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| **HIGH LIFE HIGHLAND**  **FINANCIAL REGULATIONS**  **March 2012** |

HIGH LIFE HIGHLAND

FINANCIAL REGULATIONS

March 2012

Financial Regulations

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**SECTION 1 – OVERVIEW**

**1. SCOPE**

1.1

The purpose of this document is to provide a means of ensuring that High Life Highland (HLH) has adequate systems and controls in place to ensure the “proper administration of its financial affairs”. The Board of Directors are responsible for the governance of the financial matters of HLH, and it is the role of the Chief Executive to ensure that these systems and controls are in place and are operating effectively.

1.2

The Board, Chief Executive, management and staff of HLH shall observe these Regulations and supporting Guidance Notes.

1.3

For the purpose of these Regulations, the term “Head of Service” is taken to mean those staff of the Senior Management Team responsible for Business, Performance and Resources.

1.4

Any contravention of or potential non-compliance with these Regulations will be reported immediately to the Head of Resources and Finance Manager , who may discuss the matter with the Chief Executive and any other Head of Service as appropriate, to determine any action to be taken. Any material breaches of these regulations will be reported to the Chair of the Finance and Audit Committee of the Board.

1.5

These Regulations will be applied and interpreted in a manner which takes account of the obligations contained within HLH’s Contract Standing Orders.

**2. RESPONSIBILITIES**

2.1 **Board/Committees**

2.1.1 HLH, through its Board, sub-committees and officers will continuously strive to secure best value by way of economic, efficient and effective use of resources.

2.1.2 The Finance and Audit Committee will be responsible for overseeing HLH’s financial management arrangements on behalf of the Board.

2.1.3 The Head of Resources and Finance Manager, in consultation with the Chief Executive and other Heads of Service, as appropriate, will advise the Board and all other Committees on the financial policies and guidance as approved.

2.2 **Chief Executive**

2.2.1 The Chief Executive has overall responsibility for the proper management of HLH including all financial matters.

2.3 **Head of Resources & Finance Manager**

2.3.1 These Financial Regulations detail the responsibilities of the Head of Resources & Finance Manager who are responsible for the proper financial administration of HLH’s affairs, and act as financial advisers to the Board.

2.3.2 Any reference in these Regulations to the Head of Resources & Finance Manager includes those specifically authorised by them to undertake the various functions concerned.

2.4 **Heads of Service**

2.4.1 Heads of Service will ensure that all relevant employees are aware of these Regulations and that they are fully complied with.

2.4.2 All actions affecting HLH’s finances should only be conducted by properly authorised employees. In respect of delegated activity, Heads of Service will establish a clear and effective framework of authorisation for their Services.

2.4.3 Heads of Service and other persons authorised by them will ensure that only expenditure within the legal powers of HLH is incurred. Where this is not clear, the authorised person will consult the Finance Manager prior to incurring such expenditure. Similarly, the legality of expenditure relating to new Service developments, initial contributions to other organisations and responses to new emergency situations will also be clarified prior to any related expenditure being incurred.

2.4.4 Heads of Service will ensure that all spending within capital and revenue estimates conforms to proper accounting standards and will seek clarification of the proper classification, if required, from the Head of Resources & Finance Manager

2.5 **Personal Responsibilities**

2.5.1 All officers and staff of HLH should strive to achieve best value and avoid legal challenge to HLH. These responsibilities similarly apply when staff or officers are representing HLH on external bodies and partnerships.

2.5.2 In the course of their duties officers and staff will see financial and other materials of a confidential nature. There is a general responsibility that all such matters are not disclosed except to authorised personnel. The requirements of Data Protection legislation (see Section 28.1.4) must always be observed.

2.5.3 All officers must report to their line manager any illegality, impropriety, breach of procedure or serious deficiency in the provision of service. Employees are able to do this without fear of recrimination providing they act in good faith via HLH’s Whistleblowing Policy. Where officers are aware of, or suspect that fraud has been committed, the Head of Internal Audit & Risk Management of Highland Council must be contacted in accordance with the requirements of Financial Regulations 16.1.4 and 16.1.5.

3**. CORPORATE GOVERNANCE**

3.1

Corporate governance is about the structures and processes for decision making and accountability, controls and behaviour throughout HLH. The fundamental principles of corporate governance are:

**Openness:**

anyone with an interest in HLH’s affairs should have confidence in the decision-making and management processes and the individuals involved in them. This confidence is gained through openness in HLH’s affairs and by providing full, accurate and clear information which leads to effective and timely action and scrutiny.

**Integrity:**

there should be honesty, selflessness and objectivity and high standards of propriety and probity in the stewardship of HLH’s funds and the management of HLH’s affairs. Integrity is dependent on the effectiveness of the control framework and on the personal standards and professionalism of staff and employees.

**Accountability:**

there needs to be a clear understanding by everyone involved in HLH’s affairs of their roles and responsibilities. There should also be a process which provides appropriate external scrutiny of the decisions and actions of those involved in HLH’s affairs including the stewardship of HLH’s funds and performance.

3.2

Heads of Service shall provide the Head of Resources & Finance Manager with an Annual Statement on Internal Control in respect of their Service.

These Financial Regulations, supported by Guidance Notes, are an essential component of the Corporate Governance of HLH.

3.4

The Head of Resources should regularly update the Finance and Audit Committee with an opinion as to the adequacy and effectiveness of the system of internal control, and report annually to the Board

4. **FRAMEWORK FOR FINANCIAL ADMINISTRATION**

4.1

These Regulations may only be amended by the Board of HLH, following advice from the Finance and Audit Committee.

4.2.

The Head of Resources & Finance Manager as the “Proper Officer‟ for the proper administration of HLH’s financial affairs will oversee the operation of these Regulations within HLH. These provide the Chief Executive, Heads of Service, officers and staff with the written framework which governs HLH’s financial affairs.

4.3

All Guidance Notes issued in terms of these Regulations are issued with the same status and authority as if they were contained within these Regulations. Compliance with the Guidance Notes is mandatory in the same way as the Regulations.

4.4

These Regulations and supporting Guidance Notes are not exhaustive and supplementary guidance will be made available by way of manuals, procedures and policy documents. However, not every eventuality can be foreseen or every circumstance taken into account. Therefore, there is a general responsibility for all officers to act properly where instances of uncertainty arise and to seek advice from staff within the Finance Department.

4.5

These Regulations may be varied or revoked by the Board of HLH and any variation or revocation will be effective from the first working day after the conclusion of the Board meeting at which they are approved.

4.6

Any matters requiring legal interpretation will be referred to the Head of Resources.

**SECTION 2 - FINANCIAL MANAGEMENT**

5. **ACCOUNTING PROCEDURES AND REPORTING**

**Introduction**

**This section gives advice on HLH’s requirements for accounting procedures and records, production and publication of Annual Accounts, maintenance of an asset register and the presentation of External Audit reports to the Finance and Audit Committee.**

5.1

The accounting procedures, records of HLH, and accounting records will be prepared in accordance with directions provided by the Head of Resources & Finance Manager.

5.2

The Annual Accounts will be prepared in accordance with proper accounting practice, GAAP and Accounting and Reporting by Charities: Statement of Recommended Practice (Revised 2005), to report HLH’s financial performance to the end of the financial year to 31 March. The completed Accounts must be completed no later than 30 June. HLH’s audited accounts will be presented to the Finance and Audit Committee at the first available opportunity, and thereafter to the Board of HLH for approval.

5.3

Heads of Service must provide any information necessary for the closure of the Accounts within prescribed timescales. Details of the information required and procedures to be followed will be issued annually by the Head of Resources & Finance Manager.

5.4

In accordance with statutory requirements, the Head of Resources & Finance Manager will ensure that a register of all assets owned by HLH is maintained. To enable the asset register to be updated and maintained, all Heads of Service must comply with any procedures and requirements issued by the Head of Resources & Finance Manager (or any person to whom maintenance of the register is delegated) in respect of all assets under their control.

5.5

The Head of Resources & Finance Manager will arrange the presentation of all External Audit reports including reports on the audited Annual Accounts to the Finance and Audit Committee, and make appropriate arrangements for the submission of said accounts to Companies House and OSCR.

5.6

Any matter which is liable to have a material effect on HLH’s finances must be discussed with the Chief Executive, Head of Resources, Finance Manager, and the Chair of the Finance and Audit Committee before any provisional or other commitment is incurred. Where Senior Management Team reports provide proposals requiring a decision, a paragraph headed “Resource Implications” should be provided detailing any financial, staffing, property, IT, vehicle or plant issues associated with the proposals and how they are to be funded.

6. **CAPITAL EXPENDITURE PLANNING**

**Introduction**

**This section details HLH’s requirements in relation to Capital Plans.**

**To facilitate the decision making process and support capital investment decisions, the Prudential Code requires Councils and subsidiaries to agree and monitor a number of prudential indicators.**

**Guidance Note:** [**Definition of Capital Expenditure**](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/Guidance%20Note%20-%20Definition%20of%20Capital%20Expenditure.docx)

6.1 **The following procedures apply to the preparation of HLH’s Capital Plans:**

6.1.1 The Head of Resources & Finance Manager in consultation with the Chief Executive, and other Head of Service as necessary, will co-ordinate the preparation of the Capital Plan.

6.1.2 In order to prepare the above plan Heads of Service will provide any information as required, in line with guidance issued relating to Corporate Option Appraisal Methodology.

6.2

The Board of HLH will review and approve the Annual Capital Budget and the Head of Resources will deliver relevant operational Capital Programmes (containing the estimated capital expenditure for each project) covering five financial years with regard to:

* HLH’s corporate values and priorities;
* the nature and scale of local investment needs; and
* the availability of capital resources.

6.3

Once the Capital Programmes have been approved by the Board, Heads of Service will ensure that all statutory and non-statutory approvals and permissions, including legal entry to any land or buildings, are available in due time.

6.4

Approval of the operational capital programme by the Board gives the Chief Executive authority to incur expenditure on specific projects.

7. **CONTROL OF CAPITAL EXPENDITURE**

**Introduction**

**This section details HLH’s requirements for monitoring capital expenditure in relation to the approved Capital Programmes. It also provides guidance for dealing with emergencies and the subject of consultation approvals. Any matter having a material effect on HLH’s finances should be subject to consultation with the Head of Resources & Finance Manager before any provisional or other commitment is incurred.**

7.1

All Heads of Service will monitor and regulate the financial performance of the Capital Programmes for which they are responsible.

The requirements of Contract Standing Orders (see Section 12.1) must be observed with regard to any capital expenditure commitments.

7.2

Heads of Service will ensure that all relevant Government approvals have been obtained before the commencement of all capital projects, including those projects subject to grants for Partnership, specific Scottish or UK Grants and European Grants. Reference should be made to Section 14 of these Regulations which refers to Grant Procedures. All grant applications require to be signed and submitted by the Head of Resources on behalf of HLH.

7.3

Capital expenditure will only be incurred on projects included in the Capital Programme, unless a report revising the programme has been submitted by the appropriate Head of Service and has been approved by the Chief Executive for incurring expenditure in that year.

7.4

The Chief Executive shall have the authority to alter a Capital Programme, within the approved programme, in any of the following ways:

* by accelerating the progress on a project by deferring the start of other projects within the programme;
* by spending on a project programmed to start at a later date in the year where delays are occurring generally in the Programme; or
* by delaying or accelerating projects programmed to start at a later date where project over/underspends are identified.

Any changes made will be reported at the next available Board Meeting.

7.5

Heads of Service, in consultation with the Head of Resources & Finance Manager, will provide regular budget monitoring statements with actual expenditure to date and the predicted year end position to the Chief Executive. An overview will be provided to the board of HLH. Explanations for any significant variances will be provided by Heads of Service who must ensure that the provision in the Capital Estimates is not exceeded and that the expenditure conforms to the requirements of these Regulations. At the completion of each project on the Capital Programme, Head of Service will provide the Chief Executive and the Board of HLH with a report on the total cost of the project against the original budget.

7.6

The Head of Resources will provide the Finance and Audit Committee of HLH with regular monitoring reports on the Capital Programme

8. **REVENUE ESTIMATES**

**Introduction**

**This section details HLH’s requirements for the preparation of revenue estimates. Head of Service have a key role to play in supplying the Head of Resources & Finance Manager with accurate and timeous information, in order to ensure that realistic budgets are set for Service activity levels. The approval of the revenue estimates by HLH gives Heads of Service the authority to incur appropriate expenditure to deliver approved service levels.**

8.1

The format of the revenue estimates will be determined by the Head of Resources & Finance Manager. Detailed guidance will be issued to Heads of Service on the preparation of revenue estimates.

8.2

The Head of Resources & Finance Manager will annually prepare revenue estimates of income and expenditure for the forthcoming financial year. In addition, revenue estimates will be prepared on a cycle that reflects central government’s three year settlement periods. In order to timeously complete these estimates, Heads of Service will provide all information required within the prescribed timescales. Heads of Service should ensure that revenue estimates meet, as far as is practicable, Business Plan objectives.

8.3

Approval of the revenue estimates gives Heads of Service authority to incur expenditure and to raise income, within the scope of HLH policy to the extent of the budget amount.

9. **CONTROL OF REVENUE EXPENDITURE INCLUDING VIREMENT**

**Introduction**

**This section provides details of HLH’s requirements for budgetary control and virement and also refers to delegated powers regarding the incurring of expenditure in emergency situations.**

**Guidance Notes:** [**Budgetary Control**](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/Guidance%20Note%20-%20Budgetary%20Control.docx)

[**Journal Entries**](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/Guidance%20Note%20-%20Journal%20Entries.docx)

[**Budget Virement**](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/Guidance%20Note%20-Budget%20Virement.docx)

9.1

It will be the duty of the chief executive to monitor and control revenue budgets for HLH as a whole.

9.2

It will be the duty of the Heads of Service to monitor and control revenue budgets for their Service. In particular they should ensure that an accountable budget holder is identified for each cost centre.

9.3

In order to assist in this matter, the Head of Resources & Finance Manager will ensure that an appropriate framework for budgetary management and control is in place, and that regular financial reports are produced in an appropriate format for monitoring purposes. The Guidance Note on [Budgetary Control](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/Guidance%20Note%20-%20Budgetary%20Control.docx) provides this framework and sets out the responsibilities of Budget Holders, Heads of Service, Finance Manager and Chief Executive.

9.4

Heads of Service in consultation with the Head of Resources & Finance Manager will produce summarised monitoring reports on a quarterly basis for submission to the Audit & Finance Committee. These reports will include details of actual expenditure to date and the predicted year end position.

9.5

The Chief Executive has the following delegated powers in respect of expenditure of an emergency nature:

9.5.1 To authorise expenditure of an urgent/emergency nature in consultation with the Head of Resources & Finance Manager, provided that the expenditure is reported to the first available meeting of the Board of HLH.

9.5.2 To take such immediate action, as may be necessary, to protect the interests of HLH in relation to:

* Emergencies arising from industrial action by employees, or groups of HLH.
* Any other emergency which, in the opinion of the Chief Executive, in consultation with the appropriate officers, requires such action.

9.6

The procedures for effecting accounting adjustments by journal transfer are provided in the [Guidance Note – Journal Entries.](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/Guidance%20Note%20-%20Journal%20Entries.docx)

9.7

Virement is available to budget holders in order to ensure the proper management of service budgets and to contain overspending. All requests for Virement must be made in writing to the Finance Manager and must follow the principles referred to in the [Guidance Note – Budget Virement.](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/Guidance%20Note%20-Budget%20Virement.docx)

9.8

Maintenance of appropriate costing systems is essential for the regular monitoring of performance and allocation of costs in the financial ledger. Reconciliation of any costing systems not linked to the financial ledger system will be carried out by the Finance Department on a regular basis.

**SECTION 3 – FINANCIAL GOVERNANCE**

10. **BANKING ARRANGEMENTS**

**Introduction**

**This section details HLH’s requirements for banking including:**

**- Appointment of bankers**

**- Opening/Closing of bank accounts**

**- Cheques and Cheque control**

**- Banking of income**

**- Payments by BACS and CHAPS**

10.1

The Board of HLH will be responsible for the appointment of HLH’s bankers.

10.2

All arrangements with HLH’s bankers will be made by the Head of Resources & Finance Manager who will open or close bank accounts, including Girobank accounts as necessary. All requests to open or close bank accounts must be made to the Head of Resources & Finance Manager.

10.3

Bank accounts shall be in the name, or incorporate the name, of High Life Highland, and not in the name of any officer or designation.

10.4

All cheques including Girobank payment forms will be ordered on the authority of the Head of Resources & Finance Manager who will make the necessary arrangements for their safe custody.

10.5

Cheques on HLH’s bank accounts, including Girobank accounts, will bear the facsimile signature of, or be signed by, those persons authorised by the Board of HLH from time to time.

10.6

All HLH employees involved in cheque handling or control will be made aware that:

10.6.1 Under no circumstances will any of HLH’s cheques be altered. Any cheque which has been altered will be treated as a fraudulent attempt to obtain payment.

10.6.2 Requests to issue or re-issue a cheque to a third party will normally be refused. HLH is bound to pay its creditors but not to settle affairs on their behalf.

10.6.3 Where a creditor reports the non-receipt or loss of a cheque, the Creditors Section of the Finance Service will check whether the cheque has been cashed and put a “stop‟ on with the bank. Replacement cheques will be issued only where cheques have not been cashed, the bank has “stopped‟ the cheque.

10.7

The Head of Resources & Finance Manager will make all necessary arrangements to enable appropriate payments to be made through the Business Internet Banking System, the Bankers Automated Clearing System (BACS) and the Clearing House Automated Payments System (CHAPS).

10.8

The Head of Resources & Finance Manager shall be responsible for giving any indemnity required by HLH’s bank regarding the signature of cheques by mechanical means, or where pre-signed computer cheques are used, or where the services of a security firm is used for the deposit or receipt of cash to the bank.

11. **CONDUCT OF EMPLOYEES AND STAFF**

**Introduction**

**HLH has in place an approved Code of Conduct for Employees. Directors and staff are both personally liable for their conduct and as such must comply strictly with the terms of these Codes.**

11.1

The Chief Executive and Heads of Service 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 conditions therein. The code provides guidance in the following areas:

* Relationships, including those with contractors and suppliers
* Conflicts of interest
* Offers of hospitality and gifts

12. **CONTRACT PROCEDURES FOR SERVICES, GOODS AND WORKS**

**Introduction**

**This section refers to HLH’s contract procedures.**

**Full procurement procedures and guidance are available within HLH’s Policy document entitled,** [**Contract Standing Orders**](file:///C:\Users\Martin%20Lynch\Downloads\HLH%20Contract%20Standing%20Orders%202012.docx)

12.1

Contract Standing Orders provide operational guidance with regard to the tendering of contracts for services, goods and works. This guidance includes, but is not limited to, the following matters:

* Tendering and quotation requirements and limits
* Business cases
* Advertising of tenders
* Evaluation criteria
* Risk management procedures
* Engagement of consultants

**13 SECTION NOT USED**

14 **INCOME, GRANT APPLICATIONS AND GRANT CLAIMS**

**Introduction**

**This section details HLH’s procedures for the collection of income. It includes:**

**- a requirement for an annual review of charges**

**- arrangements for collection, custody, control and banking of income**

**- notification of relevant information for submission or certification of grant claims to the Head of Resources & Finance Manager**

**Guidance Notes:** [**Receipt of Income**](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/Guidance%20Note%20-%20Receipt%20of%20Income.docx)

**[Issue of Debtors Accounts](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/Guidance%20Note%20-%20Issue%20of%20Debtor%20Accounts.docx)**

**[Grant Claim Financial Procedures](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/Guidance%20Note%20-%20Grant%20Claim%20Financial%20Procedures.docx)**

14.1 **Receipt of Income**

14.1.1 The collection of all income due to HLH will be the responsibility of the Head of Resources & Finance Manager. All amounts due to HLH will be collected in accordance with arrangements, systems and Guidance Notes approved by the Head of Resources & Finance Manager who have the authority to inspect any relevant documentation as considered necessary.

14.1.2 Unless prescribed by statute, HLH will determine the rates to be charged for goods and services supplied to the public and other organisations.

As part of the annual budgetary process every Head of Service will review the charges for goods or services provided by their Service and, except where the charge is fixed externally, submit their proposals to the Chief Executive for approval. To preserve the real value of such income, recommended increases will take into account the current rate of inflation the corporate provision for inflation and reflect the impact of any change in the rate of VAT.

14.1.3 The Head of Resources & Finance Manager have defined arrangements to ensure the appropriate recording of all income due, and the proper collection, control and banking of all income due to HLH, by way of the Guidance Note entitled [Receipt of Income.](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/Guidance%20Note%20-%20Receipt%20of%20Income.docx)

14.1.4 All cash sums received by a cashier or any other officer of HLH authorised to accept payments shall be immediately acknowledged, by the issue of a receipt, or ticket, or by other agreed method, as detailed in the Guidance Note.

14.1.5 The Finance Manager will approve the format of all receipts books, tickets and other such items and ensure that appropriate arrangements are in place for all ordering, supply and control. Documents should be retained securely in accordance with the [Receipt of Income](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/Guidance%20Note%20-%20Receipt%20of%20Income.docx) Guidance Note.

14.1.6 Transfers of income between employees must be evidenced in Service records, including a signature for its receipt.

14.2 **Issue of Debtor Accounts**

14.2.1 Income arising from work done, goods supplied or services rendered should, where possible, be paid for at the time of delivery. If not, Heads of Service must ensure that debtor accounts are rendered within 14 days from the due date (or month end for regular invoicing) as detailed in the Guidance Note [Issue of Debtors Accounts](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/Guidance%20Note%20-%20Issue%20of%20Debtor%20Accounts.docx). Debtor accounts, once raised, may only be cancelled by an appropriate authorised officer, where it has been raised in error.

14.2.2 The Finance Manager shall lodge claims with the appropriate person (including Liquidators and Trustees in Sequestration) in relation to sums due to HLH.

14.2.3 Information on the procedures for writing off debt due to HLH, but unpaid, is contained within the Guidance Note entitled [Issue of Debtors Accounts](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/Guidance%20Note%20-%20Issue%20of%20Debtor%20Accounts.docx).

14.3 **Grant Applications and Claims**

14.3.1 Heads of Service are responsible for ensuring that all opportunities for HLH to claim available grants are taken and grant applications are submitted to the awarding body. In submitting claims for grant Heads of Service must ensure that they are fully aware of, and comply with, any terms and conditions which require to be observed in respect of the grant application. Reference to this is provided in the Guidance Note entitled [Grant Claim Financial Procedures](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/Guidance%20Note%20-%20Grant%20Claim%20Financial%20Procedures.docx).

14.3.2 HLH Finance Department must maintain a register of grants and ensure that grant claims are completed timeously. Heads of service are responsible for ensuring that relevant information is made available to the Finance Department.

15. **INSURANCE**

**Introduction**

**This section provides details of HLH’s insurance arrangements.**

**Guidance Note:** [**Insurance Claims Procedures**](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/Guidance%20Note%20-%20Insurance%20Claims.docx)

15.1 **Insurance Arrangements**

15.1.1 The Head of Resources & Finance Manager shall effect all insurance cover and negotiate all claims with insurers.

15.1.2 The Head of Resources & Finance Manager may appoint Insurance Brokers, Advisers, Insurers/Underwriters and Claims Handlers, to advise on all aspects of insurance.

15.1.3 Heads of Service will notify the Head of Resources & Finance Manager of all new areas of service provision that may increase HLH’s overall exposure to risk and which should be covered by insurance, or of any service which no longer requires insurance arrangement.

15.1.4 The Head of Resources & Finance Manager will take out the necessary insurances to protect the interests of HLH and will review the terms and conditions of such insurances as required.

15.2 **Review of Insurances**

15.2.1 The Head of Resources & Finance Manager shall annually, or as necessary, review all insurances, in consultation with relevant Head of Service.

15.3 **Claims Procedure**

15.3.1 Heads of Service will immediately notify the Head of Resources & Finance Manager of all losses as detailed in the Guidance Note [Insurance Claims Procedures](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/Guidance%20Note%20-%20Insurance%20Claims.docx). **Under no circumstances should liability of HLH be acknowledged or admitted by any member of staff.**

16. **INTERNAL AND EXTERNAL AUDIT**

**Introduction**

**This section details the role and responsibilities of both Internal and External Audit to HLH.**

16.1 **Internal Audit**

16.1.1 The Internal Audit Section of the Highland Council is managed by the Head of Internal Audit & Risk Management and operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government. The Code defines Internal Audit as “an assurance function that provides an independent and objective opinion to the organisation on the control environment (the systems of governance, risk management and internal control), by evaluating its effectiveness in achieving the organisation’s objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources”.

16.1.2 The purpose, authority and responsibility of Internal Audit within HLH are described in the [Internal Audit Charter](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/as01-internal-audit-charter.pdf) of the Highland Council.

16.1.3 The work of the section, relating to HLH is reported to the Audit & Scrutiny Committee of the Highland Council and also to the Finance and Audit Committee of HLH.

The Head of Internal Audit & Risk Management and the External Audit Senior Manager has right of free and confidential access to the Chair of the Audit and Finance Committee, in order to raise such concern as they may have.

16.1.4 The Head of Internal Audit & Risk Management must be contacted in the following circumstances:

* where fraud has occurred or is suspected (see 16.1.5 below);
* where a Whistleblowing complaint suggests that an irregularity has been committed or there are sufficient grounds for concern (see 16.1.6 below); and
* when a new system is being introduced or materially altered. This is to ensure that any new system or changes being made incorporate the appropriate expected internal controls.

16.1.5 Whenever any matter arises which involves, or is thought to involve, irregularities concerning finance, assets or property of HLH or any suspected irregularities, the Head of Service concerned will immediately notify the Head of Internal Audit & Risk Management. The Head of Internal Audit & Risk Management will take such steps as are considered necessary to investigate any such matters.

HLH has an Anti-fraud and Anti-corruption Policy which outlines HLH’s commitment to creating an anti-fraud culture and maintaining high ethical standards in the administration of public funds. Heads of Service are responsible for ensuring that their employees are aware of this policy and the need for adherence.

Where investigations indicated that a criminal offence may have been committed, the Head of Internal Audit & Risk Management will report the matter to the police and notify the Chief Executive, the Head of Resources and the Chair of the Finance and Audit Committee

16.1.6 HLH has a Whistleblowing Policy which allows employees to raise any concerns regarding malpractice or wrongdoing and receive feedback. The Policy also outlines how concerns are dealt with and actions which may be taken including:

* the commencement of an internal investigation;
* referring the matter to Internal Audit, External Audit or the Police as appropriate; and
* the undertaking of an independent inquiry.

16.1.7 The scope of Internal Audit work allows for unrestricted coverage of HLH’s activities and unrestricted access to any information necessary during the course of an audit review/investigation including:

* the right of access of all reasonable times to all records, assets, personnel and premises including those of partner organisations, where relevant; and
* the requirement to receive such explanations as are necessary concerning any matter under examination.

16.2 **External Audit**

16.2.1 HLH is required under the Companies Act to have an independent external audit of its accounts.

16.2.2 The external auditors will be appointed by the Finance and Audit Committee of HLH.

HLH’s external auditors also have the right to demand access to all records (computerised or manual), documents and correspondence relating to any financial or other transaction of HLH and receive such explanation as are necessary, concerning any matter under examination.

17. **INTERNAL CONTROL AND AUTHORISATION**

**Introduction**

**This section provides advice on internal control and authorisation. Heads of Service are required to ensure the principles outlined are incorporated in the working practices of their Service.**

**Guidance Notes:** [**Authorisation Requirements**](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/Guidance%20Note%20-%20Authorisation%20requirements.docx)

17.1 **Internal Control**

17.1.1 Internal control is defined as the whole system of controls, financial or otherwise, established by management, to provide reasonable assurance of:

* effective and efficient operations
* reliable financial information and reporting
* safeguarding assets
* compliance with laws and regulations

17.1.2 Internal controls will vary throughout HLH, depending on activity, size, volume of transactions and geographical distribution. However, three types of internal control will apply as a minimum requirement:

* Separation of Duties
* Internal Check
* Management Review

17.1.3 Separation of duties will be introduced so that individuals cannot influence financial transactions from start to finish. Therefore transactions will be progressed in stages by different people. For example, orders could be prepared by one person, received and checked off by a second person, and invoice settlement handled by a third; similarly debtor accounts will be raised, payments received and income controlled in separate offices. With appropriate controls where only a small number of employees are available alternative arrangements with appropriate controls must be agreed with the Head of Resources & Finance Manager.

17.1.4 To reduce the chance of errors, all financial transactions must be subject to internal check at appropriate stages.

17.1.5 When the internal control is performed by way of a computerised system and access rights are password controlled, authorisation must be made in the manner specified for the application, as detailed in its user manual.

For the purposes of security, key systems are protected and as such it is imperative that passwords are not disclosed under any circumstances. As HLH continues to use the information systems of the Highland Council, the procedures for access controls are detailed in the [Information Systems Security Policy](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/Information%20systems%20security%20policy.docx).

17.1.6 The Finance Manager is responsible for advising on effective systems of internal control. In order to provide assurance as to the effectiveness of internal controls within financial systems the Head of Internal Audit and Risk Management of the Highland Council must be consulted, and give assurance on the adequacy of internal controls when any financial system is being introduced, or materially altered, as outlined in Section 16.1.4 of these Regulations.

17.2 **Authorisation**

17.2.1 HLH will only enter into transactions that are required for the essential conduct of its business. Consequently, all financial transactions will be authorised before being effected. The requirements with regard to authorisation are provided in the [Authorisation Requirements](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/Guidance%20Note%20-%20Authorisation%20requirements.docx) Guidance Note.

Heads of Service are responsible for determining those officers responsible for the authorising of financial transactions to meet the needs within the management structures of their Service.

In addition to any changes occurring during the year, an annual review of those officers responsible for authorising financial transactions must be undertaken by each Head of Service.

17.2.2 By authorising financial transactions, officers are accepting responsibility for them, confirming immediately that they are satisfied the following are true:

**Orders**

Goods or services are relevant to HLH’s needs, and are procured at an appropriate price and quality from an approved contract supplier;

**Purchase & Fuel Cards**

Goods or services are relevant to HLH’s needs, and are procured at an appropriate price and quality, and that the transaction has been carried out in accordance with specific guidelines pertaining to the cards.

**Timesheets and overtime claims**

The hours stated are actually worked by HLH employee concerned, have not been previously paid, and are in accordance with a contract of employment. Overtime claims comply with the terms of HLH’s Overtime Working and Flexible Work Hours Policies;

**Expense claims**

The activity claimed was approved in advance; performed in the manner stated, and was necessary to the business of HLH. The claim conforms with the relevant rates or entitlements in terms of HLH’s Code of Conduct for Travel and Subsistence;

**Petty cash claims (imprest)**

The expenditure incurred was for items of a minor nature (less than £25); is fully supported by till receipts or other reliable vouchers; is allocated to valid account codes; the imprest account has been inspected and the cash in hand checked in accordance with the correct procedures;

**Invoices (including interim contract payments)**

The goods or services have been received by HLH, a valid official order number is quoted and met the required quality standard; is a legitimate expense; the price paid is consistent with order details or other contractual arrangement with the supplier; the invoice has not previously been paid; and the costs have been allocated to appropriate codes in HLH’s accounting records;

**Accounts receivable (including sundry debtors)**

The account represents the amount due for services or supplies rendered for a statutory fee, or an undischarged debt, is for the amount obtainable under the current scale of charges, is correctly calculated and payment has not previously been rendered.

17.2.3 Staff must only authorise a transaction when they are aware of its circumstances; are given access to documents supporting it if required, and are in a position to challenge it.

17.2.4 Staff will not authorise transactions in which they have a personal interest.

17.2.5 When staff authorise manual transactions they must sign their name in full. The use of initials alone or the use of an ink stamp, is not acceptable.

18. **INVENTORIES AND STORES**

**Introduction**

**This section gives details of Council’s requirements for inventories and stores.**

**Note**

**For ease of reference the Regulations uses these terms as follows:**

**Inventories: Furniture, fittings, equipment, plant, machinery, vehicles, computer**

**equipment, software and other similar items.**

**Stock or stores: Items used in the delivery of a service - fuel, building materials, spare parts, protective clothing and other similar items.**

Guidance Notes: [**Inventory Maintenance**](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/Guidance%20Note%20-%20Inventroy%20Maintenance.docx)

**[Identification and Disposal of Surplus Assets](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/Guidance%20Note%20-%20Identification%20and%20disposal%20of%20surplus%20assets.docx)**

**[Stocks and Stores](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/Guidance%20Note%20-%20Stocks%20and%20stores.docx)**

18.1

Heads of Service will be responsible for maintaining a perpetual or continuous inventory for all assets under their control, and for ensuring that annual checks, by officers independent from the relevant establishment etc, is undertaken as outlined in the Guidance Note entitled “[Inventory Maintenance](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/Guidance%20Note%20-%20Inventroy%20Maintenance.docx)”. Where discrepancies are noted positive action should be taken by Head of Service to rectify the situation.

18.2

It is the responsibility of all Managers to undertake checks on all assets under their control on an annual basis. Any assets identified as being surplus to their needs should be treated in accordance with the Guidance Note entitled “[Identification and Disposal of Surplus Assets](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/Guidance%20Note%20-%20Identification%20and%20disposal%20of%20surplus%20assets.docx)”.

18.3

All Head of Service will implement stock, stores control and costing systems, relevant to their business needs, subject to the approval of the Head of Resources & Finance Manager. Services will comply with the Guidance Note “[Stocks and Stores”.](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/Guidance%20Note%20-%20Stocks%20and%20stores.docx)

19. **DIRECTORS’ REMUNERATION AND EXPENSES**

**Introduction**

**This section details HLH’s requirements for the payment of Directors remuneration and expenses and provides guidance on claims procedures.**

19.1

Payment to Directors will be in accordance with the Scheme adopted by HLH, namely [Code of Conduct for Directors and Guidance Relating to the Receipt of Gifts and Hospitality](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/FINAL%20Code%20of%20Conduct%20and%20Guidance%20for%20the%20Acceptance%20of%20Gifts%20and%20Hospitality%20for%20Directors.docx).

19.2

Payment of expenses will be made upon submission of a valid claim.

19.3

Directors are entitled to payment of travel and subsistence expenses relating to approved duties. Directors are required to submit claims on official expenses claim forms and provide receipts in support of any expenses claimed. Details of the timetable for submission will be provided by the Head of Resources & Finance Manager.

20. **ORDERS FOR SERVICES, GOODS AND WORKS**

**Introduction**

**This section provides details of HLH’s requirements for the purchasing of services, goods and works.**

20.1

The framework of procurement regulation is contained within the guidance “What are the Rules on Procurement?” This provides appropriate reference to all procurement matters.

20.2

The Head of Procurement of Highland Council is responsible for setting up central purchasing contracts and for notifying this information to HLH. Where such contracts are in place Heads of Service must ensure that all staff are aware of, and comply with these arrangements.

20.3

The official order systems, which must be used for the raising of orders for every purchase of services, goods, or works, are PECOS and Highland Council Purchase Cards. In addition, Fuel Cards may be supplied in appropriate circumstances. The only exceptions are with regard to the supply of mains electricity, gas and water. Verbal orders and orders using personal credit cards may not be used under any circumstances. Guidance entitled “[How Do I Order Goods and Services?](http://highlifehighland.com/secure/board/thc-procurement-manual)” makes detailed reference to the use of the official order systems.

20.4

Before placing orders it must be ensured that:

* Expenditure is on items or services which it is within HLH’s legal powers to incur;
* Expenditure is within the relevant estimate provision.

20.5

Orders for computer hardware, software and telecommunications must be logged with the ICT Service Desk in order to ensure that these conform with the IS governance process.

21. **PAYMENT OF INVOICES**

**Introduction**

**This section details HLH’s requirements for the payment of invoices. It includes procedures to ensure that HLH only makes payments which are due to be paid and for the correct amount.**

**Head of Service will ensure that appropriate and efficient systems operate within their Services for the timely processing of invoices.**

**Guidance Note:** [**Receipt of Goods and Payment of Creditor Invoices**](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/Guidance%20Note%20-%20Receipt%20of%20goods%20and%20payment%20of%20creditor%20invoices.docx)

21.1

Apart from petty cash and other payments from imprest accounts, payments from HLH will be via BACS, cheque, CHAPS or Highland Council purchase cards, paid from HLH’s bank account(s) by the Head of Resources & Finance Manager or authorised signatory. Alternative arrangements, including the use of credit cards etc, will be acceptable only if approved in advance by the Head of Resources & Finance Manager.

21.2

Heads of Service will arrange timeous processing of invoices for payment and internal recharges after ensuring that:

* Expenditure is on items or services which it is within HLH’s legal powers to incur;
* Goods, materials or services to which the invoice relates have been received, and are in accordance with the purchase order;
* Prices, extensions, calculations, trade discounts, other allowances, credits and tax are correct;
* Expenditure is within the relevant estimate provision;
* Appropriate entries have been made in inventories, stores or stock records as required;
* Invoices have been made out by the supplier of the goods, services etc, not an officer of HLH

21.3

Payments will only be made on duplicate or photocopied invoices where the Budget Holder has undertaken sufficient checks to ensure that the original invoice has not been previously processed. In respect of Accounts Payable, the invoice should agree to an existing unmatched purchase order although for PECOS orders this is completed as a matter of course. The inability to match a copy invoice should alert the Budget Holder to the possibility that it is a duplicate invoice.

21.4

Where the sum invoiced by a supplier is incorrect, the invoice should be returned to the supplier for alteration. Alternatively, the supplier may issue a credit note which will be processed through the Accounts Payable module of Oracle.

21.5

The format of internal recharges will be approved by the Head of Resources & Finance Manager.

21.6

The Head of Resources & Finance Manager will annually issue instructions to Head of Service on the procedure to be followed regarding unpaid invoices, at the end of the Financial Year.

22. **PAYROLL, PENSIONS , AND TRAVEL AND SUBSISTENCE**

Introduction

**This section provides details of HLH’s requirements for payroll, pensions, travel and subsistence. Although the Head of Resources & Finance Manager is responsible for payment it is essential that Services have systems in place to ensure timeous and accurate information is passed to the Head of Resources & Finance Manager.**

22.1

Employee salaries, wages, pensions, compensation, expenses, subsistence, claims and other emoluments will be paid by the Head of Resources & Finance Manager to all employees of HLH and staff of certain bodies of HLH’s Pension Scheme through the payroll system, or under arrangements approved by HLH.

22.2

The Chief Executive will be responsible for informing all other Head of Service of any changes to Conditions of Service.

22.3

The Chief Executive or appropriate Head of Service will formally notify the Head of Resources & Finance Manager without delay of all matters affecting payments of emoluments; including:

* Appointments, resignations, dismissals, suspensions, secondments and transfers;
* Changes in remuneration, other than normal increments, pay awards and agreements of general application;
* Absences from duty for sickness or other reasons other than approved annual/flexi leave; and
* Information required to maintain records for superannuation, income tax and social security purposes.

22.4

Heads of Service are responsible for ensuring that appointments of staff within their Service are made in accordance with the staffing establishments approved by the Chief Executive.

22.5

Information required for payroll processing will be in a format approved by the Head of Resources & Finance Manager and be authorised by Head of Service or delegated officers.

22.6

All payroll and pension documents must be in a form approved by the Head of Resources & Finance Manager. Where appropriate, these forms should be signed by the claimant prior to being signed by an authorised person.

22.7

Heads of Service should ensure that authorisation and internal control procedures applied within the activity of payroll etc. comply with Section 17.2.

22.8

The Head of Resources & Finance Manager will be responsible for the administration and regulation of employee expenses.

22.9

Certified claims for travel and subsistence allowances expenses will be submitted in a format approved by the Head of Resources & Finance Manager by agreed dates. Details of all authorised signatories, including specimen signatures and any amendments will be provided to the Head of Resources & Finance Manager by Heads of Service.

22.10

Certification of any claim by Heads of Service indicates satisfaction as to the accuracy of the claim and that it agrees with all terms of the [Code of Conduct for Travel and Subsistence](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/travel_and_subsistence.pdf).

22.11

Head of Service will regularly review the arrangements in place within their Service for the certification of any claim to ensure that checks are being performed to the standards detailed in the [Code of Conduct for Travel and Subsistence](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/travel_and_subsistence.pdf).

22.12

Heads of Service will timeously provide the Head of Resources & Finance Manager with any details required for the annual return of taxable emoluments.

**23. PERFORMANCE INDICATORS**

**Introduction**

**This section provides information on statutory performance indicators and their preparation.**

**The Local Government Act 1992 (as amended by the Local Government Act 2003) places a duty upon authorities to ensure they have arrangements in place for collecting, recording and publishing information required to comply with the annual directions issued by the Accounts Commission. HLH must ensure, as far as possible, that the information provided to the Highland Council for these purposes is accurate and complete.**

23.1 **Statutory Performance Indicators**

23.1.1 Under the Local Government Act 1992 (as amended by the Local Government Act 2003), all local authorities are required to publish specific information on the performance of their services. Details of specific performance indicators required to be prepared by HLH are contained within the Service Delivery Contract with the Highland Council.

23.2 **Preparation of Indicators**

23.2.1 The Head of Performance will ensure that staff at Corporate and Service level have been allocated the responsibility for preparing the indicators and ensuring compliance with statutory requirements.

23.2.2 In order to prepare the Indicators each Head of Service will:

* Establish systems and procedures to ensure that the required information is gathered;
* Ensure that all working papers and relevant documents which may be examined by External Auditors will be available on request;
* Gather information which is as far as possible, accurate and complete;
* Ensure the annual direction and guidance is available to all officers involved in the process; and
* Publish the data required in the correct format by the prescribed date.

23.2.3 The Head of Performance will establish and document procedures for ensuring the completeness and accuracy of performance information. These will include: audit trails, internal checks, reconciliations, independent reviews, reasonableness tests, variance analyses etc.

23.2.4 The Head of Performance will also report performance during each financial year against respective Statutory Performance Indicators to the Chief Executive, and on an annual basis to the Board.

24. **PETTY CASH (IMPRESTS)**

**Introduction**

**This section details HLH’s requirements for the operation of petty cash expenditure. The Highland Council accounts for petty cash by way of an imprest system and provides cash floats in circumstances considered appropriate by the Head of Resources & Finance Manager.**

**Guidance Note:** [**Petty Cash and Cash Floats**](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/Guidance%20Note%20-%20Petty%20Cash%20and%20Cash%20Floats.docx)

24.1

Heads of Service are responsible for authorising requests from within their service for petty cash systems. Once approved by the Head of Resources and Finance Manager, petty cash and cash floats should be maintained in accordance with the Guidance Note “[Petty Cash and Cash Floats](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/Guidance%20Note%20-%20Petty%20Cash%20and%20Cash%20Floats.docx)”. This requires that:

* Imprest holders are personally liable for any sums advanced
* Claims should be recorded in an approved format
* Receipts must be provided to evidence all expenditure
* Monies are held securely
* Regular reconciliations are performed
* Annual certificates are provided

25.  **EXTERNAL FUNDING AND PARTNERSHIPS**

**Introduction**

**This section provides guidance regarding the governance of projects involving external funding and/or partnerships.**

**Guidance Note:** [**Partnership Risks**](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/Guidance%20Note%20-%20Project%20and%20Partnership%20risk.docx)

25.1 **Partnerships**

Partnerships, including community planning partnerships, can play a key role in delivering community strategies. In some circumstances, HLH has a leadership role to bring together the contributions of a variety of stakeholders to deliver a shared vision of services based on user needs.

In all instances, each Head of Service of the lead department for HLH should be able to demonstrate that:

(i) the requirements of Treasury Guidance: “A Guidance Note for Public Sector Bodies forming Joint Venture companies

with the Private Sector” will be considered;

(ii) appropriate approval has been obtained;

(iii) a budget for the activity has been approved

(iv) there should be a presumption that HLH’s Financial Regulations will prevail in all circumstances, unless alternative or additional guidance is considered appropriate. The approval of the Head of Resources & Finance Manager will be required to any such departure;

(v) the roles and responsibilities of each of the partners involved have been agreed and formally accepted before any project commences, and that individuals representing the partner organisations are aware of their personal responsibilities;

(vi) documented project management arrangements are in place;

(vii) responsibility for budgetary control for any project is vested in one officer;

(viii) the limits of responsibility for all groups involved in decision-making for any partnership project are clear and agreed. This could include Project Teams, Project Boards, Panels and HLH itself;

(ix) a project exit strategy is in place for limited life projects; and

(x) arrangements are in place for risk appraisal, monitoring, management and control. The Guidance Note “[Partnership Risks](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/Guidance%20Note%20-%20Project%20and%20Partnership%20risk.docx)” should be observed.

26. **RETENTION OF RECORDS, INCLUDING FINANCIAL DOCUMENTS**

**Introduction**

**This section provides detail on the retention and disposal of records and refers to HLH’s Records Retention Policy and Disposal Authority.**

26.1

HLH’s Records Retention Policy and Disposal Authority applies to all records created, received and maintained by HLH staff. It applies to records in any format, including electronic records with or without a paper equivalent and assumes that e-mail is a type of correspondence. The policy clarifies the roles and responsibilities of records owners and supporting staff in making records disposal decisions.

26.2

HLH will ensure that records and information are not kept for longer than is necessary to carry out its statutory functions, service provision and community obligations whilst having due regard for legislative and evidential requirements. In order to achieve this, the Records Retention Policy and Disposal Authority contains a Records Retention Schedule which is an active management document designed to reflect the records and procedures of each Service. The Schedule determines the length of time records are required to be kept and provides an authority against which those records can be disposed of.

27. **RISK MANAGEMENT**

**Introduction**

**This section details the process for the management of risk within HLH. Risk Management is an essential part of HLH’s approach to effective Corporate Governance.**

27.1

Risk Management is an essential part of HLH’s approach to effective Corporate Governance. HLH shall make reference to its Risk Management strategy, process and framework, as part of its statement of assurance for internal financial control.

27.2

HLH is responsible for ensuring that there is a system of internal control which facilitates the effective exercise of HLH’s functions and which includes arrangements for the management of risk.

27.3

Where Reports to the Chief Executive reports provide proposals requiring a decision, a paragraph headed “Risk Implications” should be provided. This should clearly identify the risk along with a brief description of how it is to be managed. All such reports should refer to the Risk Register which should detail the probable impact and the likelihood of the risk.

27.4

The identification of risks is derived from a Corporate and Service level, therefore, the process of risk assessment and analysis results in coverage of the whole of HLH, including project risks. The process prioritises the risks resulting in a focus on the key risks and priorities.

The risks are managed through the development of appropriate action plans and fed into Service Plans and monitored on a quarterly basis. The risk register should include corporate and cross cutting, service and project risks.

27.5

Corporate and cross cutting risks should be reviewed by the Finance and Audit Committee every six months.

28. **SECURITY, ASSET MANAGEMENT AND PROPERTY**

**Introduction**

**This section details HLH’s requirements for security, asset management (including data security) and property.**

28.1 **Security**

28.1.1 Heads of Service are responsible for proper security at all times of the property, cash, stock, stores, furniture, equipment, keys etc under their control.

28.1.2 The borrowing of moveable HLH Assets is forbidden unless prior authority from the Head of Service is received. Under no circumstances should equipment be borrowed for an employee’s personal use.

28.1.3 The arrangements for the security of Information Systems/Technology, associated data, software and services are detailed in the [Information Systems Security Policy](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/Information%20systems%20security%20policy.docx) and [Information Systems Security Framework](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/IS-Security-Framework-Jan2007.docx). [The Acceptable Use Policy](http://highlifehighland.com/uploads/board/financeandaudit/financial_regs_docs/Policy-on-acceptable-Usage-ISv2.0.docx), adopted by HLH, should be complied with at all times.

28.1.4 All officers must comply with the Data Protection legislation with particular reference to: security, registration of data, the purpose for which the data is used, disclosure of data, subject access and staff awareness. Data Protection guidance is available on HLH’s website.

28.1.5 The following procedures should form part of the arrangements Head of Service make for the control and use of keys:

* keys to safes and similar security receptacles must be carried on the person of those responsible or held in a secure place if this practice is inconvenient. The loss of any such keys must be reported immediately to the appropriate Head of Service;
* on no account should safe keys be left in unattended premises which houses the safe;
* duplicate keys should be retained in terms of instructions issued by the appropriate Head of Service
* a register of key holders must be held for each location.

28.1.6 The Head of Resources & Finance Manager will be responsible for ensuring that secure arrangements are in place for the preparation and storing of pre-printed/ pre-signed cheques, stock certificates, bonds and other financial documents.

28.1.7 Heads of Service will be responsible for the security, custody and control of all documents within their Service. The retention period for all financially related books, forms and records will be determined by the Head of Resources & Finance Manager and published in the Document Retention Schedule (see section 26.2).

**29. SECTION NOT USED**

**30. TAX AND VAT MANAGEMENT**

**Introduction**

**This section summarises HLH’s requirements for Income Tax and VAT management. It includes:**

**- Allocation of responsibility for taxation to the Head of Resources;**

**- The appointment of professional advisers; and**

**- The requirement for Head of Service to consult the Head of Resources & Finance Manager on transactions which have tax implications.**

**Periodically HLH is inspected by the HM Revenue and Customs. These inspections may result in the imposition of penalties for non-compliance with tax law. Therefore, it is essential that Heads of Service ensure that employees are aware of any relevant taxation matters and, if necessary, guidance can be obtained from the Head of Resources & Finance Manager.**

[**Guidance on "VAT"**](http://ntintra1/fin/borrowing/budget_tax_intra.htm) **has been issued by the Budget Strategy, Policy and Taxation Section within the Finance Service of the Highland Council.**

30.1

The Head of Resources is responsible for the taxation procedures of HLH, ensuring where possible, that tax liabilities and obligations are properly reported and accounted for.

30.2

In particular the Head of Resources will be responsible for ensuring that transactions comply with relevant statutory requirements and authorities

30.3

In carrying out such responsibilities the Head of Resources 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 justification for assessments made resulting from investigations are properly reviewed;
* Implement arrangements to monitor the execution of these responsibilities; and
* Report any significant changes to HLH’s tax affairs to the Chief Executive.

30.4

The Head of Resources & Finance Manager may appoint professional advisers.

30.5

The Head of Resources & Finance Manager will be responsible for the dissemination of information on tax matters as appropriate. Heads of Service will be responsible for implementing guidelines introduced by the Head of Resources & Finance Manager regarding any particular aspect of tax.

30.6

Where transactions of a new or unusual nature are being considered, Head of Service will consult with the Head of Resources & Finance Manager on the tax implications at the first opportunity.

**31. TREASURY MANAGEMENT**

**Introduction**

**This section explains HLH’s policy for Treasury Management. HLH defines its treasury management activities as “the management of the HLH’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”**

31.1 **Policy Statement**

31.1.1 HLH regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation. It also acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management. In particular it fully endorses the following clauses from CIPFA‟s Treasury Management Code:

(i) HLH will create and maintain, as the cornerstones for effective treasury management:

* a Treasury Management Policy Statement (TMPS), stating the policies, objectives of its treasury management activities; and
* suitable Treasury Management Practices (TMP), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

(ii) HLH will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy, a plan for the year in advance, a mid-year report and an annual report after the year end, in the form prescribed in its TMPS.

(iii) HLH delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Chief Executive and for the execution and administration of treasury management decisions to the Head of Resources & Finance Manager who will act in accordance with HLH’s policy statement and TMPS and CIPFA‟s Standard of Professional Practice on Treasury Management

31.2 **Approved Activities**

31.2.1 Treasury Management covers long and short term borrowing, lending and the arrangement of lease finance. Fuller guidance about approved activities and procedures are available in the TMPS. A summary of the main activities is shown below.

31.2.2 The approved functions of long term borrowing are:

* the determination and arrangement of the long term borrowing requirements of HLH
* the prudent management of the debt of HLH, to minimise exposure to risk.
* the prudent management of the cost of debt charges and borrowing, present and future, to optimise HLH’s interest rate charges. This shall include options such as debt restructuring and rescheduling.

31.2.3 The approved functions of short term borrowing are:

* the calculation and arrangement of short term funding required by HLH.
* the review of terms offered by lenders and identification of the most cost effective options available to HLH.

31.2.4 The approved functions of lease finance arrangement are:

* the identification of assets suitable for finance and operating leasing and arrangement of appropriate leasing terms.
* the arrangement of extensions to existing lease arrangements where required.

31.2.5 The approved functions of investment of surplus funds are:

* the investment of available surplus funds in approved permitted investments in accordance with the CIPFA Code of Practice and HLH’s Treasury Management Policy.
* the regular review of the list of approved investments within the Treasury Practices Statement, and where change is required to obtain approval from the Resources Committee.

31.3 **Use of Treasury and Investment Advisers**

31.3.1 HLH will use the Sector creditworthiness service of Highland Council to determine creditworthy counterparties. This uses ratings from all three credit rating agencies which, by using a scoring system, does not give undue preponderance to any one agency’s ratings.

31.3.2 HLH is alerted to changes to ratings of all three agencies through its use of the Sector creditworthiness service. All credit ratings are monitored from a weekly list which can be updated daily by Sector.

* If a downgrade results in the counterparty/ investment scheme no longer meeting HLH’s minimum criteria, its further use as a new investment will be withdrawn immediately.
* In addition to the use of credit ratings, HLH will be advised of information in movements in Credit default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from HLH’s lending list.

31.3.3 Sole reliance will not be placed on the use of this external service. In addition, HLH will also use market data and market information, information on government support for banks and the credit ratings of that government support.

31.4 **Administrative Arrangements and Delegated Powers**

31.4.1 All HLH monies shall be aggregated for treasury management purposes and will be under the control of the Head of Resources & Finance Manager.

31.4.2 All executive decisions on borrowing, investment and financing shall be delegated to the Head of Resources & Finance Manager or other designated officer and shall be undertaken in accordance with the CIPFA Code of Practices and CIPFA‟s Statement on Recommended Practices (SORP) on Treasury Management.

31.4.3 All borrowings on behalf of HLH shall be held in the name of HLH and secured on the taxes and revenues of HLH unless they relate to trusts under deeds of trust or other documents.

31.4.4 The Head of Resources & Finance Manager, or other designated officers, are all authorised to sign loan, lease and investment documents unless:

* statute or other legal requirements require other signatures; or
* alternative arrangements have been approved by the Chief Executive.

31.4.5 The Head of Resources & Finance Manager shall be the Registrar of stocks, bonds and mortgages held by HLH and shall maintain records of all borrowing.

31.5 **Reporting Requirements and Annual Report**

The Head of Resources & Finance Manager shall submit regular reports on HLH’s treasury management activities to the Chief Executive. This must include an annual strategy plan in advance of the year, a mid-year report and an annual report after the year end in the form prescribed in its Treasury Management Practices.

32. **VOLUNTARY FUNDS**

**Introduction**

**This section explains HLH policy for the operation of voluntary funds. A voluntary fund is defined as any fund (other than an official HLH fund) that is managed wholly or in part by an HLH employee.**

**Voluntary funds can provide substantial levels of finance, and although they do not constitute HLH funds, they are intended to support public services. The standards outlined elsewhere in these Regulations are therefore equally applicable to protect both the source of finance and the employees concerned. Members of the public, parents and other benefactors are also entitled to the same standard of stewardship for voluntary funds as those applicable to public funds.**

32.1

The financial control of voluntary funds shall be of the same standard required of public funds.

32.2

Voluntary funds will be administered separately from HLH funds. Bank accounts may only be opened or operated in accordance with HLH’s Banking Arrangements (see section 10). Such Bank accounts shall bear the name of High Life Highland along with the establishment to which it relates and its purpose.

32.3

HLH employees should not personally involve themselves in the financial administration or activity, of any group or organisation to which they have, as an officer of HLH, been appointed as an adviser to the group or organisation.

32.4

The Head of Resources & Finance Manager may examine the accounts and records of all voluntary funds and ask for such records, explanations and information as may be required.

32.5

Where voluntary funds are administered outwith the accounting system of HLH then the officer responsible should ensure that proper records are maintained and that annual audited accounts are prepared, if applicable.

32.6

All voluntary fund transactions shall require the approval of two authorised signatories.