their nominee(s), who will determine if any further action and/or analysis requires to be conducted and will direct that work in light of the information received.

6.5.9 The Director of Corporate Services is responsible for ensuring the Council's Risk Management Policy and Strategy are prepared and reviewed regularly. Directors are responsible for ensuring the Policy and Strategy is implemented effectively within their Service Areas.

6.5.10 Any unmitigated risk cannot be totally eliminated. The Corporate Management Team acting in its capacity as the Council's Risk Board will give careful consideration to those risks that may pose a threat to the Council's financial stability. Where financial loss may arise then appropriate consideration will be given to insuring the Council against that loss; and this must be done in conjunction with the relevant sections of this document.

## **Insurance**

- 6.5.11 In consultation with other Managers, the Executive Manager - Governance and Law shall be responsible for insurance management, including the appointment of brokers, advisers, underwriters, claims handlers and insurers, within the context of the Council's Risk Management Strategy.
- 6.5.12 Each Director shall notify the Executive Manager - Governance and Law immediately of any loss, liability, damage or claim, or any incident which may give rise to a claim in connection with their Directorate of responsibility, whether or not covered by insurance.
- 6.5.13 Each Director shall give prompt notification to the Executive Manager - Governance and Law of all new risks to be considered for insurance and of any changes which could affect insurable risks.
- 6.5.14 Each Director will provide an annual return of fee income received from professional services provided to external bodies, and additionally all Managers should advise the Executive Manager - Governance and Law of any new instances of provision of professional service to external bodies to allow appropriate professional indemnity insurance to be purchased.
- 6.5.15 All Directors must notify the Executive Manager - Governance and Law immediately of any change to the delivery of services or functions either outsourced or in-sourced to allow appropriate insurances to be arranged.
- 6.5.16 The Executive Manager - Governance and Law shall arrange, annually or at such other period as he/she may consider necessary, for the review of all insurances in consultation with other Managers as appropriate. All Managers will provide information timeously in relation to such review.
- 6.5.17 All Directors shall consult with the Executive Manager - Governance and Law regarding the terms of any indemnity which the Council is requested to give.
- 6.5.18 All Directors shall take due account of any recommendations proposed by the Council's insurers arising from a risk survey.

## **7 External Financial Arrangements**

### **7.1 Awards to Voluntary Organisations and Commissioned Services**

- 7.1.1 This section deals with awards of funding to voluntary organisations and commissioned services (third party payments). The Council approved a commissioning and procurement strategy framework in April 2016, this,

including any future updates, is required to be followed when undertaking any commissioning or procuring of services of that type.

- 7.1.2 The Council is committed to the principles of the Code of Guidance on Funding External Bodies and Following the Public Pound and, as a result, remains accountable to the public to ensure that its money is well spent.
- 7.1.3 The Council has developed the Following the Public Pound Policy which provides guidance to ensure that effective systems of governance and control are in place. There is a need to ensure probity in the Council's support of the voluntary sector while maintaining its quality and flexibility of service.
- 7.1.4 Each Manager shall be responsible for ensuring that all awards to voluntary organisations are made in accordance with the Council's:
- Following the Public Pound Policy; and
  - Commissioning and Procurement Strategy.

In particular:-

- All grants / service level agreement payments are payable under an approved scheme through delegated authority **or** following approval in advance by the appropriate Committee;
- Information on grants / service level agreements is provided to the Executive Manager - Finance via the Benefactor system in order that a comprehensive, central database can be maintained;
- Each Director is responsible for presenting an annual report to Committee retrospectively for their Directorate;
- All monitoring checks must be completed before grant awards are presented to Committee for decision-making and payments made; and
- Service and financial performance is monitored and reported on a regular basis.

The Council has the following policy with regard to the retention / repayment of unused funds, held by a third party:

- The Council will normally require all unspent funds allocated for a particular project or service, but unused at the end of that funding period, to be returned in full.
- However, the Council supports the principle of third party organisations being able to hold a small amount of balances for unforeseen expenditure items.

- Where a need can be demonstrated, the Council will therefore allow organisations to retain the equivalent of one month's running costs to pay for unforeseen items.
- The Council will not allow any unused money to be used for another purpose, beyond the original award and the unused money cannot be used to pump prime another service development, project or initiative.

## **7.2 Partnerships**

- 7.2.1 This section provides details of the Council's requirements regarding the application of Financial Regulations when the Council is working in a partnership arrangement with other bodies. A partnership can be defined as a long-term, mutually beneficial relationship involving close co-operation between parties having joint rights and responsibilities. In these Regulations the term "partnership" is not used in the sense of a formal legal partnership.
- 7.2.2 The Executive Manager - Finance will advise Directors on the effective controls required from such partnerships to ensure that the Council's resources are used efficiently and effectively, in accordance with the purpose and all conditions arising from the partnership arrangement. 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 as well as ensuring that the appropriate budgetary management and control is in place.
- 7.2.3 Each Director shall be responsible for consulting with the Executive Manager – Finance to ensure that the tax implications for projects/ventures entered into with partner organisations are determined and investigated before the Council becomes contractually or otherwise obligated.
- 7.2.4 Each Director shall ensure that they consult the Executive Manager – Governance and Law prior to entering into agreements with external bodies, and that a risk management appraisal has been completed, and that agreements and arrangements made do not impact adversely upon the services already provided by the Council.
- 7.2.5 Each Director must ensure that all agreements and arrangements are properly documented and that the Executive Manager - Finance is provided with appropriate information to enable notes to be entered into the Council's Annual Statement of Accounts.

- 7.2.6 Each Director will ensure that a report of the performance and outcomes from all the partnerships are submitted to the appropriate Committee.
- 7.2.7 If the Council has in operation, Joint Committees / Partnerships where the activity of such Committees / Partnerships are administered by officers who may be officers of the Council or other partners, a Guidance Note relevant to these activities will be prepared, and should operate in conjunction with the sections in this document.
- 7.2.8 The Council and NHS Shetland are partners in the Integration Joint Board. The activities carried out by the Council on behalf of the Integration Joint Board will be carried out in line with the Council's Financial Regulations.
- 7.2.9 Where any partnership financial regulations are drawn up they will in all aspects be subservient to these Financial Regulations.

### **External Funding**

- 7.2.10 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. While 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 Corporate Plan.
- 7.2.11 All external funding received requires a decision of the Council to agree to spend this funding whether or not it requires additional funding or match funding as it may result in staffing and other resources being redirected which has not been approved either as part of the revenue budget or the AIP. For practicality, a de minimis sum will be set by the Executive Manager – Finance, below which no report to Council will be required.
- 7.2.12 The Executive Manager - Finance will determine that appropriate arrangements are in place to receive and properly record such income in the Council's accounts; that audit and accounting requirements are met; and that the funding requirements are considered prior to entering into any agreements, both in the present and the future.
- 7.2.13 Each Director must ensure that any external grant funding is used in accordance with the agreed terms and that all expenditure is properly incurred and recorded. They must also ensure that claims for funds are made by the due date and follow the procedures set out in Section 4 above – Grants and External Funding.

## **Working for Third Parties**

- 7.2.14 Current legislation enables the Council to provide a range of services to other bodies. Such work may enable a Unit or Service to maintain economies of scale and existing expertise. Arrangements must be in place to ensure that any risk associated with this work is minimised and that such work is intra vires.
- 7.2.15 The Executive Manager - Finance is responsible for the issue of any financial guidance regarding activity of this nature, including arrangements for the maintenance of contract registers in consultation with the Executive Manager Governance and Law and the Executive Manager - ACP.
- 7.2.16 Each Director must ensure that:
- the approval of relevant Committees is obtained before any negotiations are concluded to work for third parties;
  - a register of all contracts entered into with third parties is maintained in accordance with procedures specified by the Executive Managers for Finance, Governance and Law and ACP;
  - appropriate insurance arrangements are made;
  - no contracts are subsidised by the Council without formal approval by the Council;
  - wherever practicable, payment is received in advance of the delivery of the service;
  - the Service has the appropriate expertise to undertake the contract;
  - such contracts do not impact adversely upon other services provided by the Council;
  - all contracts are properly documented; and
  - the Executive Manager - Finance is provided with appropriate information to enable notes to be entered into the Council's Annual Statement of Accounts.
- 7.2.17 Any terms and regulations relating to the above activities should include reference to the fact that they are subject to review by the Council's Internal Audit Service.

## **8 Shetland Islands Council Pension Fund Management**

- 8.1.1 This section outlines the administration and investment regulatory requirements and procedures for the management of the Council's Pension Fund.

- 8.1.2 The Public Service Pensions Act 2013 required the Council to establish a new pension scheme governance structure. Under the Local Government Pension Scheme (Governance) (Scotland) Regulations 2015, responsibility for the management of the Pension Fund is carried out by the Pension Committee and the Pension Board.
- 8.1.3 As set out in its own Terms of Reference the Pension Fund Committee has the power to discharge all functions and responsibilities relating to the Council's role as administering authority for the Shetland Islands Council Pension Fund (the Pension Fund) in terms of the Local Government (Scotland) Act 1994, the Superannuation Act 1972 and the Public Service Pensions Act 2013.
- 8.1.4 For the purposes of the 1973 Act and the 2018 Regulations, the Proper Officer is the Executive Manager - Finance of Shetland Islands Council who has the duty to ensure "proper administration of the Council's financial affairs".
- 8.1.5 The Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010 requires the Council as a Pension Administering Authority of the Local Government Scheme (LGPS) to prepare, maintain and publish a Statement of Investment Principles governing the Pension Committee's decisions about investments.
- 8.1.6 The administration of pension payments and other benefits is carried out in accordance with the Local Government Pension Scheme (Scotland) Regulations 2018 (as amended) and the Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2018. This includes an Actuary appointed by the Fund, carrying out a Valuation of the Pension Fund every 3 years . The Fund is required to maintain and keep under review a Funding Strategy Statement for the Fund.
- 8.1.7 Within the context of the Pension Fund's Funding Strategy Statement:
- The Executive Manager – Finance will ensure the Pension Fund receives the proper amount of contributions from employees and employers, and any other transfer payments;
  - The Executive Manager – Finance will ensure contributions received are invested appropriately, with the aim that the Pension Fund's assets grow over time with investment income and capital growth;
  - The Executive Manager – Finance will ensure assets are used appropriately to pay Pension Fund benefits to the members as and when



they retire, for the rest of their lives; and to their dependants as and when members die, as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

- 8.1.8 The Executive Manager – Finance will submit proposals for the administration and investment procedures of the Pension Fund to the Pension Committee and Pension Board.
- 8.1.9 The Executive Manager – Finance will submit the Investment Strategy to the Pension Committee and Pension Board; this will be reviewed every five years, to ensure the overall long term Pension Fund investments are in line with its objectives.
- 8.1.10 The Council through its adoption of the CIPFA Code of Practice for Treasury Management in the Public Services 2021 delegates the execution and administration of treasury management decisions to the Executive Manager - Finance, or such Officers authorised by the Executive Manager - Finance.
- 8.1.11 In the context of the approved investment procedures, the Executive Manager - Finance will ensure as a minimum the submission of the Mid-Year Review report and the Annual Investment report to the Pension Committee and Pension Board. This will be supplemented by presentations from Fund Managers, Pension Fund Custodian and any advisors or consultants as is deemed necessary by the Executive Manager - Finance, or as requested by the Pension Committee or Board.
- 8.1.12 In addition to the specific reports noted above, quarterly monitoring reports will be presented to for completeness.
- 8.1.13 The Executive Manager – Finance shall be responsible for the identification and control of risk for the Pension Fund. The Executive Manager – Finance will report quarterly to the Pension Committee and Pension Board in respect of all risk matters impacting the Pension Fund.
- 8.1.14 The Pension Fund is subject to the same internal and external audit appointments as the Shetland Islands Council. Both internal and external audit functions shall report to the Pensions Committee and Pension Board as well as reporting to the Council’s Audit Committee.
- 8.1.15 The Executive Manager - Finance will also submit to the Pension Committee and Pension Board the following reports:
- Pension Fund quarterly Management Accounts;
  - External Audit and Actuarial reports; and

- the Unaudited and Audited Pension Fund Accounts.

September 2022  
ENDS