

WITHAM FOURTH DISTRICT INTERNAL DRAINAGE BOARD

FINANCIAL REGULATIONS

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1. INTRODUCTION

- 1.1 These Financial Regulations are designed to ensure that the funds and assets of the Board are properly accounted for and controlled.
- 1.2 Any variation of these Regulations shall only be made by a resolution of the Board.
- 1.3 The Chief Executive/Finance Manager shall, where appropriate, prepare additional rules of procedure, supplementary to these Regulations, to ensure the maintenance of financial control and security.
- 1.4 The Chief Executive/Finance Manager shall be responsible for determining the format of the Board's accounting systems, annual Accounts and supporting records and shall ensure that the accounting systems determined by him are observed and that the accounts of the Board and supporting records are kept up to date
- 1.5 The Chief Executive/Finance Manager shall be responsible for maintaining an adequate and effective internal audit of the accounts of the Board.
- 1.6 The Chief Executive/Finance Manager shall ensure that the Board's annual Accounts are prepared as soon as possible after 31ST March, and in accordance with the dates as set out in the Accounts and Audit Regulations 2003 (as amended).

2. CONTRACTS

- 2.1 The following procedures shall be employed in connection with the procurement of normal goods and services:-

<u>Estimated Value of Goods / Services</u>	<u>Action to be taken</u>
< £2,500	No quotation / tenders required
£2,500 - £10,000	Obtain 2 verbal quotations
£10,000 and over	Obtain 3 written tenders

- 2.2 Tendering may be selective or open, although, whenever possible, selective tendering shall be used and tenders invited to reasonably ensure that the required number of tenders are actually received.
- 2.3 Where it is considered there are valid reasons for departing from the procedures in (2.1) above, the Board's approval shall be obtained.
- 2.4 Tenders shall be opened, not earlier than the closing date prescribed in the tender documents, in the presence of at least two of the following:- the Chief Executive/Finance Manager to the Board, the Chief Engineer and the Chairman or Vice Chairman to the Board or other suitable member. A declaration shall be signed to such effect by the persons present at the opening of the tender(s).
- 2.5 Where a tender is accepted other than the lowest, the Board's approval shall be obtained.
- 2.6 When agreeing contracts for larger works such as capital projects, the Board should seek to award work under established frameworks where suppliers have already had to prove VFM to be included on the framework e.g., the EA's framework contract or the public sector procurement framework, SCAPE.

3. **RESPONSIBILITY OF OFFICERS**

- 3.1 All staff of the Board have a general responsibility for the security of the property of the Board for the avoidance of loss and for economy, efficiency and effectiveness in the use of resources.

4. **ESTIMATES**

- 4.1 The Chief Executive/Finance Manager shall be responsible for the preparation of annual Estimates.
- 4.2 The Estimates should be determined at the commencement of each year – using the best information available.
- 4.3 The Estimates shall be approved by the Board each year in order that the rates and special levies can be determined.
- 4.4 The Chief Executive/Finance Manager shall be responsible for seeking reasons and causes for deviation from the Estimates and shall inform the Board of all material variances.
- 4.5 The Chief Executive/Finance Manager will report actual figures against estimates at every Board Meeting in order to keep Members apprised of the Board's financial affairs.
- 4.6 In accordance with the Board's decision to retain at least 20% of the Board's annual expenditure in the General Reserve, the level of the General Reserve will be reviewed in line with this expectation, when the Estimates are agreed each year.

5. **BANKING**

- 5.1 The Chief Executive/Finance Manager shall advise the Board's bankers in writing of the conditions under which each bank account shall be operated and which must be in the Board's name.
- 5.2 All payments shall be made by either cheque, BACS or direct debit and / or internet banking. The main bank accounts will be operated on the following basis:-

All cheques will be signed by both the Chief Executive/Finance Manager and Chief Engineer.
- 5.3 Salaries and Wages will be paid by BACS and operated on the following basis:-

All BACS authorisations will be signed by the Chief Executive/Finance Manager.
- 5.4 All bank transfers to non-Board bank accounts shall be authorised by two signatories as in (2) above.
- 5.5 The Chief Executive/Finance Manager shall ensure that bank account balances are managed so as to produce maximum benefits for the Board, but only those banks listed on the Bank of England's approved list shall be used.
- 5.6 Any bank accounts operated but not covered by points (2) and (3) above shall be operated as for the main bank account (see (2)).

6. **INCOME**

- 6.1 An official receipt shall be recorded for every sum received by the Board and must show:-
- a) Date of receipt
 - b) Amount received
 - c) Type of remittance
 - d) Reason for payment
- 6.2 Copies of all receipts issued by the cashier must be recorded in the Board's financial management software.
- 6.3 Board monies shall not be used for the encashment of private cheques.
- 6.4 All cheques, cash etc. received shall be banked at least weekly. Disbursements shall not be made from cash received. Banking shall be daily when unusually large sums are received.
- 6.5 Keys to safes, cash boxes etc. shall only be available to designated officers.
- 6.6 The Chief Executive/Finance Manager shall be responsible for ensuring that all monies received are properly brought to account in the Board's accounting records.
- 6.7 Any debts not recoverable should only be written off with the Board's approval if over £100.

7. **PURCHASES OF GOODS AND SERVICES**

- 7.1 The Chief Executive/Finance Manager to the Board shall have the authority to effect the purchase of goods and services up to the value of £10,000 and the ordering of general repairs to the Board's assets up to the value of £10,000.
- 7.2 The Chief Executive/Finance Manager to the Board shall seek the Chairman of the Board's authority to effect the purchase of goods and services over the value of £10,000. This excludes purchase of stock and fuel which regularly exceeds £10,000.
- 7.3 For all goods and services with a value of £20,000 and over, the Board's approval shall be obtained prior to the purchase being effected.
- 7.4 The requirement under Financial Regulation 7.3 may be dispensed with if the goods or services are required urgently such that it would not be feasible or practical to obtain the Board's approval. In such cases, the Chairman's approval shall be obtained and later ratified by the Board.
- 7.5 It shall be the duty of the Chief Executive/Finance Manager to ensure that goods and services in excess of £100 are ordered on the official order forms and are necessary for the efficient working of the Board's operations.
- 7.6 All invoices for payment shall be examined, coded and approved by the person responsible for the order and certified by the Chief Executive/Finance Manager and /or the Chief Engineer.
- 7.7 Payments over £50 with the Board's credit card shall be subject to authorization by two signatories BEFORE a purchase is made
- 7.8 See Section B "Contracts" for further Financial Regulations in connection with the purchase of goods and services.

8. **STAFF**

- 8.1 The Board's approval shall be required for the employment of additional permanent staff.
- 8.2 The Chief Executive/Finance Manager shall have authority to employ additional temporary staff, provided the revenue consequences are contained within the current annual Estimates.
- 8.3 All time records and other pay records shall be in a form approved by the Chief Executive/Finance Manager and shall be certified and submitted in accordance with his instructions.
- 8.4 The Chief Executive/Finance Manager shall be responsible for the proper compilation of the payroll and for the final determination of pay.

9. **STOCK**

- 9.1 Stock records shall be in such a form and shall comply with such systems of control as the Chief Executive/Finance Manager shall approve.
- 9.2 All goods received shall be checked as regards quantity and / or weight and inspected as to quality and specification. A delivery note shall be obtained from the supplier, wherever possible, and signed by the person receiving the goods.
- 9.3 All goods issued from stock shall be properly accounted for and recorded.
- 9.4 All breakages and losses of goods held in stock shall be recorded and reported to the Chief Executive/Finance Manager to take appropriate action.
- 9.5 There shall be a physical check of all items in stock at least once a year and the stock taking records shall be signed by the responsible persons.

10. **ASSETS**

- 10.1 All assets over £5,000 (per ADA guidance) in value owned by the Board shall be accounted for in an asset register maintained by the Chief Executive/Finance Manager. The asset register shall reflect additions and disposals of assets and record the cost or valuation of the assets.
- 10.2 At least once a year, the Chief Executive/Finance Manager shall prove the accuracy of the asset register with a physical inspection of the Board's assets.
- 10.3 The asset register shall be placed before the Board for inspection at the earliest opportunity following the completion of the annual Accounts.
- 10.4 Any sale of Board assets will be disposed of through competitive Tender where the value of the asset exceeds £500.
- 10.5 Tenders shall be dealt with in accordance with section 2.4.
- 10.6 Where a Tender is accepted, other than the highest, Board approval shall be obtained.

11. **AUDIT**

11.1 As a requirement of the Accounts and Audit Regulations 2003 (as amended) the Chief Executive/Finance Manager shall arrange for an internal audit of accounting, financial management and other operations of the Board to take place. This audit will be undertaken by an external person qualified to perform this function.

11.2 Authority of Internal Audit

Auditors are authorised to:

- a) Access/enter at all reasonable times any Board premises or land
- b) Have access to all assets, records, documents, minutes, correspondence and control systems relating to any aspect of the Board
- c) Require and receive any information and explanation considered necessary concerning any matter under examination
- d) Require any employee of the Board to produce or account for cash, stores or any other Board asset under his or her control
- e) Request access to records belonging to third parties, such as contractors or partners
- f) Have full and free access to all Officers, Members and Committees
- g) Allocate resources, set frequencies, select subjects, determine scope of work, and apply the techniques required to accompany audit objectives

Auditors are not authorised to:

- a) Perform any operational duties for the Board, unless in exceptional circumstances where specific approval is given by the Chief Executive/Finance Manager
- b) Initiate or approve accounting transactions
- c) Direct the activities of any Board employee, except to the extent such employees have been appropriately assigned to assist the Internal Auditor.

11.3 In addition all employees' of the Board are required to assist the External Auditor, or his/her authorised representative, in the performance of his/her duties under the Audit Commission Act 1998.

12. **FRAUD OR OTHER IRREGULARITIES**

12.1 Employees and Members should refer to separate policies i.e :

FRAUD AND CORRUPTION POLICY
WHISTLEBLOWER POLICY

13. **WRITE OFFS**

13.1 The Chief Executive/Finance Manager shall have the authority to write off the following:-

- (a) any debt under Officer Delegated Powers – (see 6.7 above)
- (b) damaged or stolen goods for which it is not considered that the Board may make a valid insurance claim, where those goods do not form part of a stock account.
- (c) surplus goods and materials.
- (d) goods, vehicles or materials that are considered to have no material value due to deterioration or obsolescence.

13.2 Responsible officers shall inform the Chief Executive/Finance Manager of any item under 13.1 (b) – (d) above that they consider should be written off together with:

- details of the item or debt to be written off
- the circumstances necessitating the write off
- the reasons why he/she considers that the debt is irrecoverable or that
- no proceeds on sale would accrue to the Board.

13.3 Where any items to be written off do constitute part of a stock account, the procedures for recording the write off within the Board's accounts and the method of disposing of the goods shall be approved by the Chief Executive/Finance Manager. The Chief Executive/Finance Manager shall then make the appropriate adjustments to accounting records.

14. **SALARIES, WAGES AND PENSIONS**

14.1 All new appointments shall be approved by the Board, and will be made in accordance with the local grading structure and scales of pay.

14.2 The payment of all salaries, wages, Local Government Superannuation Scheme pensions, compensation and other emoluments to all present or former employees shall be made by the Chief Executive/Finance Manager or under arrangements controlled by him.

14.3 Each responsible officer shall notify the Chief Executive/Finance Manager immediately, and in the form prescribed by him, of all matters affecting such payments, and in particular:-

- resignations, dismissals, suspensions, secondments and transfers
- absences from duty for sickness, unpaid leave or other reason, but not normal leave
- changes in remuneration, other than pay awards and agreements of general application
- information necessary to maintain records of service for superannuation, income tax, national insurance and the like.

14.4 Time records or other pay documents shall be in a form prescribed or approved by the Chief Executive/Finance Manager and shall be certified in writing by or on behalf of the responsible officer. The documents must be approved by the Chief Executive/Finance Manager in order to satisfy his obligations under taxation legislation.

14.5 The Chief Executive/Finance Manager, unless determined otherwise by the Board, shall be responsible for operating the private use of the Board's vehicles and shall be notified by the responsible officer of any financial adjustments to be made to salaries in respect of employees' Contributions.

15. **BOARD EMPLOYEES**

15.1 All employees must comply with the approved EMPLOYEES CODE OF CONDUCT POLICY.

16. **MEMBERS' AND EMPLOYEES' ALLOWANCES**

- 16.1 All staff claims for payment of car allowances, subsistence allowances, travelling and any other incidental expense shall be submitted as required duly certified, in a form approved by the Chief Executive/Finance Manager.
- 16.2 The certification by or on behalf of the responsible officer shall imply that the certifying officer is satisfied that the journeys were authorised, the expenses properly and necessarily incurred and that the allowances are properly payable by the Board.
- 16.3 An officer shall not certify a claim form made payable to him/herself.
- 16.4 Claim forms submitted more than six months after the expenditure has been incurred shall be paid only on the approval of the Chief Executive/Finance Manager.
- 16.5 Payments to Members, (including co-opted Members of the Board or its Committees), who are entitled to claim travelling or other allowances will be made by the Chief Executive/Finance Manager upon receipt of the completed prescribed form.

17. **INSURANCES**

- 17.1 The Chief Executive/Finance Manager shall, in consultation with the responsible officer, initiate all insurance cover and negotiate all claims in consultation with other officers where necessary.
- 17.2 Responsible officers shall promptly notify the Chief Executive/Finance Manager of all new risks, properties or vehicles needing to be insured, and of any disposals or alterations affecting existing insurances.
- 17.3 Responsible officers shall notify the Chief Executive/Finance Manager of any loss, liability or damage or any event likely to lead to a claim on any Board policy, and shall where appropriate notify the police of the relevant circumstances.
- 17.4 All employees of the Board shall be included in a suitable fidelity guarantee insurance.
- 17.5 The Chief Executive/Finance Manager shall annually, or at such other period as he considers necessary, review all insurances held by the Board in consultation with other responsible officers as appropriate.
- 17.6 Responsible officers shall consult the Chief Executive/Finance Manager in respect of the terms of any indemnity which the Board is requested to give.
- 17.7 Subject to the agreement of the Chief Executive/Finance Manager, the responsible officer shall inspect insurance policies of contractors for building, construction or engineering works to ensure as far as possible that all necessary cover has been taken out.

18. **SECURITY**

- 18.1 Each responsible officer is responsible for maintaining proper security at all times for all buildings, stores, paint, vehicles, equipment, cash, documents and information under his/her control. Each responsible officer shall consult the Chief Executive/Finance Manager in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.

- 18.2 All officers of the Board have a duty to comply with the requirements of the Data Protection Act 1984 and any amending legislation. Responsible officers shall ensure that staff are aware of their responsibilities under this legislation through the provision of suitable training and the circulation of relevant information on the subject.
- 18.3 Maximum limits for cash holdings of £1,000 should not be exceeded without the knowledge of the Chief Executive.
- 18.4 Keys to safes and similar receptacles are to be secured by those responsible at all times. A list of such key holders shall be supplied to the Chief Executive/Finance Manager. Where keys are transferred between staff, the new recipient assumes responsibility. The loss of any keys must be reported immediately to the Chief Executive/Finance Manager.
(List O/S)

19. **PROTECTION OF PRIVATE PROPERTY**

- 19.1 Each responsible officer shall notify the Chief Executive/Finance Manager of any case where steps are necessary to prevent or mitigate loss or damage of moveable property.
- 19.2 The Board shall not be liable for accidental loss or damage to the personal possessions which employees' use whilst on Board business that are not included under the Board's Insurance Policies.
- 19.3 All recovered valuables such as jewelry, watches and other small items of a similar nature and documents of title shall be recorded and kept under safe custody as directed by the Chief Executive/Finance Manager who will report the matter to the Police. Items not claimed shall be determined to be the Board's property, and be disposed of in a manner approved by Chief Executive/Finance Manager.
- 19.4 In the event of theft of personal items from staff, a full report shall be made by the affected employee as soon as the theft has been discovered. All such incidents shall be recorded and investigated. Where possible, the Chief Executive/Finance Manager or responsible officer shall make appropriate recommendations to improve security.

20 **INTERNAL CONTROLS ASSURANCE**

20.1 Policy

The Board's policy is to rely on an external review of Internal Controls to give the Board assurance that the Internal Controls set out in the Financial Regulations are being followed by the Board's officers. In 2010, the Board appointed an internal auditor (David Gowing), who has considerable experience working in internal audit at a large local authority. He also provides Internal Audit Services to most other Boards in Lincolnshire.

In addition, a Governance and Risk Committee (GRC) was set up in 2010 to deal with such matters, including the work of the Internal Auditor. In 2012, the Internal Auditor carried out a review of the Board in response to the Caldicott & Wentlooge PIR and concluded that the Board was compliant with the governance issues raised in this report.

In order to ensure that any areas of concern are addressed, the Board reviews a copy of the Internal Auditor's report for each year together with the Management Action Plan delivering any changes required.

The Board have received an Internal Audit Report which gave an "adequate assurance" conclusion in each year since 2010/11 and they are confident that the GRC and the Internal audit work will ensure that this continues.

Details of the Internal Control Strategy employed by the Internal Auditor and relied upon by the Board is shown below:

20.2 INTERNAL AUDIT STRATEGY

This Audit Strategy is designed to be a high level statement of how the Internal Audit Service will be delivered and developed.

Internal audit is an independent, objective assurance and pro-active consulting service designed to add value and improve the Board's operations. It provides an independent and objective opinion to the Board on the control environment that comprises risk management, control and governance.

The Accounts and Audit Regulations 2011 state that the Board is responsible for ensuring the financial management of the organisation is adequate and effective and that the Board has sound systems of internal control which facilitate the effective exercise of their functions (including risk management). The Board should conduct a review, at least once a year, of the effectiveness of its systems of internal control. The Regulations also require that following the review, the Board must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control. The Internal Audit Service is a key independent and objective source of assurance for the Board.

The authority of Internal Audit is included within Financial Regulations.

20.3 RESOURCES

The Internal Audit Service is to be provided by an external contractor, appointed by the Board, who is an experienced and qualified internal auditor.

20.4 AREAS OF WORK

All internal audit work will be undertaken with due regard to the Governance and Accountability in Internal Drainage Boards – a Practitioners' Guide and the CIPFA Code of Internal Audit Practice in Local Government.

The annual audit plan will be devised through discussions and agreement with the Chief Executive, Board Members and the External Auditor.

The following paragraphs describe the main areas of audit work. The work concentrates on assurance and risk-based audits, traditional probity checks, assistance with risk management and provision of advice.

Assurance Audits

Financial systems are to be reviewed to provide assurance to the Board and for the annual return. Where appropriate probity audits will be undertaken and the propriety, accuracy and recording of transactions sample tested. A risk based approach will be adopted so detailed checking of all systems and transactions will not be undertaken.

Risk Management

The risk register will be used to determine the main areas of audit. If the risk register is not fully developed assistance will be given if required to complete an operational document. This approach offers flexibility to address the Board's risks as they arise and establishes greater synergy between internal audit and the management of risks facing the Board.

Consultancy and Advice

Internal Audit will be available to assist the Board with control or operational issues. During the year there might be emerging risks or issues that need an independent view or review. In addition, internal audit will be pro-active with suggestions and advice to management from information gained through experience, other IDBs and organisations and networking groups.

Anti-fraud and Corruption

Internal Audit will be pro-active in counter fraud work. Although it is not a function of Internal Audit to detect fraud (this is a responsibility of management and good system control) work will be undertaken to help ensure there are adequate systems and procedures to highlight potential instances.

Value for Money (VFM)

As a part of the audit review, systems and controls established by management to secure VFM will be examined and evaluated. Internal audit can undertake detailed VFM reviews upon request.

Audit Reports

At the completion of each audit a report will be produced and agreed with the Chief Executive. This details the terms of reference and scope of the audit, findings, recommendations and a management action plan. An executive summary which includes an audit opinion on controls will be included.

An annual internal audit report shall be produced to the Board to provide an overall opinion on controls and detail the audit work for the year.

21. GENERAL RESERVE BALANCE

21.1 The Financial Statements include the following statement in the Reserves note:

(e) The Boards policy is to maintain this balance at a minimum of 20% of the annual expenditure in the Income and Expenditure Account.

This policy should be reviewed annually by the Board

22. REVIEW

22.1 These Financial Regulations shall be reviewed annually by the Board.