

Financial Regulations, Management & Control

A Code of Practice

Version 1

September 2014

Approved by Finance, Policy and Resources Committee on

Financial Regulations, Management & Control – A Code of Practice

Table of Contents

Part 1	FINANCIAL REGULATIONS	5
1. Introduction		6
2. Format		6
3. Responsibilities and Observance of Financial Regulations		6
3.1	Responsibility of the Head of Finance	6
3.2	Responsibility of Directors	7
3.3	Responsibility of Chief Executives / Managing Directors of Associated or Subsidiary Companies, Trusts, etc.	7
3.4	Responsibility of the Head of IT, Customer Service and Performance	7
3.5	Responsibility of the Head of Legal and Democratic Services	8
3.6	Councillors	9
3.7	External Audit	9
3.8	Observance	9
4. Associated Codes, Procedure Manuals and Documents		9
4.1	Standing Orders Relating to Contracts	9
4.2	Whistleblowing Policy	9
4.3	Fraud, Bribery and Corruption Policy	10
4.4	Risk Management	10
4.5	Scheme of Delegation	10
4.6	Corporate Governance	10
4.7	Following the Public Pound	10
4.8	Treasury Management	10
4.9	Travel Procedures	11
4.10	Councillors Expenses	11
4.11	Money Laundering	12
4.12	Information Security	12
4.13	Bribery Act 2010	13
4.14	Codes of Conduct	13
5. Good Practice not covered in individual codes		13
5.1	Internal Check	13
5.2	Cash, Banking and Security	13
5.3	Monies Owed to the Council	16
5.4	Employee Remuneration	18
5.5	Officers' Travelling Expenses and Allowances	19
5.6	Stocks and Stores	20
5.7	Security of Other Assets	21
5.8	Leasing	22
5.9	Insurance	22
5.10	Gifts and Hospitality	23
5.11	Purchasing	25
5.12	Consultants & Sub-Contractors	26
5.13	Taxation and VAT	27
5.14	External Funding/Grants	29
5.15	Partnerships and Relationships with Arms Length External Organisations (ALEO's)	31

5.16	Internal Audit	32
5.17	Deposit of Trust Securities	34
5.18	Control of Registered Charities, Trust Funds and Other Funds	34
5.19	Control of Common Good	34
5.20	Voluntary Funds	35
5.21	Pension Fund	36
5.22	Variation and Revocation	36
Part 2	FINANCIAL MANAGEMENT AND CONTROL	37
6. Roles and Responsibilities		38
6.1	Introduction	38
6.2	Councillors	38
6.3	Chief Executive	38
6.4	Head of Finance	39
6.5	Directors	41
6.6	Accounting Staff and Budget Holders	42
7. Internal Control		44
7.1	Introduction	44
7.2	Responsibilities	44
7.3	Control Framework	44
7.4	Internal Control Activities	45
7.5	Embedding Internal Control Activities into Operations	45
7.6	Commonly Used Controls	46
8. Budgetary Control		47
8.1	Revenue	47
8.2	Revenue Budget Preparation	47
8.3	Revenue Budget Monitoring	47
8.4	Revenue Budget Management	48
8.5	Scheme of Virement	48
8.6	Capital	50
8.7	Capital Budget Preparation	50
8.8	Capital Monitoring	50
8.9	Virement of Capital Budgets	51
9. Accounting Policies and Statement of Accounts		51
9.1	General	51
9.2	Annual Abstract of Accounts	52
10. Local Government in Scotland Act 2003		52
10.1	Requirements of the Act	52
10.2	Key Roles and Responsibilities	53
11. Local Authority Reserves		54
11.1	Background	54
11.2	Statutory/Regulatory Framework for Reserves	54
11.3	Operation of Reserves	56
11.4	Role of the Head of Finance	56
11.5	Adequacy of Reserves	56
11.6	Reporting Framework	56

12. North East Scotland Pension Fund

12.1	Introduction	57
12.2	North East Scotland Pension Fund Committee	57
12.3	Pension Fund Management and Control	58

Appendix A – Purchasing : Quotation Exemption Form

Part One

FINANCIAL REGULATIONS

FINANCIAL REGULATIONS

1. INTRODUCTION

Financial Regulations are an integral part of the stewardship of Council Funds. Adhering to the Regulations ensures that all financial transactions of the Council are conducted in a manner which demonstrates openness, integrity and transparency. They form a significant part of the Corporate Governance of the Council.

Failure to comply with the requirements contained within this Code and the associated guidance and procedures will result in an investigation under the Council's Conditions of Service, Disciplinary and Appeals Procedure.

2. FORMAT

Previous versions of the Regulations have provided statements of general rules, some in more detail than others. In many instances the Regulations had to be read in conjunction with procedure manuals, codes of practice and other documents.

This latest version of the Regulations takes proper account of these other documents by providing references to the appropriate documents. Some of the linked documents are intended for internal use and can only be accessed through the Council's Intranet site.

3. RESPONSIBILITIES & OBSERVANCE OF FINANCIAL REGULATIONS

GENERAL RESPONSIBILITIES

All officers employed by the Council, or by a company/trust etc. associated with the Council, whether or not their financial statements are consolidated in the Group Accounts of Aberdeen City Council, must ensure that all financial transactions are Intra Vires.

In the cases of doubt officers must consult the Head of Legal and Democratic Services (the Monitoring Officer) before incurring or legally committing to expenditure.

3.1 Responsibility of the Head of Finance

It shall be the responsibility of the Head of Finance, or designated officer, to ensure that this Control Code of Practice is kept up to date and monitored for its effectiveness. Changes in Statute, professional guidance or Council policy that have a financial impact shall be reflected in the Code. The Head of Finance shall determine the detailed form of capital and revenue estimates. It shall be the responsibility of the Head of Finance to keep Councillors informed at all times on financial matters.

It shall be the responsibility of the Head of Finance, in conjunction with the Director of Corporate Governance, to ensure that the Chief Executive and Councillors are provided with an annual governance statement. Directors and Chief Executives /

Managing Directors of associated or subsidiary companies and trusts will provide such assistance as the Head of Finance may require to provide assurance to the Chief Executive and Councillors.

3.2 Responsibility of Directors

It shall be the duty of each Director to ensure that this Code of Practice and all associated procedure manuals and documents as listed in Section 4 are made known to appropriate staff members and shall ensure full compliance with them. Each Director shall prepare revenue and capital estimates in respect of their Service after consultation with the Head of Finance. Directors are also responsible for the preparation of Service Plans and relevant business cases relating to their Service. Directors shall ensure that the Head of Finance is informed of financial matters that will have a significant impact on the Service, seeking financial advice where necessary.

Directors shall ensure that arrangements are in place to properly establish the correct liability, process and accounting for VAT. For major works, service transformation and other changes in service delivery, the Head of Finance must be consulted on the financial impacts, including VAT implications.

Any VAT debt, including associated interest and/or penalty, arising from failure to adhere to this may be recovered against the budget of the particular Service.

Similarly, any associated interest and/or penalty arising from improper operation of a tax in general may be recovered against the budget of the particular Service.

Directors, in conjunction with Heads of Service are also responsible for the submission of a Certificate of Assurance on the Effectiveness of Internal Financial Controls on an annual basis.

3.3 Responsibility of Chief Executives / Managing Directors of Associated or Subsidiary Companies, Trusts, etc

It shall be the responsibility of all Chief Executives / Managing Directors of associated or subsidiary companies, trusts etc whose accounts form part of the Council's Group Accounts to adhere to the principles of good financial management as contained in this Code of Practice and, in the absence of their own, the procedures manuals and documents referred to in section 4.

It is recognised that related companies and charitable trusts will be required to operate to different standards of financial accounting and reporting, e.g. standards pertaining to Charities. In all other matters Chief Executives / Managing Directors will be expected to follow the principles laid down in these codes.

Chief Executives / Managing Directors are also responsible for the submission of a Certificate of Assurance on the Effectiveness of Internal Financial Controls on an annual basis.

3.4 Responsibility of the Head of IT, Customer Service and Performance

The Director of Corporate Governance has ultimate responsibility for the provision of the Internal Audit service to the Council. The management of Internal Audit is under the control of the Head of IT, Customer Service and Performance. The Head of IT, Customer Service and Performance also has a responsibility to ensure that all

internal audit functions within the Council operate to a consistent standard that accords with best practice.

The Internal Audit Manager (whether employed or engaged to act on behalf of the Council) or duly authorised representative may: -

- (i) Enter at all reasonable times any Council operated premises or land.
- (ii) Have access to all records (electronic or manual), documents and correspondence relating to any financial or other transaction of the Council.
- (iii) Require and receive such explanations as are necessary concerning any matter under examination.
- (iv) Require any employee to produce cash, stores, or any other Council property under his or her control.
- (v) Examine financial records of organisations in receipt of grant aid from the Council.

The Internal Audit Manager may from time to time be procured / engaged from an appropriate source that is external to the Council. These auditors are the Council's representatives and will be afforded the same rights and privileges as an employee operating as an Internal Auditor. The Director of Corporate Governance will ensure that all contracts with outside partners afford auditors (whether employed directly by or engaged by Internal or External Audit) full access rights as listed above.

Whenever any matter arises which involves, or is thought to involve, irregularities concerning funds, stores or other property of the Council or associated or subsidiary companies and trusts or any suspected irregularity in the exercise of the functions of the authority, the Director or Chief Executive / Managing Director concerned shall notify in writing to the Head of Finance and Head of IT, Customer Service and Performance who will agree to take whatever steps are necessary by way of investigation and report.

Reference should be made to section 5.16 below for further information on the Internal Audit function.

3.5 Responsibility of the Head of Legal and Democratic Services

The Head of Legal and Democratic Services (the Monitoring Officer) will provide advice on the legal powers the Council has to act and the legality or otherwise of proposed income and expenditure.

The Head of Legal and Democratic Services shall deal with reported irregularities in accordance with the Council's Whistleblowing Policy and following consultation with the Chief Executive or Director of Corporate Governance shall, where appropriate, report the matter to the Police.

A register of matters relating to Fraud, Bribery and Corruption and Whistleblowing will be retained by the Head of Legal and Democratic Services and a report on matters arising from concluded investigations will be presented to the Audit, Scrutiny and Risk Committee no less than annually.

3.6 Councillors

A Committee of the Council shall be charged with overseeing the work of the Audit function. The terms of reference for the Committee will be published in accordance with the standing orders of the Council. The Committee responsible for oversight of the audit function is the Audit, Scrutiny and Risk Committee. A full copy of the committee's terms of reference can be found on the Council's Internet site.

3.7 External Audit

The Council's External Auditor shall have the right to demand access to all records (electronic or manual), documents and correspondence relating to any financial or other transactions of the Council and receive such explanations as are necessary concerning any matter under examination. Officers of the Council, officers in associated or subsidiary companies, trusts etc and officials of grant aided bodies will ensure that these rights are given to the Council's External Auditors.

3.8 Observance

Any breach or non-compliance with these Regulations must, on discovery, be reported immediately to the Head of Finance who may consult the Chief Executive and/or the Director considered appropriate in order to determine the proper action to be taken.

For the avoidance of doubt the breach of or non-compliance with these Regulations may result in Council's disciplinary policy being applied to the relevant individuals.

4. ASSOCIATED CODES, PROCEDURE MANUALS AND DOCUMENTS

The following is a list of codes of practice, procedure manuals and other documents that form an integral part of the Financial Regulations.

4.1 Standing Orders Relating to Contracts

This document supports the Financial Regulations.

[Standing Orders Relating to Contracts & Procurement](#)

The Head of Legal and Democratic Services, in conjunction with the Head of Commercial and Procurement Services, is responsible for the maintenance of this document.

Reference should also be made to sections 5.11 and 5.12 below in relation to purchasing and contractors / sub-contractors.

4.2 Whistleblowing Policy

This document, produced by the Head of Legal and Democratic Services, sets out the Council's policy with regard to whistleblowing. It is intended to cover concerns that are in the public interest.

[Whistleblowing Policy](#)

The Head of Legal and Democratic Services is responsible for the maintenance of

this document.

4.3 Fraud, Bribery and Corruption Policy

This document, produced by the Head of Finance, in conjunction with the Head of Legal and Democratic Services, sets out the Council's policy on the prevention, detection and investigation of fraud, bribery and corruption.

Fraud, Bribery and Corruption Policy

4.4 Risk Management

The Risk Management Policy and Strategy contain the procedures to be adopted to ensure risk is properly identified and appropriate mitigating control actions are put into place.

Risk Management Policy & Strategy

The Head of IT, Customer Service and Performance is responsible for the maintenance of these documents.

4.5 Scheme of Delegation

Scheme of Delegated Powers

The Head of Legal and Democratic Services is responsible for maintenance of this document.

Each Director shall adopt an appropriate system of delegation that fits with the Council's Scheme of Delegation.

4.6 Corporate Governance

Each Director and Chief Executives / Managing Directors of associated or subsidiary companies, trusts, etc shall ensure that their service/organisation has sound Corporate Governance arrangements in place. Each service and associated or subsidiary company will provide a return each year setting out adherence to these requirements.

The Council will regularly scrutinise the governance arrangements and performance of associated or subsidiary companies, trusts, etc in line with its Arms Length External Organisation (ALEO) governance framework, as approved by the Audit, Scrutiny and Risk Committee.

4.7 Following the Public Pound

The Council's procedures relating to grants to external bodies are documented in Following the Public Pound Local Code of Practice.

Following the Public Pound Local Code of Practice

4.8 Treasury Management

All cash and bank transactions shall comply with the requirement of the CIPFA Code of Practice on Treasury Management in public services. The Head of Finance shall

submit an annual treasury management strategy and investment strategy prior to the new financial year; a treasury management and investment annual report and a mid-year review of the treasury management and investment strategy and performance.

Treasury Management Policy Statement and Strategy

4.9 Travel Procedures

These procedures detail the arrangements for arranging and paying for Councillors and officers travel.

Corporate Travel

These arrangements can only be varied by agreement with the Head of Finance.

GUIDANCE TO BEE ADDED TO REFER TO THE NEW CORPORATE TRAVEL POLICY.

Important

These guidelines must be completed and approved **BEFORE** making any travel arrangements.

4.10 Councillors Expenses

The Scottish Government has laid down arrangements for the payment of Councillors' expenses.

Councillors Remuneration, Allowances and Expenses

National Guidance

Councillors, and officers supporting them, will comply with these regulations.

The Head of Finance has issued guidance to the Chief Executives / Managing Directors of associated or subsidiary companies, trusts etc informing them that any reimbursement of expenses and allowances made by external bodies to Councillors must be made in accordance with the regulations noted above.

4.11 Money Laundering

Notes on the legal and regulatory requirements relating to the handling of money which could have come from the proceeds of crime have been issued to help protect the Council and individual officers from the potential impact of criminals using the Council to launder money.

Money Laundering Guidance

Online Interactive Learning - Courses

The Internal Audit Manager is the officer responsible for reporting suspected Proceeds of Crime Act offences.

4.12 Information Security

The Council has an Information Security Policy which is supported by a number of additional guides. The aim is to ensure that everyone is aware that the information we use as part of our day-to-day work should be protected, held securely and handled with care.

[ICT Acceptable Use Policy](#)

[Councillor ICT Acceptable Use Policy](#)

[ICT Security web pages](#)

Security / Retention of records

Each Director shall be responsible for maintaining proper security, custody and control of all records (both electronic and paper records) within their Service. The Director of Corporate Governance is explicitly authorised to issue rules relating to information management, after consultation with the Convener of Audit, Scrutiny and Risk Committee, whose remit includes responsibility for governance, and the Corporate Management Team.

The retention period for all books, forms and records related to financial matters shall be determined and shall be issued jointly by the Director of Corporate Governance and Head of Finance.

Directors will, in the absence of a relevant rule, determine retention periods for non-financial records taking due cognisance of any legislative requirements where appropriate. This should be done in conjunction with the Head of IT, Customer Service and Performance.

[Information Compliance web pages](#)

Data Protection

Each Director shall be responsible for the use and security of all personal data within their service. Any queries concerning Data Protection issues shall be addressed to the Council's Head of Legal and Democratic Services.

[Data Protection web pages \(including Data Protection Policy\)](#)

4.13 Bribery Act 2010

Aberdeen City Council recognises its responsibilities under the Bribery Act 2010. The Council is an employer and a provider or procurer of works, goods and services, and as such it will not tolerate any contravention of the Act. The Council will not employ individuals, nor conduct business with any individual or third party which does not abide by the terms of the Act.

[Anti Bribery Policy Statement](#)

4.14 Codes of Conduct

Though not specifically finance, Aberdeen City Council expects all Councillors and Officers to adhere to the relevant codes of conduct.

Employee Code of Conduct

Councillor Code of Conduct

5. GOOD PRACTICE NOT COVERED IN INDIVIDUAL CODES

The following Good Practice Statements must be observed by all officers. Failure to do so places not only the Council's assets at risk but could place officers in an invidious position in any investigation.

5.1 Internal Check

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

- (i) Procedures to be followed regarding the calculation, checking and recording of sums due by or to the Council shall be arranged in such a way whereby the work of one person is proven independently or is complementary to the work of another and these operations shall be separated from the duty of collecting or disbursing such sums.
- (ii) Officers charged with the duty of examining and checking the accounts of cash transactions shall not themselves be participants or beneficiaries in any of these transactions.

5.2 Cash, Banking, and Security

5.2.1 General

Income is an essential source of financing many of the Council's services and therefore the system for collection of income needs to meet the following objectives:

- all income, including Council Tax, Business Rates, Council rents, VAT, etc. due to the Council is identified and maximised;
- all collections are recorded and banked promptly and completely;
- the accounting records and debtor accounts are properly and promptly updated.

Each Director/Head of Service is responsible for the prompt and complete collection, of income, ensuring that accurate records are maintained for all income received (or that should be received) by their Service.

Each Director/Head of Service shall review regularly all charges for services rendered and make recommendations to the appropriate Committee for their approval. This must be done in consultation with the Head of Finance.

All monies received on behalf of the Council (subject to a de minimus value of £5.00) must be immediately recorded by the issue of a receipt, controlled ticket or by direct entry into a receipting system. Such methods must be approved by the Head of Finance.

Documents should be retained securely in accordance with the Council's document retention policy.

5.2.2 Treatment of Monies Collected

- All monies received shall be paid into the Council's bank accounts daily or remitted to the Head of Finance without delay at such intervals as may be approved by the Head of Finance.
- All money received by an officer on behalf of the Council shall without delay be reconciled and remitted to the Head of Finance, or as otherwise directed, to the Council's bank accounts.
- No deduction may be made from such money save to the extent that the Head of Finance may specifically authorise.
- Each officer who banks money shall enter on the paying-in slip a reference to the source of the income.
- Maximum limits for cash holdings shall be agreed with the Head of Finance and shall not be exceeded without express permission.

5.2.3 Forms, Books and Tickets

All receipt forms, books, tickets and other such items shall be ordered and supplied under arrangements approved by the Head of Finance.

5.2.4 Personal Cheques

Personal cheques from Council staff shall not be cashed out of monies held on behalf of the Council.

5.2.5 Transfers of Money

Every transfer of Council money (cash or cheques) from one member of staff to another will be evidenced in the records of the services concerned by the signature of the receiving officer.

5.2.6 Arrangements with Bankers

All arrangements with the Council's Bankers concerning the Council's bank accounts and the issue of cheques, BACS, CHAPS and other forms of payment shall be made by the Head of Finance or another authorised bank signatory.

The Head of Finance shall make all arrangements with the Council's Bankers concerning the use of purchase cards and credit cards.

5.2.7 Opening and Closing of Bank Accounts

The bank account of the Council will be opened with the Bank selected by the Finance, Policy and Resources Committee following a suitable procurement process. Where required the Head of Finance will arrange for subsidiary accounts to be opened with the Bank. Therefore all banking arrangements,

including the opening and closing of bank accounts, the approval of authorised signatories, the direction for withdrawals, the ordering and issuing of cheques and day to day operation of all bank accounts shall be made with the approval of the Head of Finance, or nominated officer

All bank accounts opened for use in and for the benefit of Council services shall be in the name, or incorporate the name, of Aberdeen City Council and will not be in the name of any officer or designation. The one exception, subject to the agreement of Internal Audit, is that Social Care and Wellbeing may open accounts in trust for individual clients under the name of the Director/Head of Service and the client

5.2.8 Cheque Control

- All cheques and other documents, but excluding cheques drawn on authorised Imprest accounts, shall be ordered only on the authority of the Head of Finance who shall make proper arrangements for their safe custody.
- Cheques on the Council's main bank accounts shall bear the facsimile signature of the Head of Finance and/or other officer authorised by the Council.

5.2.9 Safe Keys

Keys to safes and similar security boxes are to be carried on the person of those responsible at all times. Keys should be locked overnight in a secure key box or taken home by the responsible person. The loss of any such keys must be reported immediately to the Head of Finance. A register of all such key holders shall be maintained by each Director.

5.2.10 Purchase Cards

Purchase cards allow goods and services to be purchased and charges made electronically. Purchase cards are for business use only and must not be used for personal purchases.

All purchases made with a Council purchase card must be supported by a VAT receipt where relevant. If there is any doubt about whether a VAT receipt is required, clarification should be sought.

Reference to internal guidance will be included when it is available.

5.2.11 Imprests / Petty Cash

The Head of Finance will provide such imprests as considered appropriate for such officers of the Council as may require them for the specific purpose of meeting minor expenses.

Such officers will be personally responsible for imprests which they hold, and, on leaving the employment of the Council or otherwise ceasing to be entitled to hold an imprest, they shall account to the Head of Finance for the amount advanced. A formal record of this accounting will be retained within the service concerned for inspection.

Such imprests held within Services are to be recorded and controlled by the appropriate Director/Head of Service with arrangements made, by them, to include authorisation levels, general security and regular annual checks.

In addition imprests are to be reconciled at regular intervals (no less than quarterly) to the Service's own records and to the financial ledger.

Income received on behalf of the Council cannot be paid into an imprest account, instead must be deposited in the Authority's main bank account(s), or paid over to the Authority in a form as provided elsewhere in these Regulations.

All imprest accounts will be maintained in accordance with guidance issued by, and under the general direction of, the Head of Finance.

5.3 Monies Owed to the Council

5.3.1 General

This refers to, but is not limited to, Charges for Services; Rent; Council Tax; Community Charge; Business Rates; Car Parking and Bus Lane Enforcement Fines.

The collection of debtor accounts shall be administered through the Finance Service, unless otherwise agreed with the Head of Finance.

Wherever possible monies owed should be collected prior to the supply of the goods and services, especially when dealing with companies or persons from outside the UK.

VAT must be applied in compliance with VAT legislation and advice must be sought from the Head of Finance to establish the correct treatment

5.3.2 Debtor Accounts

No debtors invoice should be raised for a value less than £20 (excluding VAT), unless prior dispensation has been granted by the Head of Finance.

If the charge is for a low value then the Service should reduce the frequency of billing. Where charges between Services require to be applied then advice must be sought from the Head of Finance on the most suitable process to achieve this and to ensure that appropriate records are maintained.

Where a service or business need exists invoicing in arrears is permitted, however this should be clearly documented and approved by the Director, and the Head of Finance should be notified so that appropriate accounting treatment can be applied to that are of Service.

Invoices will clearly state the description and relevant details, including cost and VAT where applicable, of the goods / services supplied by the Council. For further information on VAT see section 5.13 below.

5.3.3 Record Keeping

Directors must ensure that adequate supporting information is prepared and retained to support the charges levied for every account raised.

The Head of Finance must maintain adequate accounting arrangements to ensure the prompt and proper recording of all money due to the Council.

The Director of Communities, Housing and Infrastructure must maintain records for the Head of Finance regarding rentals due and payments made towards the amounts due for every housing property. Similarly the Director must maintain records regarding lease arrangements entered into and payments made towards the amounts due for every industrial and commercial property, whether held by the Council, Common Good or Trusts.

The Director of Communities, Housing and Infrastructure must also maintain a record of fines issued in relation to Car Parking and Bus Lane Enforcement. Details must be available to the Head of Finance of fines issued in order to complete the appropriate accounting transactions, including the value of sums collected and reasons and values of fines cancelled and written off

5.3.4 Uncollectable / Bad Debt and Write Off of Debt

The Head of Finance is responsible for setting the accounting policy on uncollectable and bad debt. Appropriate provisions for bad debt will be taken into account when preparing the annual Statement of Accounts.

Where the Head of Finance, or nominated officer(s), considers a debt to be uncollectable they must prepare and retain a schedule of debtors showing home addresses, amounts due, and reason for the debt. Such arrears may be discharged on the authority of the Head of Finance up to a value of £25,000 per debtor.

The Head of Finance may delegate authority, up to £10,000, to nominated officers on the basis that a schedule of written off debt is supplied to him/her on a regular basis, no less frequently 6 monthly.

Where a debt is written off a note will be kept for each individual and they must not be admitted to any housing waiting list unless they have settled the amounts owing or if the Finance, Policy and Resources Committee approves otherwise. Similarly where an individual or business has debt written off they will not be issued with a lease or rental agreement for land, retail, industrial or commercial property unless they have settled the amounts owing or if Finance, Policy and Resources Committee approves otherwise.

The Head of Finance has the authority to approve the write-off in the five categories of:

- (a) insolvency, receivership, liquidation and sequestration;
- (b) ceased trading/defunct company;
- (c) unable to trace;
- (d) recommendation of sheriff officer;
- (e) small balances that are uneconomic to pursue.

The Head of Finance shall submit reports, no less frequently than annually, to the Finance, Policy and Resources Committee advising of the number and value of accounts written off along with individual details of all business rates and sundry debts over £25,000 and the reasons for recommending discharge and write-off.

The Head of Finance has authority to write off all cases of Council Tax, Community Charges, Former Tenants Arrears, Housing Benefit Overpayments and Penalty Charge Notices up to £10,000. The Head of Finance will submit annual reports to the Finance, Policy and Resources Committee advising of the number, value and reasons for such accounts to be written off.

The Head of Head of Communities and Housing has the authority to write off bad debts in relation to homelessness. Factors to be taken into account when identifying which balances may be unreasonable to pursue will include:

- whether ongoing pursuance is likely to result in destitution for the household;
- if sustainability of subsequent accommodation may be affected by collection, and the risk of repeat homelessness increased;
- whether the relative cost/benefit impact is uneconomic, taking account of any indirect costs which may be incurred; and
- the vulnerability of the household members.

The Head of Communities and Housing shall submit a report, no less frequently than annually, to the Communities, Housing and Infrastructure Committee advising on the number, value and reasons for the write off.

5.4 Employee Remuneration

5.4.1 Responsibility for Payment Arrangements

Appointments of all employees are to be made in accordance with the regulations, policies and procedures of the Council and the approved establishment, grades and rates of pay and all casual workers must be paid through the payroll system.

The payment of all salaries, wages, compensation and other emoluments to all employees, former employees, Councillors or beneficiaries shall be made by the Head of Human Resources and Organisational Development under arrangements made or approved by the Head of Finance.

Each Director shall provide such information as directed by the Head of Finance and/or the Head of Human Resources and Organisational Development as is necessary to ensure remuneration is made accurately and timeously. Examples of information requirements include appointment, resignation, dismissal, suspension, secondment, transfer, sickness absence and changes in remuneration, other than pay awards.

The Head of Human Resources and Organisational Development shall also maintain records of service for superannuation, income tax, national insurance and social security purposes as directed.

5.4.2 Form and Certification of Records

All time records or other pay documents shall be in a form prescribed or approved by the Head of Finance and/or the Head of Human Resources and Organisational Development and shall be certified by or on behalf of the Director. Each Director shall maintain a list of officers to authorise time records and other records.

All requests and/or information relating to pay information, whether in paper or electronic format, shall be authorised. No pay document shall be processed unless authorised by an authorised signatory. A list of officers appointed by Directors to authorise payroll information shall be prepared and submitted to the Head of Human Resources and Organisational Development.

Changes to these lists shall be notified timeously to the Head of Finance and/or the Head of Human Resources and Organisational Development.

An individual is not permitted to authorise a change in their own pay, expenses, allowances or other remuneration and this must be authorised by an authorised signatory who is senior to them.

5.4.3 Recording and Provision of Information to Statutory Bodies

Each Director shall ensure that appropriate systems are in place to record and report statutory information by due dates.

5.4.4 Overpayments of Salaries and Wages

The Head of Human Resources and Organisational Development shall ensure that all reasonable steps are taken to recover any identified overpayments.

5.5 Officers' Travelling Expenses and Allowances

5.5.1 Arrangements for Claims

The Head of Human Resources and Organisational Development, in conjunction with the Head of Finance, shall be responsible for making arrangements for the administration and regulation of payment of claims for expenses to employees of the Council and other approved bodies. Claims for car mileage will only be paid where the employee has evidenced the following:

A valid driving licence;
A current insurance policy which covers the user for business use; and
If applicable, a valid M.O.T. certificate for the vehicle used.

All officers who use either private or Council vehicles in the course of their duties must, in the event of their driving licence becoming invalid, report this immediately to their Head of Service.

5.5.2 Claim Forms

All claims for payment of car allowances, subsistence allowances, travelling, telephone expenses and incidental expenditure shall be made, duly certified / authorised on the form prescribed by the Head of Human Resources and Organisational Development, in conjunction with the Head of Finance.

No officer authorised to certify such claims shall certify their own personal claims.

5.5.3 Certification of Claims

Certification shall be taken to mean that the certifying officer is satisfied that the journeys were authorised, the expenditure properly and necessarily incurred and evidenced and that the allowances are properly payable by the Council. All mileage claims shall be accompanied by a valid VAT fuel receipt.

5.5.4 Time Limits

Officers' claims submitted more than 3 months after the expenses were incurred will be paid only in exceptional circumstances.

5.6 Stocks and Stores

5.6.1 Care and Custody of Stock

The care, custody and level of stores and equipment in any service shall be the responsibility of the appropriate Director who will ensure that:

- adequate records are kept in order to maintain efficient and effective control over receipt and issue of stocks and stores items.
- stocktaking is carried out periodically by persons other than storekeepers as agreed by the Director.
- the arrangements for generating the year end stock figures are notified to the Head of Finance and Internal Audit Manager.
- all obsolete or excess stock or scrap materials is identified and disposed of in accordance with the requirements of the Standing Orders Relating to Contracts.

5.6.2 Reporting of Write-Offs or Surpluses

Any deficiencies shall be notified to the Head of Finance, whose agreement shall be sought prior to them being written off. All write offs in excess of £10,000 must be reported to the relevant service committee.

Each Head of Service shall report annually (on the certificate of assurance on the effectiveness of internal financial controls) to the Head of Finance the total values of write-offs and surpluses of stock and the net effect of these adjustments on the book value of consumable stores under his or her control and a brief explanation of the reasons for these differences.

5.6.3 Inventories

Each Director shall maintain on a continuous basis an inventory of equipment, furniture, information technology hardware and software, etc. While the Head of IT, Customer Service and Performance has the responsibility for the maintenance of information technology (hardware and software) but Directors should still maintain their own inventory of equipment, furniture, information technology hardware and software, etc. in operational use.

Generally moveable items costing in excess of £50.00 should be included.

Each Director is responsible for an annual checking of all items in the inventory. This ensures:

- new items have been entered on inventories (with date of purchase, value, etc.).
- all details (numbers, description, serial numbers, location, etc.) are recorded.
- that inventory items are present.

Each Director/Head of Service is responsible to take action in relation to any surpluses or deficits, to ensure that these are investigated without delay and reported to the Head of Finance.

Each Director/Head of Service will appoint a "Registrar" from within their own Service responsible for maintaining inventories.

It must be determined by a competent person that an inventory item is beyond economic repair before disposal, or that there is reasonable justification for disposal (this must be recorded in the inventory register).

5.6.4 Use of Equipment

The Council's property shall not be removed other than in the course of the Council's normal business or used other than for the Council's purposes without the specific approval of the Director of the Service concerned, or an officer authorised by the Director.

5.6.5 Levels of Stock

Stocks shall not be in excess of normal requirements except in special circumstances with the approval of the Council Committee concerned.

5.7 Security of Other Assets

5.7.1 Responsibility for Security

The Head of Land and Property Assets, in consultation with the Head of Finance will maintain a register of all land and heritable properties owned or leased by the Council in a form designed to meet all internal and external requirements for such information, including the best value requirement to ensure that best use is made of Council assets.

The register shall, as far as practicable, include:

- the account it is held on,
- the purpose for which it is held,
- its location and extent (including address),
- purchase valuation details (including current valuation, date of valuation, valuation basis and useful life),
- occupier,
- tenancies granted and rents payable, and
- particulars of nature of interest i.e. owned or leased.

The Head of Legal and Democratic Services will have custody of all title deeds and lease documents, and shall ensure their security.

The Head of Land and Property Assets will also maintain an asset register of all vehicles and plant and equipment.

Each Director shall be responsible for maintaining proper security, custody and control at all times of all fixed and movable assets under their control. The Head of Finance shall be consulted by the Director as appropriate in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.

5.7.2 Theft or Loss

Each Head of Service is responsible for ensuring that the Head of Finance and Head of IT, Customer Service and Performance are immediately informed of any theft or loss of an asset (including cash).

All losses of documented information or devices holding information such as laptops, mobile devices and flash drives must also be reported to the Head of Legal and Democratic Services. Reference should be made to the Data Protection guidance referred to at 4.13 above.

5.8 Leasing

5.8.1 General

No leasing of equipment or capital assets shall be undertaken on behalf of the Council without the prior approval of the Head of Finance and Head of Legal and Democratic Services.

Leased equipment is the property of the lessor and cannot be sold, assigned or otherwise disposed of by Services.

5.9 Insurance

5.9.1 Responsibility for Insurance

The Head of Commercial and Procurement Services, in conjunction with the Head of Finance, shall effect all insurance cover and negotiate all claims with insurers in consultation with other officers where necessary. Delegated authority has been granted to the Insurance section to negotiate and settle liability claims, after consultation with the Head of Finance.

Directors will ensure that all officers in their Service adhere to all insurance policy requirements.

The Head of Commercial and Procurement Services will arrange that the Council regularly tests the market by way of competitive tender to ensure that best value is achieved.

5.9.2 Notification of Risks

Directors shall give prompt notification to the Head of Commercial and Procurement Services of all new or increased risks, properties, vehicles, stocks and stores which require to be insured and of any alteration affecting existing insurances.

5.9.3 Notification of Claims

Directors shall notify the Head of Commercial and Procurement Services and Head of Finance immediately in writing of any loss, or any event likely to lead to a claim and shall inform the Police where appropriate. All liability claims made against the Council shall be referred to the Insurance Section in the first instance, without delay.

Upon notification to the Police, a crime report number should be obtained and notified to the Insurance Section.

The Head of IT, Customer Service and Performance will notify the Insurance and Claims section (in Commercial and Procurement Services) of any investigations which maybe of interest to the insurers.

The Head of Human Resources and Organisational Development shall be advised of all cases involving personal injury.

5.9.4 Fidelity Guarantee Insurance

All appropriate employees of the Council and associated or subsidiary companies, trusts etc shall be covered by fidelity guarantee insurance.

5.9.5 Review of Insurance Cover

The Head of Commercial and Procurement Services, in conjunction with the Head of Finance shall annually, or at such other period as may be considered necessary, review all insurances in consultation with other Directors.

The Head of Commercial and Procurement Services, in conjunction with the Head of Finance, with regard to premium levels, claims experience and assessment of risk may decide not to insure for certain risks or to self insure.

5.9.6 Indemnities

Each Director shall consult the Head of Finance who may consult the Chief Executive as necessary respecting the terms of any indemnity that the Council is requested to give.

5.10 Gifts and Hospitality

5.10.1 General

It is important that officers are aware that it is a serious criminal offence to receive or give any significant gift, loan, fee, reward or advantage for doing or not doing anything, or for showing favour or disfavour to any person in the course of work for the Council. Aberdeen City Council's Anti-Bribery Policy is in accordance with the Bribery Act 2010 which makes it illegal to offer or receive bribes.

Insignificant gifts are classified as diaries, calendars, pens and similar tokens with a monetary value of £30.00 or less.

Working lunches or dinners can be an appropriate method of business provided that no extravagance is involved and the occasions are infrequent

(infrequent is defined as fewer than 4 times in a 12 month period). Where there is a business need for increased frequency then this should be discussed and agreed at Service Manager level or above and paid for from within approved budgets.

Likewise, it can be reasonable for an officer to represent a Service of the Council at an external social function or event organised by outside bodies. Acceptance of such invitations must be first approved by the Officer's Head of Service and the Heads of Service by their Director and Directors by the Chief Executive.

5.10.2 Register for Gifts and Hospitality

Heads of Service, Directors and the Office of the Chief Executive will hold a Register for Gifts and Hospitality within their service.

All gifts, whether accepted or not, that are not considered to be insignificant or that cannot be considered reasonable hospitality received directly in connection with any meeting, function or conference must be recorded in the appropriate Register for Gifts and Hospitality.

Gifts are considered to be insignificant and may be excluded from the Register if they have a monetary value of £30.00 or less.

5.10.3 Bequests

Bequests left to individual staff members should be returned to the Executor of the Will with the suggestion that a donation could be made to, for example, a Residential Home's Amenity Fund. Similarly, relatives of clients who wish to show their gratitude should be similarly advised.

5.10.4 Improper Handling of Gifts & Hospitality

Where it is suspected that an improper motive exists or a "special deal" not otherwise available is offered on a personal purchase from a supplier with whom the officer has a working relationship, the officer concerned should report this immediately to their Head of Service. In the case of a Head of Service, they should report this to their Corporate Director who should in conjunction with the Chief Executive decide on appropriate action: possible withdrawal from a tendering exercise, referral to the Police, etc. The Head of Finance and Head of Legal and Democratic must be informed of all such instances.

Any allegations of the soliciting of gifts by an employee of the Council will be subject to the Council's disciplinary procedure.

5.11 Purchasing

5.11.1 Value for Money

Section 1 of the Local Government Scotland Act 2003 makes it a statutory duty on Local Authorities to secure best value. Section 10 below provides further information on the 2003 Act and Best Value.

All purchasing carried out must comply with Standing Orders relating to Contracts and Procurement.

Each Director and Head of Service must ensure that the Service achieves best value from any purchase before making any commitment.

In accordance with Standing Orders Relating to Contracts and Procurement, four competitive quotations are required below the tender threshold.

Orders for supplies and services are to be channelled through the Procurement Service

It is recognised that exceptional, emergency and specialist supplies may mean that four quotes cannot be obtained. In such circumstances a "Quotation Exemption Form" must be fully completed and attached to the Purchase Order. This should include:

- Clearly documented reasons for being unable to get the required number of quotations. A draft evaluation form is provided (Appendix A);
- Reasons that will stand up to audit scrutiny;
- Why a single or lesser number of suppliers has been approached and selected e.g. Urgency/specialist/practical reasons;
- Approval/authorisation by Line Manager/Head of Service. This approval should be based on submitted evidence as outlined above.

All purchases of computer and telecommunications equipment must be co-ordinated through the Head of IT, Customer Service and Performance.

In procuring equipment, particularly ICT equipment, regard should be held for business continuity and documented and tested back-up arrangements should be in place in case the equipment fails at some point in the future.

5.11.2 Orders for Goods, Works and Services

Orders are only to be issued for goods, work or services which are intra-vires (i.e. legal) and only if the cost is covered by a budget allocation or by a special financial provision.

Orders must be issued for all work, goods or services, or such other expenditure as the Head of Finance may approve.

On-line ordering is to be controlled by restricted access to approved officers with limits set in the program to the appropriate values.

5.11.3 Payment of Accounts

Each Budget Holder shall be responsible for ensuring the prompt examination, verification and certification of all invoices, vouchers and accounts relating to their Service.

Authorised accounts must be processed for payment in accordance with the supplier's credit terms with expenditure authorised by authorised signatories (electronically through PECOS / Infosmart or with original signature). Signature stamps must not be used.

All supplier invoices will be directed to the Accounts Payable team for processing through the Council's workflow systems to enable a comprehensive audit trail to be maintained and electronic access to such records.

No officer shall authorise an account for their own reimbursement or for a close relative or business associate.

VAT must be accounted for in accordance with the relevant legislation and further information on VAT can be found in Section 5.13 below.

5.11.4 Partnerships

Prior to entering into any formal agreement with external bodies the relevant Director/Head of Service must advise the Head of Finance and the Head of Legal and Democratic Services of the on-going negotiations.

No agreement is to be formally entered into without the prior agreement of the Head of Finance and Head of Legal and Democratic Services.

Before any partnership is entered into, the selection criteria must be determined in advance, documented and be consistent with the nature of the contract.

5.12 Consultants & Sub-Contractors

5.12.1 General

Consultants, usually professional specialists who charge a fee, can be used to carry out work or to undertake specialised work for which there is a lack of experience/expertise by Council employees. It is therefore necessary to control the work and terms and conditions of such people or companies in order to ensure that value for money is achieved and that the Council's services are not compromised.

If Council officers would normally be expected to provide the service or advice but have sub-contracted the work due to lack of capacity then, this should not be regarded as consultancy work, but rather as sub-contracted work and coded accordingly.

The rules set out in the Council's Standing Orders Relating to Contracts and Procurement detail the process that must be followed for commissioning all goods, services and works.

In appointing consultants Directors / Heads of Service must ensure that:

- the terms of agreement are controlled; and
- knowledge transfer to the Council's officers should be effected where beneficial

The appointment of consultants shall, wherever possible, be on the basis of four quotes for contracts with an estimated contract value of less than £60,000 and satisfy the regulations for the ordering of services as set out in Standing Order 6. The appointment of consultants with a total cost in excess of £60,000 will be approved by the appropriate committee. It should be noted that where a contract is likely to extend beyond one financial year then the

total value of the contract is determined by adding together the estimated value in each financial year of the estimated contract period.

5.12.2 Contract

Where consultants (including architects, engineers, quantity surveyors, accountants, and others) are engaged to carry out professional services for the Council, the relevant Head of Service shall be responsible for ensuring that an appropriate contract is in place setting out the terms on which they are engaged.

Amongst other things the contract shall specify:

- the precise scope of the commission;.
- cost limits and controls;
- lines and levels of reporting, responsibility and authority;
- insurance cover (which must be verified by Council officers);
- the method of determining completion of work and payment thereof;
- standard Aberdeen City Council terms of payment; and
- the ownership of intellectual property rights relating to any material or computer software developed during the consultancy.

It is the responsibility of the Director / Head of Service to ensure that in any contract there is no inadvertent or unnecessary conflict with the Council's Standing Orders or Financial Regulations. In the event of there being any conflict it should immediately be brought to the attention of the Head of Finance and the Head of Legal and Democratic Services.

5.12.3 Payment of Fees

The relevant Director / Head of Service should ensure that fees are only paid when the work fulfils the specification.

It is acceptable for stage / interim payments to be made during the period of the engagement provided the consultant / sub-contractor has demonstrated that the claim for payment reflects the work that has been undertaken to that point.

5.13 Taxation and VAT

5.13.1 General

The Head of Finance will be responsible for the taxation procedures of the Council, ensuring where possible, that tax liabilities and obligations are properly reported and accounted for, avoiding any possible losses.

Where transactions of a new or unusual nature are being considered the Head of Finance should be consulted on the tax implications before committing the Council.

5.13.2 Value Added Tax (VAT)

Aberdeen City Council VAT Registration Number 663 7266 13

Expenditure

Directors shall keep records, as determined by the Head of Finance, for the prescribed statutory period, of all matters relating to the administration and accounting of VAT. This includes records of all supplier invoices, including any relevant back up and authorization documents. To reclaim VAT, the council must have a valid tax invoice from a VAT registered trader and be able to produce it on request. If input tax is claimed and not supported by a valid invoice, the council may be liable for penalties for misdeclaration of VAT. In particular, to be aware that when errors arise due to incorrect VAT coding, this can impact on the amount of revenue posted to the income and expenditure account.

Expenditure Example

Invoice paid to the value of £24,000 inclusive of VAT, incorrectly coded with VAT code C (outside scope) instead of VAT code S (Standard rate – currently 20% at Nov 13). This error results in the revenue expenditure account being charged with the whole sum of £24,000 instead of £20,000.

The sum of £4,000 VAT should be posted to the input VAT account and recovered from H.M. Revenue & Customs (HMRC). This happens automatically when the correct VAT codes are used. In order to correct this error the VAT Officer would need to adjust the relevant VAT return on the completion of a journal entry.

If the sum of errors in any one VAT period (1 calendar month) is greater than £50,000, the Aberdeen City Council is required to make a voluntary disclosure to HMRC.

Income

Directors will retain documentation supporting all income raised by debtors invoice and documentation supporting all non-invoiced income, including amounts lodged directly with the bank and cash collected directly with departments. It is crucial that the treasury team and the bank reconciliation team are given the relevant documentation, financial coding and VAT coding for any transactions coming into or going out of the bank account.

Income Example

Income received of £24,000 inclusive of VAT, incorrectly coded with VAT code C (outside scope) instead of VAT code S (Standard rate – currently 20% at Nov 13). This error results in the revenue income account being overstated by £4,000. The VAT of £4,000 should be posted to the output VAT account and paid over to HMRC. Again if the correct VAT coding is used, then the posting of VAT is done automatically. This type of error is more difficult to deal with if not identified in the VAT period in which it occurs. If the error is not detected until say the following VAT period or later, then ACC are in a position whereby they owe HMRC this amount (misdeclaration). Again as for errors on VAT on expenditure under £50,000 then the VAT Officer can adjust the current VAT return. However, as above if the error is over the £50,000 limit, then a voluntary disclosure would have to be submitted to HMRC. HMRC would, on receipt of a voluntary disclosure, issue and assessment. They would not only assess for the £50,000 owed to them, they would also

issue a penalty, which for misdeclarations, can be severe. Any penalties levied, are an additional expense to the Council and if caused as a result of a failure of an officer to comply with these regulations then the Service will bear the cost of the penalty.

5.13.3 VAT Codes:

S	Standard Rate (currently 20%)
C	Outside Scope
F	Reduced Rate
Z	Zero Rated
E	Exempt

5.13.4 Head of Finance Responsibilities

It shall be the responsibility of the Head of Finance to secure arrangements for the administration and accounting of VAT to ensure compliance with all statutory requirements including such returns as are required within laid down timescales.

5.13.5 Chief Officers Responsibilities

Each Chief Officer shall keep records, as determined by the Head of Finance, for the prescribed statutory period, of all matters relating to the administration and accounting of VAT. This includes records of all supplier invoices, including any relevant back up and authorization documents. To reclaim VAT, the council must have a valid tax invoice from a VAT registered trader and be able to produce it on request. If input tax is claimed and not supported by a valid invoice, the council may be liable for penalties for misdeclaration of VAT. In particular, to be aware that when errors arise due to incorrect VAT coding, this can impact on the amount of revenue posted to the income and expenditure account.

5.14 External Funding / Grants

5.14.1 General

Receivable - External funding is potentially a very important source of income, but funding conditions need to be carefully considered to ensure they are compatible with the objectives of Aberdeen City Council. Funds from external agencies provide additional resources to enable the authority to deliver services to the local community. Grant conditions can be inflexible, restrictive and resource intensive (to evidence compliance) and this should be evaluated prior to acceptance.

There are many sources of external funding, such as the European Union, the Scottish Government and other Public Bodies and officers are to be alert to the opportunity of securing additional funding, especially in the context of projects.

Payable - The Council is relying upon external organisations to deliver services on its behalf and it is incumbent upon it ensure that where external funding pays for service delivery it has robust and comprehensive governance of those funds. Where grants to outside organisations are being considered then careful consideration and compliance with the Aberdeen City

Council Code of Practice on Funding External Organisations and Following the Public Pound must be followed.

Further information on providing funding to partners and Arm's Length External Organisations is set out in section 5.15 below.

5.14.2 Match Funding

Where External Funding is Receivable - Evidenced match funding approval should be obtained through the production of a business case prior to submitting an application for external funding and entering into long term agreements. This should be signed off by the Director of the relevant Service and the Head of Finance.

Where match funding is being demonstrated by attributing a value to specific staff or property costs then a mechanism for justifying and accounting for those values must be put in place. This may involve the use of time recording systems and where appropriate accounting guidance and proper accounting practice to evidence those costs.

It is essential that match funding and project costs are regularly updating to take account of changes in cost profiles and to ensure that the full project value is captured and reflected in the Council's 5 year business plan.

Where match funding is being provided to the Council by an external body or partner suitable documentation should be put in place between the Council and the partner to ensure that the Council is not exposed to unnecessary financial risk as a result of its commitment to deliver the project. The Service must put in place a clear process to ensure that the funds are drawn down from the partner in line with a timetable of funding that should be agreed prior to the start of the project. The timetable will be reflective of the cost profile submitted as part of the external funding application.

Where External Funding is Payable – The Council Service will arrange for a suitable analysis of the costs of a project to be carried out in order to determine the requirements for match funding that is being requested from the outside body. The Council must be satisfied that only reasonable costs are included in the proposed project and that the request for grant funding, to match other partners, is appropriate.

Where match funding is being provided by the Council to an external body or partner suitable documentation should be put in place between the Council and the partner to ensure that the Council is not exposed to unnecessary financial risk as a result of its commitment to deliver the project. The Service must put in place a clear process to ensure that the funds are drawn down from the Council in line with a timetable of funding that should be agreed prior to the start of the project. The timetable will be reflective of the cost profile submitted as part project proposal / application for funding made.

5.14.3 Grant Offers and Claims

Where External Funding is Receivable – Prior to acceptance of external funding the Director, and where appropriate the Heads of Finance and Legal and Democratic Services, will require to be satisfied that the terms of an external funding grant can be met.

The Director must ensure that all funding received by the Council from external bodies, government bodies, other agencies, and partner organisations etc. is received and that income and expenditure is properly accounted for and complies with the conditions of the funding.

All claims for grant funds are to be made promptly by the due date.

All grants are to be paid directly to the Council.

Each Service shall identify a responsible officer to monitor compliance with grant conditions.

Grant claims for European Union funding must be properly authorised by the appropriate Director, and the Head of Finance will arrange for suitable independent audit of the claims to be carried out.

Where External Funding is Payable – Reference must be made to the Council’s Code of Practice on Funding External Organisations and Following the Public Pound for guidance.

5.15 Partnerships and Relationships with Arm’s Length External Organisations (ALEO’s)

5.15.1 General

Directors and Heads of Service will be responsible for ensuring that any funding relationships with external bodies, other than those which are operated on a contractual basis, are operated in accordance with the “Code of Guidance on Funding External Bodies and Following the Public Pound” issued by the Accounts Commission, the associated COSLA Operational Guidance, and the Council’s own local code of practice.

5.15.2 Relationship Management

The Council will appoint a suitable individual to establish and maintain the relationship between itself and the ALEO.

In considering an application for funding, due consideration in line with the code of practice should be given to the following areas:

- Aims and objectives of the ALEO and how they align to those of the council.
- Financial viability, risk and control.

5.15.3 Funding Agreement

The Council will put in place an appropriate funding agreement in order to set out the responsibilities of the ALEO to report back on outcomes and achievements in order to demonstrate their accountability towards the funds and the value that has been derived.

Detailed advice and checklists are available in the Aberdeen City Council Local Code of Practice for funding external bodies and following the public pound.

5.15.4 Group Entities

The Council recognises the importance of its relationships with those organisations that form part of its group. In so doing, the Council has approved a range of requirements to be adhered to by the group entities. These include requirements for the Council to scrutinise group entities, with specific reference to:

- Management assurance;
- Internal and external audit reports;
- Business Planning;
- The system of risk management;
- The roles and responsibilities of the board; and
- The work of the governance hub by meeting regularly to discuss performance and governance matters.

Each group entity must provide year end information for inclusion in the Council's annual Statement of Accounts in accordance with the timetable set by the Head of Finance.

5.16 Internal Audit

5.16.1 General

Guidance regarding the provision of an effective system of internal audit is provided by the United Kingdom Public Sector Internal Audit Standards (PSIAS)

The function of Internal Audit is based upon the following principles:

- It must be completely independent of all systems operating within the Council with no authority or responsibility for activities which they audit.
- They may concern themselves with any activity, function or operation of the Council.

The Council will secure an Internal Audit function through the employment of suitably qualified individuals under the guidance of an Internal Audit Manager or alternatively enter into a binding contract with an external supplier of such services. The Head of IT, Customer Service and Performance will manage the relationship that is put in place.

The Internal Audit Manager or Engagement Manager (if provided under contract) shall be responsible for maintaining an independent and effective internal audit function.

The Internal Audit or Engagement Manager shall report on a regular basis to the Audit and Risk Committee and they must:

- Annually provide a copy of the Internal Audit plan drawn up after discussion with Directors and Heads of Service for the Committee's information, input and approval;
- Report on all work carried out and the follow up status of previously reported work;

- Provide an assurance for the reliability of existing and new financial systems and other management controls throughout the Council, including Trusts where the Council is a constituent body;
- Annually prepare a report, including their audit opinion, on the overall adequacy and effectiveness of the Council's control environment; and.
- Undertake a programme of value for money studies according to the audit plan.

The Internal Audit function shall liaise closely with External Auditors to ensure the Council derives maximum value from the combined resource.

5.16.2 Responsibilities of Senior Management

It is the responsibility of Senior management to ensure that:

- Internal Auditors and Officers undertaking investigations are given access at all reasonable times to premises, personnel, documents and assets that the Auditors/Investigating Officers consider necessary for the purposes of their work;
- Auditors and Investigating Officers are provided with any information and explanations that they seek in the course of their work; and
- Any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.

It is also the responsibility of Senior Management to consider and respond promptly to recommendations in audit and investigations reports.

5.16.3 Financial Irregularities

All officers shall inform their Head of Service immediately of any circumstances which may suggest an irregularity affecting the finances, property, services or policy of the Council. These shall be reported immediately by the Head of Service to the Head of Finance and the Head of IT, Customer Service and Performance. Pending investigation and reporting, the Head of Service is to take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.

The Head of IT, Customer Service and Performance must investigate such incidents as they consider appropriate.

If, on consideration of the results of such an investigation, the Head of IT, Customer Service and Performance is of the opinion that there is a *prima facie* breach of criminal law they must, after taking advice as appropriate from the Head of Legal and Democratic Services, report the matter to the Police.

When an officer is suspended pending the conclusion of an investigation into a possible irregularity, or if an officer resigns in such circumstances, then that officer shall immediately surrender all Council property they may have including all money, portable ICT equipment, flash drives and keys. The officer shall be instructed not to enter Council premises without prior

agreement and not to contact other Council officers in relation to the matter under investigation. The Officer's manager must also ensure that passwords and computer access by the Officer under investigation are also immediately withdrawn.

5.17 Deposit of Trust Securities

5.17.1 All officers acting as trustees by virtue of their official position shall deposit all securities, bank books and documents and articles of value relating to any trust with the Head of Finance unless the relevant trust deed provides otherwise.

5.18 Control of Registered Charities, Trust Funds and Other Funds

5.18.1 Custody and Control

The Head of Finance shall ensure

- 1) the proper and safe custody and control of all charitable and other funds held by the Council;
- 2) that all expenditure is in accordance with the conditions of the fund; and
- 3) in relation to charitable funds these are held in accordance with regulations laid down by the Office of the Scottish Charity Regulator.

All registered charities, trust funds and other funds shall, wherever possible, be in the name of the Council or make reference to the Council. All monies left in trust to the Council or to be administered by its officers shall be notified immediately to the Head of Finance, unless the trust's deed outlines otherwise

5.18.2 Investment

All investments of money under the Council's control shall be made by the Head of Finance in the name of the Council or in the name of nominees approved by the Finance, Policy and Resources Committee. Any investments made will be made in accordance with the Treasury Management Strategy determined by the Finance, Policy and Resources Committee.

5.18.3 Audit

Where elected members (all or some) of Aberdeen City Council are the sole trustees of registered charities they will be subject to external audit, and from financial year 2013/14 onwards this will be undertaken through the Council's appointed external auditor.

Exemptions apply to charities that had applied by 31 March 2014 for a reorganisation which will result in the charity being removed from the Register of Scottish Charities.

5.19 Control of Common Good

5.19.1 Purposes for which Common Good Funds may be utilised

Items of expenditure which can be met from the Aberdeen City Council Common Good Fund must be for:

- Upholding the dignity of the City;
- The prudent management, upkeep and improvement of those items of Council property which form part of the Common Good;
- Safeguarding the corporate rights of the community and defending its interests;
- Granting donations to public institutions or charities – this must be exercised in the interests of the general public of the City; and
- Any other purpose which in a reasonable judgement of the Council is for the good of the community as a whole or in which the inhabitants may share; as distinct from the interest of benefit of any particular individual or group.

Overall, the purposes for which Common Good funds may be utilised are limited to the City and its interests.

Where there is a doubt about whether or not Common Good funds can be used for a particular purpose then in the first instance advice should be sought from the Head of Legal and Democratic Services and Head of Finance.

5.19.2 Common Good Investment Strategy

The Common Good Investment Strategy was approved by the Finance and Resources Committee in December 2012. The Head of Finance will review this on a regular basis.

5.20 Voluntary Funds

5.20.1 General

A voluntary fund is any fund (other than an official Council fund) which is managed wholly or in part by a Council employee. Examples of such are School funds and funds to support Social Work Services establishments.

Such funds are deemed to be Council funds.

5.20.2 Financial Control and Administration

The financial control of voluntary funds must reflect the standards required of public funds.

The Head of Finance or their representative may examine the accounts and records of the fund if held by a Council employee and ask for such records, explanations and information as they may require.

In the event of any loss of voluntary funds the Council accepts no responsibility whatsoever, and no person has any authority to bind the Council to accept such liability.

Money due to the Council shall not be paid into any voluntary fund, either permanently or temporarily.

The Council employee shall keep all money, goods, or property of the voluntary fund, separate from those of the Council. The Council employee must not use official Council order forms for voluntary funds.

5.20.3 Employee Involvement

The Council employee must inform their line manager of any involvement in a voluntary fund and state the position they hold with regard to the fund. The line manager must ensure proper accounts of the funds activities are kept and that an independent audit is carried out at annual intervals by a competent auditor appointed by and reporting to the fund's controlling body.

5.21 Pension Fund

5.21.1 General

The Head of Finance shall be responsible for the financial affairs of the North East Scotland Pension Funds. The investment of Pension Fund monies shall be made in the name of the nominees approved by the appropriate Committee and such investments shall be within the policy determined by the Council.

Specific guidance on the financial regulations relating to the Pension Fund can be found in Section 12 below.

5.22 Variation and Revocation

5.22.1 General

These Regulations may be varied or revoked by the Council and any motion to vary or revoke them shall, when proposed and seconded, stand adjourned without discussion to the next Ordinary Meeting of the Council.

Part Two

FINANCIAL MANAGEMENT & CONTROL

FINANCIAL MANAGEMENT & CONTROL

6. ROLES AND RESPONSIBILITIES

6.1 Introduction

- 6.1.1 Aberdeen City Council is committed to achieving Best Value and the highest possible standards in the delivery of its services. The Council attaches a very high priority to exercising strong control over the management of its financial resources. Both objectives are facilitated by the provision of high quality financial management and control, through continuous improvement, to meet both statutory requirements and the needs of clients/customers in the most efficient and effective manner in terms of Best Value.
- 6.1.2 Financial management is provided to the Council, its Committees and Services through an accounting function that provides corporate financial management and service specific accounting. Within all Services, budget holders undertake financial management in varying degrees to their conveners, Committees and their directorate.
- 6.1.3 This Code of Practice clearly defines the respective roles and responsibilities of officers in both the accounting function and Services. Implementation of the recommended procedures will improve the effectiveness of financial management and control and ensure the continued development of best practice.

6.2 Councillors

- 6.2.1 As Council and Committee Members, Councillors have a personal, individual and collective responsibility for the Council's organisation and activities. Councillors are responsible for ensuring that adequate management arrangements are in place, developing and taking decisions on the use of the Council's physical, financial and human resources, and to concern themselves with the performance, development, continuity and overall well being of the organisation (*extract from the Code of Conduct for Councillors*).
- 6.2.2 To enable Councillors to discharge their responsibilities in this respect, officers must present to Councillors appropriate information on the Council's performance both in operational and financial terms to allow them to ask relevant questions. Councillors will also expect to be advised on all legal matters pertaining to the operation of the Council.

6.3 Chief Executive

- 6.3.1 The Chief Executive has a responsibility, through the Director of Corporate Governance, to ensure that standing orders and this Code of Practice are applied across the Council, and the appropriate Committee structures are in place. It is the responsibility of the Director of Corporate Governance to ensure that the relevant Committees operate to the agreed schedule.
- 6.3.2 The Chief Executive, as Head of Paid Service, has an authority over all officers and has responsibility for ensuring that the Council maintains an efficient use of the resources at its disposal. However the Chief Executive relies on senior officers of the Council informing them of the up to date position of an

operation. Directors shall therefore give the Chief Executive a commentary on specific matters.

- 6.3.3 The Chief Executive does not have operational responsibility for Services, which is delegated to Directors. Similarly the Chief Executive has delegated, to the Head of Finance, the responsibility for establishing the appropriate financial reporting framework.
- 6.3.4 Consequently the Director shall formally report any major problems identified in a Service to the Head of Finance and to the Chief Executive who can instruct appropriate action and report as appropriate.
- 6.3.5 On a periodic basis a summary of the financial position of each Service shall also be reported to the Chief Executive. In pursuance of this the monthly monitoring statement shall be included on the agenda of the Corporate Management Team.

6.4 Head of Finance

- 6.4.1 The Chief Financial Officer is a statutory appointment under Section 95 of the Local Government (Scotland) Act 1973. This states that every local authority shall make arrangements for the proper administration of its financial affairs and shall ensure that one of its officers has responsibility for the administration of these affairs. The primary legislation is supplemented by Scottish Executive Regulations. In Aberdeen City Council, the Head of Finance is the responsible officer.
- 6.4.2 Further, the Chartered Institute of Public Finance and Accountancy (CIPFA) has defined in detail the role of the Chief Financial Officer within local government.
- 6.4.3 CIPFA specifically outlines the role of the Chief Financial Officer as being:
- a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest;
 - actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's financial strategy; and
 - must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the Chief Financial Officer:

- must lead and direct a finance function that is resourced to be fit for purpose; and
 - must be professionally qualified and suitably experienced.
- 6.4.4 There exists, however, a degree of decentralisation of financial administration within the Council and the responsibilities of the Head of Finance must be

seen in this context. This Code of Practice delegates much of the day to day financial administration to staff within Finance and to Directors, the extent of which shall be outlined within a framework of job descriptions.

Financial Management

6.4.5 As head of strategic and operational financial management and administration, it is the responsibility of the Head of Finance to:

- ensure that a proper and prudential financial framework exists within the Council in terms of relevant legislation and codes of practice;
- secure effective systems of financial administration;
- ensure that financial management arrangements are in line with strategic policies and objectives and the Council's overall management arrangements.

6.4.6 Specifically, the Head of Finance will:

- advise on effective systems of internal control such as financial regulations;
- secure effective systems of internal financial control to ensure that income collected and payments made are accurate, complete and timely;
- advise on anti-fraud and anti-corruption measures through an effective internal audit function;
- ensure that all staff with financial management responsibilities are made aware of the existence and content of this Code of Practice and their requirement to comply with the code..

Supporting the Democratic Process

6.4.7 In supporting and advising the democratic process, the Head of Finance is expected to:

- advise on the respective roles of Councillors and officers on financial management;
- advise Councillors on an overall financial strategy which serves policy and service objectives;
- provide Councillors with clear, accurate and impartial advice when considering service plans and budgets;
- provide timely, accurate and impartial advice on reported financial performance, including reporting any concerns and/or disagreements with Directors on the stated financial position and the reliability of financial systems;
- ensure that Councillors have adequate access to financial skills and are provided with an appropriate level of financial training on an ongoing

basis.

Contributing to Corporate Management and Leadership

6.4.8 The Head of Finance has an essential part to play in the corporate management of the authority by;

- contributing to the effective leadership of the authority;
- contributing to the management of the authority;
- ensuring that the authority's financial resources are well managed;
- contributing to cross-authority issues and to the development of the authority.

Supporting and Advising Operational Officers

6.4.9 In supporting and advising operational officers, the Head of Finance shall:

- ensure that financial strategy and arrangements serve policy and service objectives, advising Services on all strategic and operational financial matters and on the availability of resources;
- advise officers on performance and standards to be adhered to in relation to financial matters;
- delegate responsibility for financial management and control to Directors, ensuring the development and maintenance of appropriate management accounting systems, functions and controls and that these are compatible with the corporate financial reporting systems;
- ensure that officers' roles and responsibilities are clear and understood and that budget managers have access to adequate financial skills;
- provide timely, accurate and impartial advice to the Chief Executive on any concerns or disagreements with Directors on the reported financial position or reliability of financial systems.

Leading and Managing an Effective and Responsive Financial Service.

6.4.10 In leading and managing the authority's finance function, the Head of Finance will;

- secure high standards of performance and service to the public;
- demonstrate accountability to the public by providing robust financial and performance information;
- establish a good, professional working relationship with external auditors and other statutory agencies;
- act as head of profession for all finance staff in the authority.

6.5 Directors

6.5.1 Within the overall framework of the financial management and administration arrangements, it is the responsibility of the Directors to:

- ensure adherence to this Code of Practice, Standing Orders, and any other legislative or Council requirements;
- manage the expenditure and income of the Service and ensure its control within approved budgets;
- prepare draft budget and service plan submissions, in conjunction with the Head of Finance and Chief Executive;
- provide data necessary to enable the completion of budgets, monitoring reports, annual reports and all Government or other returns, in conjunction with the Head of Finance;
- formally report any major financial problems identified within the Service to the Head of Finance, and if appropriate the Chief Executive, who can instruct appropriate action and report if required.

6.5.2 In practice, duties will be delegated to operational managers within the Service, the extent of which shall be covered by a framework of job descriptions clearly defining individual responsibilities.

6.6 Budget Holders and Finance Staff

6.6.1 As set out in the Finance Framework, the respective roles and responsibilities of budget holders and finance staff are set out against each fundamental finance standard as follows:

Budget Holder

Financial Leadership

- Build a culture of effective financial management within the service.
- Ensure financial standards are applied across the service and act as a role model.
- Demonstrate a commitment to good financial management.
- Scan the external environment for future developments that impact financial management.

Insight and Solutions

- Identify opportunities arising from external and internal changes.
- Create and implement appropriate plans to deliver best value.
- Generate and assess options and deliver them.
- Balance long and short term decision making considering cross council implications.

Finance Staff

- Help assess the financial culture in the service and provide feedback and support.
- Create the framework for good financial governance and manage effective reporting and control mechanisms.
- Work in partnership with services to develop strategy that will strengthen the business.

- Support the decision making process by providing pro-active advice, commercial insight and creative solutions.
- Ask appropriate probing questions and assess the financial impact of decisions.
- Support the framework for effective decision making and

Budget Holder

- Manage risk.
- Regulate governance of partner organisations and effectively supervise contracts.

Customer Engagement

- Demonstrate a partnership with finance.
- Maintain required skills and competencies.
- Engage appropriate people within and outside the team and commit appropriate resource to managing the business.
- Role model standards of professional competency in financial matters within the service and support a shared understanding of effective financial management.

High Quality Reporting, Planning and Analysis

- Demonstrate knowledge of the financial situation in the service. Contribute to accurate forecasting and identify and assess variances.
- Make wise decisions.
- Lead effective financial planning and monitoring processes within the service and drive action planning that supports service and financial performance.

Financial Controls and Transaction Processing

- Maintain efficient and effective application of financial controls, systems and processes within the service.

Finance Staff

financial governance of partners.

- Effectively advise, support, train and challenge budget holders supporting a shared understanding of service operations and the financial position.
- Operate an effective performance culture that encourages customer feedback.
- Facilitate productive budget holder meetings.

- Provide high quality financial information, advice and challenge to the budget setting and monitoring processes.
- Drive and enable effective analysis of financial information in conjunction with service and operational implications.

- Set standards and design strong financial controls, systems and processes that enable efficient processes to operate within services.

Line Responsibilities/Accountabilities

6.6.2 The Head of Finance has overall responsibility for the management and administration of the Council's financial affairs and consequently for all staff engaged in delivering the service. All finance staff are responsible to the Head of Finance for maintaining professional accounting standards and the highest standards of conduct and integrity.

All staff engaged in financial management within Services have a similar responsibility, not only to their Director, but also to the Head of Finance. Further, Finance staff have a responsibility to Directors for the provision of impartial advice and guidance on all financial matters, including contributing to and assisting in Best Value reviews, option appraisal and the process of continuous improvement across the Council.

6.6.3 The Head of Finance has the power to draw to the attention of a Director any circumstances where he/she considers that a member of staff engaged in financial management has not met the required standards. The Head of

Finance is also empowered to recommend how the matter shall be taken forward. Conversely, any Director has recourse to the Head of Finance where it is considered that any member of staff in Finance has not met the required standards. In the event that a Director and the Head of Finance fail to agree, the matter shall be raised with the Chief Executive who will be the final arbiter.

7. INTERNAL CONTROL.

7.1 Introduction

7.1.1 Internal control is all of the policies and procedures management uses to achieve the following goals.

- Safeguard Council assets - well designed internal controls protect assets from accidental loss or loss from fraud.
- Ensure the reliability and integrity of financial information - Internal controls ensure that management has accurate, timely and complete information, including accounting records, in order to plan, monitor and report business operations.
- Ensure compliance - Internal controls help to ensure the Council is in compliance with the laws and regulations affecting the operations of our business.
- Promote efficient and effective operations - Internal controls provide an environment in which managers and staff can maximise the efficiency and effectiveness of their operations.
- Accomplishment of goals and objectives - Internal controls system provide a mechanism for management to monitor the achievement of operational goals and objectives.

7.2 Responsibilities

7.2.1 Directors are responsible for maintaining an adequate system of financial control and are expected to communicate the expectations and duties of staff as part of a control environment. They are also responsible for ensuring that the major areas of an internal control framework are addressed and that weaknesses highlighted are acted upon.

7.2.2 Staff are responsible for carrying out the internal control activities set out by the Head of Finance and Directors.

7.3 Control Framework

7.3.1 The framework of good internal control includes:

- **The Control environment:** A sound control environment is created by management through communication, attitude and example. This includes a focus on integrity, a commitment to investigating discrepancies, diligence in designing systems and assigning responsibilities.
- **Risk Assessment:** This involves identifying the areas in which the greatest threat or risk of inaccuracies or loss exist. To be most efficient, the greatest risks should receive the greatest amount of effort and level of control. For example, the value or the nature of the transaction (for instance, those that involve cash) might be an indication of the related risk.

- **Monitoring and Reviewing:** The system of internal control should be periodically reviewed by management. By performing a periodic assessment, management assures that internal control activities have not become obsolete or lost due to staff turnover or other factors. They should also be enhanced to remain sufficient for the current level and extent of risks.
- **Information and communication:** The availability of information and a clear and evident plan for communicating responsibilities and expectations is paramount to a good internal control system.
- **Control activities:** These are the activities that occur within an internal control system. These are described in 7.4 below.

7.4 Internal Control Activities

- 7.4.1 These activities are the policies and procedures as well as the daily activities that occur within a system of internal control. The Head of IT, Customer Service and Performance and Internal Audit Manager, in conjunction with the Head of Finance, will ensure that the system includes both prevention and detection activities.
- 7.4.2 Prevention control activities aim to deter the instances of error or fraud. Activities include comprehensive documentation, authorisation processes, segregation of duties and security. These activities prevent undesirable transactions from happening and therefore require well thought out procedures and risk identification.
- 7.4.3 Detection control activities aim to identify any undesirable transactions after the fact, and in financial situations the most frequently used detection controls are reconciliation along with monitoring and review.
- 7.4.4 Appropriate controls shall be established to ensure that the financial information system accurately collates, sums and reports all authorised input and that regular and sufficient back up is maintained.

7.5 Embedding Internal Control Activities into Operations

- 7.5.1 Control activities occur at all levels and functions of the Council. Directors should establish control activities that are effective and efficient.
- 7.5.2 When designing and implementing control activities, the aim should be to get the maximum benefit at the lowest cost. Consideration should be given to the following:
- The cost of the control activity should not exceed the cost that would be incurred by the Council if the undesirable event occurred;
 - Control activities should be built into business processes and systems as the processes and systems are being designed. Adding control activities after the development of a process or system is generally more costly and may enable errors or fraud to occur;

- The allocation of resources among control activities should be based on the likelihood and impact of the risk;
- For any given risk, there may be multiple appropriate control activities that can be put into place, either individually or in combination with other control activities; and
- Excessive use of controls could impede productivity.

7.6 Commonly Used Controls

7.6.1 The following brief descriptions of the commonly used control activities will help managers to identify and select appropriate activities to prevent and detect error and fraud.

- **Documented Systems / Process** – Comprehensive documentation of systems and processes provides clarity to those involved and a structure to enable checking to be carried out.
- **Authorisation** – Control activities in this category are designed to provide reasonable assurance that all transactions are within the limits set by policy or that exceptions to policy have been granted by the appropriate officer(s).
- **Review and approval** – Control activities in this category are designed to provide reasonable assurance that transactions have been reviewed for accuracy and completeness by appropriate officers.
- **Verification** – Control activities in this category include a variety of computer and manual controls designed to provide reasonable assurance that all accounting information has been correctly captured.
- **Reconciliation** – Control activities in this category are designed to provide assurance of the accuracy of financial records through the periodic comparison of source documents to data recorded in accounting information systems.
- **Physical security over assets** – Control activities in this category are designed to provide reasonable assurance that assets are safeguarded and protected from loss or damage due to accident, natural disaster, negligence or intentional acts of fraud, theft or abuse.
- **Segregation of duties** – Control activities in this category reduce the risk of error and fraud by requiring that more than one person is involved in completing a particular financial process.
- **Education, training and development** – Control activities in this category reduce the risk of error and inefficiency in operations by ensuring that staff have the proper education and training to perform their duties effectively. Education and training programs should be periodically reviewed to ensure they remain relevant to the current Council operating environment and financial processing procedures.

- **Performance planning and evaluation** – Control activities in this category establish key performance indicators for the Council that may be used to identify unexpected results or unusual trends in data which could indicate situations that require further investigation and/or corrective actions. Evaluations may be done at multiple levels within the Council, as appropriate: the Council as a whole; major projects; specific Services / functions; or specific activities. Performance reviews may focus on compliance, financial or operational issues. For example, financial reviews should be made of actual performance versus budgets, forecasts and performance in prior periods.

7.6.2 This list is not exhaustive and advice should be sought from the Head of Finance or Internal Audit Manager if any manager is uncertain about incorporating appropriate control activities into their operations.

8. BUDGETARY CONTROL

8.1 Revenue

8.1.1 Revenue items are the operational costs incurred by the authority during the financial year in providing its day to day services, or income generated through, for example, fees and charges.

8.2 Revenue Budget Preparation

8.2.1 A budget is required for all revenue items which form part of the council's budgets;

- General Revenue Fund;
- Housing Revenue Account;
- Common Good Fund; and
- North East Scotland Pension Fund (the Council being the administering authority).

8.2.2 The budgets for both income and expenditure must be prepared in accordance with the Council's budgeting principles and approved timelines in support of the Council's 5 Year Business Plan. The budgets will be prepared jointly by the Directors, Heads of Service and the Head of Finance.

8.2.3 Budgets will be prepared in compliance with Government regulations and relevant codes of practice.

8.2.4 The Head of Finance shall prepare a consolidated draft budget, incorporating a 5 year budget, together with a report on its financial implications. This budget report may be submitted to Finance, Policy and Resources Committee prior to being submitted to the Council Budget meeting. Once approved by Council the Budgets will constitute the Revenue Budgets for the relevant financial year.

8.3 Revenue Budget Monitoring

8.3.1 The Head of Finance shall provide Directors and Budget Holders with up-to-date financial information on income and expenditure compared to the approved budget. The Head of Finance will be entitled to receive any clarification deemed necessary on any item of expenditure or income and

Directors and Budget Holders shall provide the Head of Finance with such information as he or she shall require from them.

- 8.3.2 The Head of Finance shall report regularly to the Finance, Policy and Resources Committee on comparisons of actual figures with budget to date along with a forecast for the full year. The Committee will be entitled to seek explanations for any figures which it deems require special attention.
- 8.3.3 Each Director, with the assistance of the Head of Finance, shall report regularly to their Service Committee on comparison of actual figures with budget to date along with a forecast for the full year. The Committee will be entitled to seek explanations for any figures which it deems require special attention.
- 8.3.4 The reporting of the Housing Revenue Account shall be to the Communities, Housing and Infrastructure Committee; the Common Good Fund shall be to the Finance, Policy and Resources Committee; and the North East Scotland Pension Fund shall be to the Pensions Committee.

8.4 Revenue Budget Management

- 8.4.1 Budget Holders shall be responsible for monitoring their budgets in accordance with these Regulations, Standing Orders and corporate procedures and timetables, using the relevant financial systems as determined by the Head of Finance.
- 8.4.2 No expenditure should be incurred unless it can be included within an approved budget.
- 8.4.3 If it becomes apparent that any item of income or expenditure is likely to vary significantly from budget estimates, this shall be reflected as a variance in revenue budget monitoring reports and reported to the relevant Service Committee. If this is a permanent variance then a budget virement may be approved following the guidelines below.

8.5 Scheme of Virement

- 8.5.1 The term "virement" refers to the switching of budgetary provision from one budget head to another.
- 8.5.2 Any proposal for virement involving a new policy, or variation of existing policy, which may have a significant impact upon the corporate plans of the Council, will be subject to the approval of the appropriate Service Committee, in the first instance, and thereafter the Finance, Policy and Resources Committee.
- 8.5.3 The Chief Executive, Directors, Heads of Service and Budget Managers may exercise virement, as set out below, within the Services' overall Revenue Budget provided:
- The Head of Finance has been notified; and
 - The virement does not create an additional financial commitment into future financial years.
- 8.5.4 Virement cannot be used by services in the following situations:
- for expected savings on finance costs or recharges;
 - for recurring items of expenditure in place of non-recurring savings;

- for property items such as rates and utilities;
- any savings against a property which has been declared surplus under the Council's surplus asset procedure;
- to reinstate an item deleted by Council during budget considerations unless approved by the appropriate Service Committee AND the Finance, Policy and Resources Committee;
- for service budgets which are committed to and included within partnership agreements; and
- between services that are budgeted and funded through Council house rents and the Council tax i.e. the Housing Revenue Account and General Fund budgets.

8.5.5 Education establishments within the scheme of Devolved Education Management (DEM) may vire between different categories of specified budgets in accordance with the scheme regulations

Scope	Limit	Approval to Vire
1. Within Account Code Groupings, within individual budget holder areas of responsibility (e.g. printing & stationery to telephones – within admin costs)	Up to £20,000 or 10% of the budget grouping, whichever is the lesser	Budget Manager
	Up to £100,000	Head of Service
	Over £100,000	Director, reported to Service committee in Service Monitoring Report
2. Between Account Code Groupings, within individual budget holder areas of responsibility (e.g. Administration Costs to Supplies & Services)	Up to £20,000 or 10% of the budget grouping, whichever is the lesser	Budget Manager
	Up to £100,000	Head of Service
	Over £100,000	Director, reported to Service committee in Service Monitoring Report
3. Between Functional Services Budgets but within Head of Service area of responsibility (e.g. Primary to Secondary Education, Libraries to Museums, or Learning Disability to Mental Health)	Up to £20,000 or 10% of the budget grouping, whichever is the lesser	Head of Service
	Up to £100,000	Director, reported to Service committee in Service Monitoring Report
	Over £100,000	Service Committee
4. Between Functional Service Budgets within Directorate Budgets (e.g. transfer from Education to Culture)	Up to £250,000	Director, reported to Service committee in Service Monitoring Report
	Over £250,000	Service Committee

Scope	Limit	Approval to Vire
5. Between Directorate Budgets i.e. across committees (e.g. transfer from Education & Children's Services to Communities, Housing and Infrastructure)	Up to £500,000	Corporate Management Team, reported to Service Committees in Service Monitoring Reports
	Over £500,000	Finance, Policy and Resources Committee

8.6 Capital

- 8.6.1 Capital items are the costs incurred by the authority on the acquisition, creation or enhancement of fixed assets.
- 8.6.2 Examples include, but are not limited to, land and property, roads and structures, vehicles and plant, and Information and Communication Technology (ICT).
- 8.6.3 Enhancement of an asset refers to something which will significantly lengthen the useful life of an asset; increase the open market value of an asset; or increase the extent to which an asset can be used.
- 8.6.4 Capital income is the value of any receipt received upon the sale or disposal of any fixed asset, or the value of any grant or contribution received to offset the cost of a new fixed asset.

8.7 Capital Budget Preparation

- 8.7.1 All capital items should be included in one of the Council's capital budgets:
- General Fund capital
 - Housing capital
- 8.7.2 The budgets for both capital income and expenditure must be prepared in accordance with the Council's budgeting principles and approved timelines, in support of the Council's business plan.
- 8.7.3 Any bid from a service to have a project included in the General Fund Capital programme should be supported by a business case including a detailed options appraisal, whole life costing, any revenue budget implications, and demonstrating how the bid supports service priorities and asset management plans. All business cases shall be submitted for review by Corporate Asset Group, which will make recommendations on each bid to the Corporate Management Team before the General Fund Capital programme is approved.
- 8.7.4 The revenue budget implications identified during the process shall be incorporated into the Revenue Budget and 5 Year Business Plan.
- 8.7.4 The Head of Finance shall prepare a consolidated draft capital programme, incorporating a 5 year programme, together with a report on its financial implications. This budget report may be submitted to Finance, Policy and Resources Committee prior to being submitted to the Council Budget meeting. Once approved by Council the Budget will constitute the Capital Budget for the relevant financial year.

8.7.5 The Head of Finance shall prepare a report on the Prudential Indicators. This will demonstrate the affordability and prudence of the budget being set. More information is available in section 4.8 above.

8.8 Capital Monitoring

8.8.1 Capital budget holders shall be responsible for monitoring their budgets in accordance with these Regulations, Standing Orders and corporate procedures and timetables, using the relevant financial systems as determined by the Head of Finance.

8.8.2 No capital expenditure should be incurred unless it can be included within an approved capital budget.

8.8.3 The Corporate Asset Group is responsible for monitoring the overall General Fund Capital programme and the profiling of project expenditure within the 5 year programme, subject to funding limits determined by the Head of Finance.

8.8.4 The Chair of Corporate Asset Group, the Head of Land and Property Assets, may approve an overspend of up to 10% of the budget for any General Fund Capital project, subject to the overspend being contained within the overall budget allowed for the General Fund Capital programme. The Head of Finance must be informed in the event of this regulation being used.

8.9 Virement of Capital Budgets

8.9.1 The Corporate Asset Group may exercise virement of budgets between projects included in the approved General Fund Capital programme, within the overall budget, provided:

- the Head of Finance has been notified; and
- the virement is reported to the next available Finance, Policy and Resources Committee

9. ACCOUNTING POLICIES AND STATEMENT OF ACCOUNTS

9.1 General

9.1.1 The Head of Finance is responsible for the preparation of the Council's annual Statement of Accounts, in accordance with proper practices and asset out in the format required by the Code of Practice on Local Authority Accounting in the United Kingdom ["The Code"] (published by CIPFA / LASAAC), for each year ending 31 March.

9.1.2 Maintaining proper accounting records is one of the way in which the Council discharges its responsibility for stewardship of public resources. Therefore the Head of Finance is responsible for selecting suitable accounting policies to ensure that they are consistently applied to the accounts relating to each financial year. It follows that all accounting procedures and the related records, of the Council, shall be determined by the Head of Finance.

9.1.3 It is the duty of Directors / Heads of Service to maintain proper financial and accounting records within their Service to demonstrate adequate stewardship of public resources. Arrangements put in place by the Head of Finance shall

not be discontinued or amended and new arrangements will not be introduced without the approval of the Head of Finance.

- 9.1.4 The following principles will be observed in the allocation of accounting duties:
- The duties of providing information regarding sums due to, or by, the Council, and of calculating, checking and recording these, will be separated as completely as possible from the duty of collecting or disbursing them; and
 - Officers charged with the duty of examining and checking the accounts of cash transactions shall not themselves be participants or beneficiaries in any of these transactions.

9.2 Annual Abstract of Accounts

- 9.2.1 The Abstract of Accounts for the preceding financial year will be prepared by 30 June following, or by such date as may be determined by Scottish Ministers in regulations under Section 105 of the Local Government (Scotland) Act 1973, and submitted, by that date, to the Council and the Controller of Audit. Following completion of the Audit, the Head of Finance will submit to the Council, not later than two months following receipt, a certified copy of the Abstract together with the External Auditor's report thereon.
- 9.2.2 The Head of Finance is responsible for ensuring that the Council's Abstract of Accounts is produced in compliance with the legal and accounting framework. Therefore all accounts and accounting records of the Council will be compiled by, or under the direction of, the Head of Finance.
- 9.2.3 The Chief Executive, Directors and Heads of Service shall be responsible for ensuring that staff in their Service afford to the Head of Finance such assistance as is necessary to ensure the deadlines agreed with the Head of Finance for the completion of the Abstract of Accounts are complied with.
- 9.2.4 At the end of the financial year (or any other date as laid down by the Head of Finance), this shall include (but will not be limited to) the submission of:
- A copy of certified stock lists;
 - A reconciliation of sums of petty cash held;
 - Assurance statements on internal controls;
 - Details of asset impairments and dilapidations;
 - Details of related parties and other organisations with which the Council has / may have control; and
 - Any other information necessary to close the Council's accounts.
- 9.2.5 It is the direct responsibility of the Chief Executive, Directors and Heads of Service to provide the External Auditor with supporting documentation and any other information required in connection with the closure of the Council's Accounts.

10. LOCAL GOVERNMENT IN SCOTLAND ACT 2003

10.1 Requirements of the Act

- 10.1.1 The Act sets out a statutory duty on local authorities to secure Best Value in the delivery of their services. Best Value requires the Council to consider the balance between the quality of performance of its functions, the cost to the

authority of that performance and the cost to persons of any service provided to them by the authority on a wholly or partly rechargeable basis. In maintaining that balance, the Council shall also have regard to seeking the most effective and efficient means of delivering services to its citizens.

- 10.1.2 The Act also sets out the requirement for statutory trading accounts to be maintained for 'significant trading operations' and that they should break even over a 3-year rolling period.
- 10.1.3 The Act introduces a requirement under primary legislation for authorities to adopt proper accounting practice, and sets out a statutory duty to publish performance reports, including provision for the inclusion of trading accounts under this duty.
- 10.1.4 The requirement to keep accounts in accordance with 'proper practices' is defined, for the purposes of local government legislation, as meaning compliance with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom ("The Code"). It is based on International Financial Reporting Standards
- 10.1.5 The Code specifies the principles and practices of accounting required to prepare a Statement of Accounts which gives a true and fair view of the financial position and transactions of a local authority. The Code is reviewed continuously and is normally updated annually by the CIPFA/LASAAC Local Authority Code Board ("CIPFA/LASAAC").

10.2 Key Roles and Responsibilities

10.2.1 Finance, Policy and Resources Committee

The Finance, Policy and Resources Committee is responsible for undertaking overall management of the Council's resources – finance, people, systems and technology and property, at the stage of acquisition or disposal.

The full terms of reference for this committee are available on the Council's website.

Summarised financial monitoring statements prepared by the Head of Finance shall also be presented, each cycle, to the Finance, Policy and Resources Committee. This Committee can ask for further information or refer matters to the appropriate Committee for more detailed consideration.

10.2.2 Audit, Scrutiny and Risk Committee

The Audit, Scrutiny and Risk Committee is responsible for the review of the system of risk management and to ensure the effectiveness of the control environment, receiving and considering internal and external audit reports.

The Committee is also responsible for considering the system of risk management and governance of the Council's ALEO's, and in certain circumstances this is delegated to the Shareholder Scrutiny Group.

Currently, these include, but are not limited to:

Aberdeen Exhibition and Conference Centre and Mountwest 343;

Aberdeen Heat and Power;
Aberdeen Sports Village;
Bon Accord Care and Bon Accord Support Services;
Sport Aberdeen.

The full terms of reference for this committee and the Shareholder Scrutiny Group are available on the Council's website.

11. LOCAL AUTHORITY RESERVES

11.1 Background

11.1.1 To assist authorities in developing a framework for reserves, CIPFA have issued guidance in the form of the Local Authority Accounting Panel (LAAP) Bulletin 55 – Guidance Note on Local Authority Reserves and Balances. This guidance outlines the framework for reserves, the purpose of reserves and some key issues to be considered when determining the appropriate level of reserves.

11.2 Statutory/Regulatory Framework for Reserves

11.2.1 Local Authorities may only hold reserves for which there is a statutory or regulatory power to do so. In Scotland the legislative framework is as follows:

Reserve	Powers
General Fund	Local Government Scotland Act 1973
Capital Fund Insurance Fund	Local Government Scotland Act 1975

11.2.2 For each reserve there is a clear protocol setting out:

- the reason / purpose of the reserve
- how and when the reserve can be used
- procedures for the reserves management and control
- the review timescale to ensure continuing relevance and adequacy

The protocol for each reserve is as follows:

General Fund

Purpose of the Reserve

Every local authority shall have a general fund and

- (a) all sums received by or on behalf of the authority shall be paid into that fund;
- (b) all fees, commissions, discounts allowed on payment of accounts and expenses payable to or recovered by any officer of a local authority in respect of any business relating to the authority whether by reason of his office or otherwise shall be accounted for and paid into that fund; and
- (c) all sums payable by the authority shall be paid out of that fund.

Schedule 3, Section 12 (1) of the Local Government (Scotland) Act 1975 prescribes the requirement for each local authority to establish a loans fund and states that it shall be part of the general fund of the authority.

Use of Reserve

This represents the general reserve of the Council and is used to manage the financial strategy of the Council. Any use of general fund reserves has to be approved by the Council through the appropriate committee framework.

Management and Control

Management and control is maintained through the established financial management frameworks and review and through the year-end and budget process.

Capital Fund

Purpose of the Reserve

To defray any expenditure of the authority to which capital is properly applicable, or in providing money for repayment of the principal of loans (but not any payment of interest on loans)

Use of reserve

The capital fund will support major capital investment projects within the Council's approved capital programme.

Management and Control

Management and control is maintained through the established financial management frameworks and review and through the year-end and budget process.

Insurance Fund

Purpose of the Reserve

An authority may operate an insurance fund for the following purposes:

- (a) where the authority could have insured against a risk but have not done so, defraying any loss or damage suffered, or expenses incurred, by the authority as a consequence of that risk; or
- (b) paying premiums on a policy of insurance against a risk

Use of reserve

The reserve is used to manage insurance costs over the medium term.

Management and Control

The insurance fund is subject to dedicated accounting rules and procedures as approved by LASAAC (Local Authorities Scotland Accounts Advisory

Committee).

11.2.3 The adequacy and relevance of each fund is reviewed by the Head of Finance at each year-end and through the budget process. All recommendations for movements in balances are reported to Council either through the year-end report or as part of the budget and service plan strategy.

11.2.4 In addition, over recent years the Code of Practice on Local Authority Accounting in the United Kingdom has introduced a number of technical reserves in line with proper accounting practice associated with capital accounting, defined benefits pension schemes, financial instruments and employee benefits. These reserves are governed by specific accounting treatment and do not form part of the Council's general available reserves.

11.3 Operation of Reserves

11.3.1 Useable reserves are generally held to do three things:

- create a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
- create a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves; and
- create a means of building up funds, often referred to as earmarked reserves, to meet known or predicted liabilities.

11.4 Role of the Head of Finance

11.4.1 The Head of Finance is responsible for advising on the levels of reserves. The Council, based on this advice, should then approve the appropriate strategy as part of the budget process.

11.5 Adequacy of Reserves

11.5.1 There is no guidance on the minimum level of reserves that a Council should hold. In determining reserve levels the Head of Finance must take account of the strategic, operational and financial risks facing the Council over the medium term and the Council's overall approach to risk management.

11.5.2 In determining the level of general reserves the Head of Finance should consider the Council's medium term financial strategy and the overall financial environment. Guidance also recommends that the Head of Finance also reviews any earmarked reserves as part of the annual budget process.

11.5.3 In light of the size and scale of the Council's operations, over the medium term a risk based approach has been taken to establish a level of uncommitted reserves to be held by the Council. This Reserves Strategy should be reviewed on a regular basis. This value of reserves must be reviewed annually as part of the Council's Budget and Business Planning process and in light of the financial environment at that time.

11.5.4 The level of other earmarked funds will be established as part of the annual budget process.

11.6 Reporting Framework

11.6.1 The Head of Finance has a fiduciary duty to local taxpayers to ensure proper stewardship of public funds.

11.6.2 The level and utilisation of reserves will be formally approved by Council based on the advice of the Head of Finance. To enable the Council to reach a decision, the Head of Finance should clearly state the factors that influenced this advice.

11.6.3 As part of the budget report the Head of Finance should state:

- the current value of general reserves, the movement proposed during the year and the estimated year-end balance and the extent that balances are being used to fund recurrent expenditure.
- the adequacy of general reserves in light of the Council's 5 year business plan; and
- an assessment of earmarked reserves and advice on appropriate levels and movements during the year and over the medium term.

12. NORTH EAST SCOTLAND PENSION FUND

12.1 Introduction

Aberdeen City Council is appointed by Scottish Ministers to administer the Local Government Pension Scheme, in addition to Uniform Police and Fire Schemes, on behalf of a range of scheme employers across the North East of Scotland, including Aberdeen City Council, Aberdeenshire Council, Moray Council, Scottish Police Service, Scottish Fire Service and a range of other charitable and local government funded bodies.

The Council has the legal responsibility for the Fund, and delegates this through the Pension Committee, which makes the decisions for the Fund.

12.2 North East Scotland Pension Fund Committee

The Pension Committee has the power to discharge all functions and responsibilities relating to the Council's role as administering authority for the North East Scotland Pension Fund in terms of the Local Government (Scotland) Act 1994 and the Superannuation Act 1972. This includes overseeing the administration of the Local Government Pension Scheme in accordance with the Local Government Pension Scheme (Scotland) Regulations 2008 and managing the investments of the North East Scotland Pension Fund in accordance with the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010

The full terms of reference for the Committee are available on the Council's website.

The principles within this Code of Practice, apply to North East Scotland Pension Fund.

12.3 Pension Fund Management and Control

12.3.1 Scheme Governance

The Head of Finance shall ensure that the Pension Fund complies with all government regulations in the administration of the above Funds.

The Head of Finance shall ensure that all required policy statements are created, maintained and annually reviewed by the Pensions Committee.

- Governance Statement
- Governance Compliance Statement
- Training Policy
- Statement of Investment Principles
- Pensions Administration Strategy
- Communication Policy

12.3.2 Accounting

Subject to the overriding requirements of Section 2 above, the Head of Finance is responsible for ensuring that the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund accounts are produced in compliance with existing legal and accounting requirements.

Financial Services are required to provide all relevant information to the Pension Fund Service as detailed in the Guidance notes and procedures issued annually by the Head of Finance, in order to complete the Abstract of Accounts by the statutory deadline.

It is the responsibility of the Pension Fund Manager to provide the External Auditor with supporting documentation and any other information required in connection with the Pension Funds' accounts.

The Head of Finance shall ensure that an annual report is prepared in respect of governance and management of the Local Government Pension Schemes administered by Aberdeen City Council and published by the statutory deadline.

12.3.3 Management of Investment Banking Arrangements

The Head of Finance shall ensure the appropriate custody arrangements are in place to provide:

- Safe custody of scheme assets
- income collection
- proxy voting
- foreign exchange transactions
- the provision of a 'global record keeper'
- investment accountancy services

The Head of Finance shall make recommendations to the Pensions Committee with regard to added value custody services, such as, but not limited to:

- Cash Management
- Performance measurement
- Stock Lending

12.3.4 Treasury Management

Subject to the overriding requirements of Treasury Management Strategy and Policy, the Head of Finance shall create and maintain, as the cornerstones of effective treasury management:

- A treasury management policy in respect of the North East Scotland Pension Funds covering treasury management function delegated to i.) Aberdeen City Council Treasury Management Team, ii.) Pension Fund Section with regard to the Pension Fund Global Custodian and other approved external providers
- Suitable treasury management practices in compliance with Pension Fund long term investment objectives as set out the Pension Fund Statement of Investment Principles.

The Head of Finance shall report annually to the Pension Committee on the review of treasury management strategy, policies, objectives, controls and activities.

12.3.5 Financial Controls

Subject to the overriding requirements at Regulations 3, in accordance with Local Government Pension Scheme regulations the Head of Finance shall maintain separate bank accounts on behalf of the Pension Funds.

The Head of Finance shall ensure that financial transactions carried out on behalf of the Pension Funds will be carried out with due regard to segregation of duties.

The Head of Finance shall approve the scope and limit of financial transactions carried out on behalf of the Pension Funds.

12.3.6 Budget

Subject to the overriding requirements of Section 4 above,

a.) the budget will be prepared to incorporate the costing detailed in the 'Service Level Agreement' between Aberdeen City Council and the Pension Funds.

b.) projected fund management costs will be subject to an assessment by the Head of Finance and the Pensions Manager of the likely movement in investment markets over a twelve month period.

c.) projected third party costs will be subject to assessment by the Head of Finance and the Pension Fund Manager.

Variations from budget projection which are out with the control of the administering authority (i.e. Fund Manager costs, Third Party service costs) will be monitored and reported to the Pensions Committee on a quarterly basis.

12.3.7 Financial Administration

Income - The Head of Finance shall ensure that appropriate policies are in place and are regularly reviewed for the effective and efficient collection of

all monies due to the Pension Fund.

Debtors - The Head of Finance shall ensure that all outstanding income due to the Fund is pursued by the Pension Fund section and escalated to the Service Income Section as appropriate. A report shall be prepared annually for the Head of Finance with regard to the write-off of unrecoverable debt. Under delegated powers on review of the annual report the Pensions Manager shall be authorised to write off debts up to a value of £10,000, and the Head of Finance is authorised to write off debts up to a value of £25,000.

Expenditure - The Head of Finance shall ensure that effective procedures are in place and regularly reviewed with regard to Pension Fund expenditure.

Record Keeping * The Head of Finance shall ensure that accurate records are maintained in respect of all Pension Funds income and expenditure activity

Systems - The Head of Finance shall ensure that the Pension Fund has in place appropriate IT and accounting systems in order to comply with the requirements of the Local Government Pension Scheme Regulations.

Documentation - The Head of Finance shall be responsible for authorising financial documentation on behalf of the Pension Fund, such as, but not limited to:

- Transition Management Programmes
- Project Management Documentation
- Proxy Voting Documentation
- Tax Documentation

12.3.8 Employee benefit payments

Payment of all benefits to scheme employees and transfer of pension fund benefits to external Pension providers shall be made by the Pension Fund Section under arrangements approved and controlled by the Head of Finance.

All payments and transfers will be processed through the Pension Fund benefit administration system, subject to review and authorisation by a relevant senior officer of the Pension Fund.

12.3.9 Risk Management

Subject to overriding requirements at Regulation 12 the Head of Finance shall be responsible for the identification and control of Risk for the North East Scotland Pension Funds'.

The Head of Finance will carry out an annual review of risk management relating to the Pension Funds, in respect of but not limited to:

- Scheme Governance
- Benefit Administration
- Investment Management and administration
- Employer Covenant
- IT administration

The Head of Finance will report quarterly to the Pensions Committee in respect of all risk matters impacting the Pension Funds’.

12.3.10 Audit

The Pension Fund shall be subject to the same internal and external audit appointments as Aberdeen City Council.

Subject to the overriding requirements of Section 13 above, both the internal and external audit function shall report to the Pensions Committee providing copy information to the main Audit and Risk Committee.

An annual internal and external audit plan shall be reported to the Pensions Committee.

Internal and External Audit shall report on all work carried out and follow up status to the Pensions Committee.

Both the internal and external audit function shall work directly with the Pensions Manager in relation to work carried out and followed up.

12.3.11 Investment of Funds

The Head of Finance will be responsible for ensuring that all monies in respect of the Pension Funds’ shall be invested in accordance with the Local Government Pension Scheme (Scotland) Regulations.

- The Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010 as amended
- The Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 as amended

The Head of Finance shall ensure that proper records are maintained with regard to the investments of the North East Scotland Pension Funds.

The Head of Finance will be responsible for ensuring that, all investment will be held either in the name of the North East Scotland Pension Funds or appropriate nominee name.

Asset Classes considered as being suitable investments for the Pension Funds will be detailed in the Pension Funds’ ‘Statement of Investment Principles’ (SIP). The SIP will be subject to annual review by the Pensions Committee.

In accordance with the Local Government Pension Scheme regulations the Pensions Committee will take proper advice with regard to investment of the Funds’ monies including advice from the Head of Finance.

12.3.12 Service Providers

The Head of Finance shall ensure that all service providers engaged on behalf of the Pension Fund will be appointed subject to the City Council procurement requirements

The Pension Fund has identified the following service providers as ‘key’

providers with regard to Pension Fund service provision. The list is not exhaustive and may be revised subject to direction by the Head of Finance.

- Aberdeen City Council (subject to an SLA)
- Scheme Actuary
- Global Custodian
- Investment Fund Managers
- Investment Consultants
- Benefit Administration system provider

All third party service providers will be subject to annual performance review or more often as required with reporting to the Pension Panel.

12.3.13 Travel and Expenses

The Head of Finance shall approve an annual travel plan in respect of Training event and Conference attendance, for elected members and officers in respect of the North East Scotland Pension Funds. Travel will be approved in accordance with the Travel Procedures set out in section 4 above.

12.3.14 Police and Fire Schemes

The Head of Finance shall ensure that effective and efficient management of records and monies related to the non-funded uniform Police and Fire Schemes.

Purchasing - Quotation Exemption Form (Financial Regulation 5.11.1)

(Notes in Italics are for guidance – delete as required).

Item	<i>(outline the category of supply or service that it s planned to get quotes for)</i>	
Requesting Officer	Name: Contact No.	Job Title:
Estimated value of an order	<i>(Insert estimated value £'s)</i>	
Number of suppliers planned to approach	<i>(This should normally be 4 as no fewer than 4 quotes should be sought)</i>	
Proposed Suppliers	<i>(Please give names of each of the proposed suppliers from whom quotes will be sought)</i>	
Reasons	<i>(Please give details of reasons why a quote from fewer than 4 suppliers is being sought in terms of value for money)</i>	

Submitted by	Signature _____ Date _____
Approved by Line Manager / Head of Service	Signature _____ Date _____