



ABERDEEN  
CITY COUNCIL

# FINANCIAL REGULATIONS

*Version 3*  
*Approved by Full Council on 5 March 2018*

## FINANCIAL REGULATIONS

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# **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 governance of the Council.

The Regulations provide references to a number of linked documents which form an integral part of the Financial Regulations. Some of the linked documents are intended for internal use and can only be accessed through the Council's Intranet site.

## **2. COMPLIANCE**

It is the duty of all officers employed by the Council to fully comply with the Financial Regulations. Failure to comply with the requirements contained within these Regulations and the associated guidance and procedures may result in an investigation under the Council's Conditions of Services Disciplinary and Appeals Procedure.

Any breach or non-compliance with these Regulations must, on discovery, be reported immediately to the Chief Officer – Finance. The Chief Officer - Finance may consult other relevant officers, including the Chief Executive, in order to determine the appropriate action.

Employees who deliberately obstruct or unreasonably fail to provide information to Auditors or Investigation Officers within the specified period may be subject to disciplinary action.

All budget holders must immediately notify the Chief Officer – Finance of any budget that is or is likely to be overspent.

## **3. RESPONSIBILITIES**

### **GENERAL RESPONSIBILITIES**

All officers employed by the Council must ensure that their financial transactions comply with the law. In case of doubt officers must consult the Chief Officer – Governance before incurring or legally committing to expenditure.

**No officer must commit any expenditure unless it can be met from an approved budget.** In case of doubt officers must consult the Chief Officer – Finance before incurring or legally committing to expenditure.

Powers Delegated to Officers provides that, except where prohibited by law, Chief Officers may sub-delegate any of their delegated powers to their deputies or such other officer(s) as they may consider appropriate. Chief Officers will remain accountable for decisions taken by their sub-delegates. These Financial Regulations assume that any reference to a Chief Officer would include any of their officers so

nominated in accordance with that delegated power.

**Chief Officers** in this context means (i) the Chief Executive and Directors of the Council; (ii) Council officers whose job titles include the term “Chief Officer”; (iii) the Council’s Head of Commercial and Procurement Services; (iv) the Chief Officer of the Aberdeen City Health and Social Care Partnership; and (v) the Chief Finance Officer of the Aberdeen City Health and Social Care Partnership.

**Connected Bodies** in this context refers to a range of external bodies that are closely connected to the Council. Such bodies include:

- i) The Council’s Arm’s Length External Organisations (ALEO’s), as defined in the ALEO Assurance Hub Terms of Reference;
- ii) A range of Group Entities that form part of the Council’s Group Accounts, including Associate and Subsidiary Companies, Joint Ventures and Trusts; and
- iii) Similar bodies to those outlined at ii) but who are not included in the Council’s Group Accounts due to the value of their assets or level of turnover being not material.

The above definition of Connected Bodies includes some (but not all) of the bodies on the Council’s Register of Outside Bodies. Those Outside Bodies that are not included in the definition of Connected Bodies are those bodies over which the Council is not considered to have a controlling or significant interest.

### **3.1 Responsibility of the Chief Officer - Finance**

It shall be the responsibility of the Chief Officer - Finance, or designated officer, to ensure that these Regulations are kept up to date and monitored for their effectiveness. The Regulations shall be reviewed annually and updated to take account of changes in Statute, professional guidance or Council policy that impact upon the Regulations.

The Chief Officer - Finance, as the “Proper Officer”, in terms of Section 95 of the Local Government (Scotland) Act 1973, shall be the adviser on financial matters to the Council and all its Committees. S/he shall be responsible for the proper administration of the Council’s financial affairs.

The Chief Officer - Finance shall determine the detailed format of capital and revenue budgets.

### **3.2 Responsibility of Chief Officers**

It shall be the duty of each Chief Officer to ensure that these Regulations and all associated policy 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 budgets in respect of their Service after consultation with the Chief Officer - Finance. Each Chief Officer shall consult the Chief Officer - Finance in respect of any matter which may materially affect the finances of the Council before any provisional or other commitment is incurred or before finalising a draft Full Council or committee report on the matter.

Whenever any matter arises which involves, or is thought to involve, irregularities

concerning funds, property or the exercise of the Council's functions, or that of any Connected Body, the relevant Chief Officer shall notify the Chief Officer - Finance in writing. The Chief Officer – Finance, following consultation with the Chief Officer – Governance, will then determine what action is necessary.

Chief Officers shall ensure that arrangements are in place to establish the correct liability, process and accounting for VAT. The Chief Officers will seek advice from the Chief Officer - Finance as necessary to ensure compliance with VAT or other tax regimes.

Any debt, including associated interest and/or penalty, arising from the improper operation of VAT or other taxes may be recovered against the budget of the Service responsible. This will be determined by the Chief Officer – Finance.

Chief Officers shall ensure that their service has appropriate governance arrangements in place.

Chief Officers are responsible for the submission of a Certificate of Assurance on the Effectiveness of Internal Financial Controls to the Chief Officer – Finance on an annual basis.

### **3.3 Responsibility of Chief Executives/Managing Directors/Trustees/Board Members of Connected Bodies.**

The Head of Commercial and Procurement Services shall use reasonable endeavours to ensure that all contracts to be entered into with Connected Bodies will provide that:

- i) In the absence of their own equivalent policies and documents, Chief Executives/Managing Directors/Trustees/Board Members of Connected Bodies shall adhere to these Financial Regulations and the policies and documents referred to in section 4.  
However, the accounting implications of these Financial Regulations should not be viewed as prescriptive for the Council's ALEO's. 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.
- ii) Chief Executives/Managing Directors/Trustees/Board Members of Connected Bodies shall ensure that their organisation has appropriate governance arrangements in place, including internal audit arrangements.

### **3.4 Responsibility of the Chief Officer – Governance**

The Chief Officer – Governance can arrange for the provision of advice on proposed income and expenditure.

The Chief Officer – Governance shall deal with reported irregularities in accordance with the Council's policies and procedures. S/he, following consultation with the Chief Executive, may, report matters to the Police where s/he considers it appropriate to do so.

A register of matters relating to Fraud, Bribery and Corruption and Whistleblowing will be retained by the Chief Officer – Governance. A report on matters arising from the

work of the Corporate Investigations team will be presented to the Audit, Risk and Scrutiny Committee annually.

It shall be the responsibility of the Chief Officer – Governance, following consultation with the Chief Officer - Finance, to ensure that an annual governance statement is incorporated into the Accounts and reported to Audit, Risk and Scrutiny Committee.

The Chief Executive 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 Chief Officer - Governance. The Chief Officer - Governance also has a responsibility to ensure that the internal audit function operates to a consistent standard in accordance with best practice.

The Chief Internal Auditor (whether employed or engaged to act on behalf of the Council) or a representative authorised by the Chief Officer – Governance, may without prior notice:

- (i) enter at all reasonable times any Council operated property;
- (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; and
- (v) examine financial records of organisations in receipt of grant aid from the Council.

The Chief Internal Auditor function may from time to time be commissioned externally. 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 Chief Officer – Governance may engage specialist auditors from outwith the Council to carry out specific audit work.

Reference should be made to section 5.17 below for further information on the Internal Audit function.

### **3.5 Councillors**

The Committee responsible for oversight of the audit function is the Audit, Risk and Scrutiny Committee.

### **3.6 External Audit**

3.6.1 The Council's External Auditor shall have the right to access all records (electronic or manual), documents and correspondence relating to any financial or other transactions of the Council. They will be able to receive such explanations as they consider necessary concerning any matter under examination.

3.6.2 Officers of the Council will ensure that these rights are given to the Council's External Auditors.

#### **4. ASSOCIATED DOCUMENTS**

Officers must comply with all documents contained within the ACC Scheme of Governance, and with the associated documents set out below.

##### **4.1 Finance Framework**

The Finance Framework is a clear, illustrated set of guidelines, roles and responsibilities for financial management in Aberdeen City Council for:

- Budget holder roles;
- Finance roles;
- Clear competencies; and
- Approach to meeting competency gaps – training and support

##### **Finance Framework**

##### **4.2 Whistleblowing Policy**

This document sets out the Council's policy regarding whistleblowing. It is intended to cover concerns that are in the public interest.

##### **Whistleblowing Policy**

##### **4.3 Fraud, Bribery and Corruption Policy**

This document sets out the Council's policy on the prevention, detection and investigation of fraud, bribery and corruption.

##### **Fraud, Bribery and Corruption Policy**

It is the responsibility of senior management to ensure that:

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

##### **4.4 Risk Management**

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

##### **Risk Management Framework**



#### **4.5 Following the Public Pound**

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

#### **[Following the Public Pound Local Code of Practice](#)**

#### **4.6 Treasury Management**

All cash and bank transactions shall comply with the requirements of the CIPFA Code of Practice on Treasury Management in public services. The Chief Officer - Finance shall submit to the Council 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 \(link only available internally via The Zone\)](#)**

#### **4.7 Travel Procedures**

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

#### **[Travel Policy](#)**

These arrangements can only be varied by agreement with the Chief Officer - Finance.

These guidelines must be complied with and necessary approvals sought before making any travel arrangements.

#### **4.8 Councillors Expenses**

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

#### **[Councillors Remuneration, Allowances and Expenses \(link only available internally via The Zone\)](#)**

#### **[National Guidance](#)**

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

#### **4.9 Money Laundering**

This guidance sets out the legal and regulatory requirements relating to the handling of money which could have come from the proceeds of crime and is issued to help

protect the Council and individual officers from the potential impact of criminals using the Council to launder money.

### **[Money Laundering Guidance](#)**

The Chief Officer - Governance is the officer responsible for reporting suspected Proceeds of Crime Act offences.

## **4.10 Information Governance**

Each Chief Officer shall be responsible for:

- i) maintaining proper security, custody and control of all records (both electronic and paper records) within their Service.
- ii) the use and security of all personal data within their Service.

The Council has a Corporate Information Policy which is supported by a number of procedures and guides. These include the Council's Corporate Data Protection Procedures and the Council's Records Retention & Disposal Schedule. The aim is to ensure that the Council's information is used and managed appropriately:

### **[Corporate Information Policy](#)**

### **[Corporate Data Protection Procedures](#)**

### **[Corporate Records Retention & Disposal Schedule](#)**

## **4.11 ICT Acceptable Use and Security**

The Council has a Corporate ICT Acceptable Use Policy which sets out the Council's position on the acceptable use of Council ICT equipment, systems, and networks. Further information and guidance on ICT and Information Security is available on the Council's webpages:

### **[ICT Acceptable Use Policy](#)**

### **[ICT Security web pages](#)**

## **4.12 Codes of Conduct**

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. RISK MANAGEMENT AND CONTROL OF RESOURCES**

### **5.1 Internal Check**

The following principles shall apply in the allocation of duties to individual members of staff, to ensure that there is adequate separation of duties, to reduce the risk of error or fraud:

- (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. Calculation, checking and recording of sums due shall be separated from the duty of collecting or disbursing such sums; and
- (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. Therefore, the system for collection of income needs to meet the following objectives:

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

Chief Officers are responsible for the prompt and complete collection of income. They must ensure that accurate records are maintained for all income received (or that should be received) by their Service.

Chief Officers shall review the level of all fees and charges for services rendered as part of the budget setting process. Recommendations for changes in the level of fees and charges will form part of the annual budget report to Council. Setting of fees and charges as part of the annual budget report is a function reserved to itself by the Full Council.

All monies received on behalf of the Council (subject to a de-minimis 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 Chief Officer - Finance.

Documents should be retained securely in accordance with the Council's Corporate Information Policy and Records Retention and Disposal Policies,

see 4.10.

### **5.2.2 Treatment of Monies Collected**

All monies received by the Council shall be paid into the Council's bank accounts daily or remitted to the Chief Officer - Finance without delay at such intervals as may be approved by the Chief Officer – Finance.

All money received by an officer on behalf of the Council shall, without delay, be reconciled and remitted to the Chief Officer - 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 Chief Officer - Finance may specifically authorise.

Each officer who banks money shall enter a reference to the source of the income on the paying-in slip.

Maximum limits for cash holdings shall be agreed with the Insurance Officer and shall not be exceeded without his or her 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 Chief Officer - 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 Chief Officer - Finance or another authorised bank signatory.

The Chief Officer - Finance shall determine 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 Strategic Commissioning Committee following a procurement process. Where required the Chief Officer - 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 Chief Officer - Finance.

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 approval of the Chief Officer - Finance, is that Children's Social Work and Adult Social Care may open accounts in trust for individual service users under the name of the relevant Chief Officer and the individual service user.

### **5.2.8 Cheque Control**

All cheques and other documents, but excluding cheques drawn on authorised Imprest accounts or other such accounts so authorised by the Chief Officer - Finance, shall be ordered only on the authority of the Chief Officer - 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 Chief Officer - Finance and/or other officer authorised by the Council.

### **5.2.9 Safe Keys**

Keys to safes and similar security boxes should be held securely at all times, either in a secure key box or carried on the person of those responsible. The loss of any such keys must be reported immediately to the Chief Officer - 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 from the VAT Officer or from your primary finance contact.

### **5.2.11 Imprests / Petty Cash**

The Chief Officer - 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 Chief Officer - 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 Chief Officer 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 must not be paid into an imprest account. It 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 Chief Officer – Finance, see link below for current guidance.

#### **[Petty Cash Procedures](#)**

### **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; 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 Chief Officer - 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. Advice on the correct VAT treatment may be obtained from the Council's VAT officer.

#### **5.3.2 Debtor Accounts**

No debtors invoice should be raised for a value less than £25 (excluding VAT), unless prior dispensation has been granted by the Chief Officer - Finance. If the charge is for a low value, then the relevant service should reduce the frequency of billing.

Where charges between Services require to be applied, advice must be sought from the Chief Officer - 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. The reason why invoicing in arrears is necessary should be clearly documented, with an agreed timescale for raising the invoice, and the decision must be confirmed by the appropriate Chief Officer. The Chief Officer - Finance shall be notified so that appropriate accounting treatment can be applied to that area of service.

Invoices will clearly state the description and relevant details, including cost and VAT where applicable, of the goods and/or services supplied by the Council. For further information on VAT see section 5.14.

### **5.3.3 Record Keeping**

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

The Chief Officer - Finance must maintain accounting arrangements to ensure the prompt and proper recording of all money due to the Council.

The Chief Officer – Early Intervention and Community Empowerment is required to maintain records regarding rentals due and payments made towards the amounts due for every housing property.

The Chief Officer – Corporate Landlord is required to maintain records regarding lease arrangements entered into and payments made towards the amounts due for every industrial and commercial property, whether held by:

- i) the Council (including Common Good property) or
- ii) Trusts for which the Council is the sole trustee.

The Chief Officer - Operations and Protective Services must also maintain a record of fines issued in relation to Car Parking and Bus Lane Enforcement. Details of fines issued must be made available to the Chief Officer - Finance 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 Chief Officer - Finance is responsible for setting the accounting policy on uncollectable and bad debt. Appropriate provisions for bad debt will be considered when preparing the Annual Accounts.

The Chief Officers named below have the authority to approve 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; and
- (e) small balances that are uneconomic to pursue.

Where the named Chief Officers consider a debt to be uncollectable they must prepare and retain a schedule of debtors showing name, address, amounts due, and reason for the debt.

The Chief Officer - Finance has authority to write off debts up to £100,000.

The Chief Officer - Customer Experience has authority to write off debts as follows:

- i) Business rates and sundry debts may be written off up to a value of £100,000 per debtor; and
- ii) Council Tax, Housing Benefit Overpayments and Penalty Charge Notices up to a value of £10,000 per debtor.

The Chief Officer - Customer Experience may delegate authority, to nominated officers to write off debts up to the value of £10,000 per debtor, in the categories outlined above, on the basis that a schedule of debt so written off is supplied to The Chief Officer - Customer Experience by the nominated officers on a regular basis, no less frequently than 6 monthly.

The Chief Officer – Early Intervention and Community Empowerment has authority to write off debts as follows:

- i) Former Tenants' Arrears and associated housing debts up to the value of £10,000 per debtor; and
- ii) In relation to homelessness, up to the value of £25,000 per debtor.

Additional factors to be considered when identifying which homelessness debts 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 Chief Officer - Customer Experience and The Chief Officer – Early Intervention and Community Empowerment will submit annual joint reports to the City Growth and Resources Committee advising of the number, value and reasons for such accounts to be written off.

The Chief Officer - Customer Experience and The Chief Officer – Early Intervention and Community Empowerment shall also submit reports, no less frequently than annually, to the City Growth and Resources Committee advising of the number and value of debts exceeding the delegated authority outlined above that they recommend for write off. This report must include individual details of each debt and the reasons for recommending write-off.

## **5.4 Employee Remuneration**

### **5.4.1 Responsibility for Payment Arrangements**



All employees are to be paid through the payroll system.

The payment of all salaries, wages, compensation and other emoluments to all employees including casual workers, former employees, Councillors or beneficiaries shall be made by the Chief Officer - Customer Experience, under arrangements made or approved by the Chief Officer - Finance.

Chief Officers shall provide such information as directed by the Chief Officer - Customer Experience and/or the Chief Officer - Finance 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 Chief Officer - Customer Experience shall also maintain records of service for superannuation, income tax, national insurance and social security purposes.

#### **5.4.2 Form and Certification of Records**

Time records or other pay documents shall be in a form prescribed or approved by the Chief Officer - Customer Experience and/or the Chief Officer - Finance and shall be certified by or on behalf of the Director.

A list of officers appointed by Directors to authorise payroll information shall be prepared and maintained within each Directorate. This will be known as the list of Authorised signatories. Such lists shall be submitted to the Chief Officer - Customer Experience or their authorised officer.

Changes to these lists shall be notified timeously to the Chief Officer - Customer Experience or their authorised officer.

All requests and/or information relating to pay information, whether in paper or electronic format, shall be authorised by an authorised signatory. No pay related document shall be processed unless authorised by an authorised signatory.

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 Overpayments of Salaries and Wages**

The Chief Officer - Customer Experience shall ensure that all reasonable steps are taken to recover any identified overpayments. Recovery will normally be made by deduction from future salary payments, or by raising a Debtors invoice in the case of former employees.

### **5.5 Officers' Travelling Expenses and Allowances**

#### **5.5.1 Arrangements for Claims**

The Chief Officer - Customer Experience, following consultation with the Chief Officer - 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 Chief Officer.

### 5.5.2 Claim Forms

All claims for payment of car allowances, subsistence allowances, travelling, telephone expenses and incidental expenditure shall be made using the Council's official expenses claim form, adhering to the published guidance, and must be duly certified by the claimant and authorised by an authorised signatory.

The format of the expenses claim form will be as prescribed by the Chief Officer - Customer Experience, following consultation with the Chief Officer - Finance.

No officer shall authorise their own personal claims.

### 5.5.3 Certification of Claims

A certifying officer will certify a claim only where s/he is satisfied that:

- the journeys were authorised;
- the expenditure was properly and necessarily incurred and evidenced; and
- 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. Such late claims shall be authorised by the employee's Chief Officer.

### 5.5.5 Foreign Travel

Where officers are provided with foreign currency to cover expenses whilst travelling abroad receipts must be provided to support the expenditure incurred. If receipts are not provided the officer shall re-imburse the Council for such expenditure.

## **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 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 Chief Officer - Finance; and
- all obsolete or excess stock or scrap materials is identified and disposed of in accordance with the Council's policies.

### **5.6.2 Reporting of Write-Offs or Surpluses**

Any discrepancies between actual stock held and the book value recorded shall be notified to the Chief Officer - Finance, whose agreement shall be obtained prior to them being written off. All write offs in excess of £10,000 must be reported to the relevant Council committee for their approval.

Each Chief Officer shall report annually on the certificate of assurance on the effectiveness of internal financial controls to the Chief Officer - 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. The relevant Chief Officer should also provide a brief explanation of the reasons for any differences.

### **5.6.3 Inventories**

Each Chief Officer shall maintain on a continuous basis an inventory of equipment, furniture, information technology hardware and software, etc. While the Chief Officer – Digital and Technology has the responsibility for the maintenance of information technology (hardware and software), Chief Officers shall still maintain their own inventory of equipment, furniture, information technology hardware and software, etc. in operational use.

Generally moveable items costing in excess of £1000.00 should be included.

Each Chief Officer is responsible for an annual check of all items in the inventory. This ensures that:

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

- inventory items are present.

Each Chief Officer is responsible for taking action in relation to any surpluses or deficits of inventory items, to ensure that these are investigated promptly and reported to the Chief Officer – Finance, who will take appropriate action in relation to the recording of assets.

Each Chief Officer will nominate an appropriate officer 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. Prior to any disposal, this information 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.

#### **5.6.5 Levels of Stock**

Service managers shall assess the normal level of stock required to manage the service in the most cost effective and efficient manner and shall seek to maintain stocks at that level. Approval to exceed the normal stock level if special circumstances arise shall be sought from the Council Committee concerned.

### **5.7 Security of Other Assets**

#### **5.7.1 Responsibility for Security**

The Chief Officer – Corporate Landlord, following consultation with the Chief Officer – Finance and Chief Officer – Governance, will maintain a register of all land and heritable properties owned or leased by the Council. The register will be held in a form designed to meet all internal and external requirements for such information.

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 Chief Officer – Governance will have custody of all title deeds and lease documents and shall ensure their security.

The Chief Officer – Operations and Protective Services will maintain an asset register of all vehicles, plant and equipment.

Each Director shall be responsible for maintaining proper security, custody and control of all fixed and movable assets under their control. The Chief Officer - 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 Chief Officer is responsible for ensuring that the Chief Officer - Finance is 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 Chief Officer – Governance. Reference should be made to the Data Protection guidance referred to at 4.11.

#### **5.8 Disposal of Surplus Assets**

5.8.1 All surplus goods and materials in excess of £10,000 in value to be disposed of by any part of the Council shall be advertised for sale either by inviting sealed offers or by public auction, unless in special circumstances (of which the Committee concerned shall be the judge) it is otherwise decided.

5.8.2 The appropriate Chief Officer shall arrange for the disposal of surplus goods and materials valued at £10,000 or less by any means s/he deems appropriate, provided that the Chief Officer-Finance has approved disposal thereof.

#### **5.9 Leasing**

##### **5.9.1 General**

No leasing of equipment or capital assets shall be undertaken on behalf of the Council without the prior approval of the Chief Officer - Finance and Head of Commercial and Procurement Services.

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

#### **5.10 Insurance**

##### **5.10.1 Responsibility for Insurance**

The Head of Commercial and Procurement Services shall arrange and effect, or authorise the Insurance Officer to arrange and effect, all insurance cover on behalf of the Council. S/he shall also settle or repudiate, or authorise the Insurance Officer and other officers to settle or repudiate, all claims made

against the Council which involve the Council's insurers. Such settlement or repudiation shall follow consultation with other officers where necessary.

Chief Officers 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.

#### **5.10.2 Notification of Risks**

Chief Officers 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. This should be done at the inception of a new project or proposed change, to ensure that Insurers requirements are met.

#### **5.10.3 Notification of Claims**

Chief Officers shall notify the Head of Commercial and Procurement Services and Chief Officer - Finance immediately in writing of any loss or any event likely to lead to a claim. Directors may also inform the Police where appropriate. All liability claims made against the Council shall be referred to the Insurance Officer 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 Chief Officer - Governance will notify the Insurance and Claims section (in Commercial and Procurement Services) of any corporate investigations which may be of interest to the insurers.

The relevant Chief Officer shall also advise the Chief Officer - People and Organisation of all cases involving Employer's Liability claims.

#### **5.10.4 Fidelity Guarantee Insurance**

The Council is covered under Fidelity Guarantee insurance for any dishonest act by an employee. This cover does not apply to associate or subsidiary companies, joint ventures or trusts, who would each require to provide their own Insurances.

#### **5.10.5 Review of Insurance Cover**

The Head of Commercial and Procurement Services, following consultation with the Head of Finance and Directors, shall annually, or at such other period as may be considered necessary, review all insurances regarding premium levels, claims experience and assessment of risk. The Head of Commercial

and Procurement Services may decide not to insure for certain risks or to self-insure.

#### **5.10.6 Indemnities**

The Head of Commercial and Procurement Services shall consult with the relevant Director, the Chief Officer - Finance and the Chief Officer – Governance, regarding the terms of any indemnity that the Council is requested to give.

### **5.11 Gifts and Hospitality**

#### **5.11.1 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 by the relevant Chief Officer 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 Chief Officer and the Chief Officer's by their Director and Directors by the Chief Executive. The Chief Executive should seek approval from the Chief Officer – Finance, as Section 95 officer.

#### **5.11.2 Register for Gifts and Hospitality**

Chief Officers 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.

### 5.11.3 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.

### 5.11.4 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 Chief Officer. In the case of a Chief Officer, they should report this to their Director who should, following consultation with the Chief Executive, decide on appropriate action. Appropriate action may include the possible withdrawal from a tendering exercise or referral to the Police. The Chief Officer - Finance and Chief Officer - Governance 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.

## 5.12 Purchasing

### 5.12.1 Value for Money

Local authorities must secure best value in accordance with section 1 of the Local Government Scotland Act 2003. Section 10 provides further information on the 2003 Act and Best Value.

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

All purchasing and Orders for supplies, services and works must be undertaken in accordance with the Procurement Regulations.

All purchases of computer and telecommunications equipment must be co-ordinated through the Chief Officer – Digital and Technology.

In procuring equipment, particularly ICT equipment, regard should be held for business continuity in case the equipment fails at some point in the future.

### 5.12.2 Orders for Supplies, Services and Works

Purchase Orders are only to be issued for supplies, services and works which are lawful and only if the cost is covered by a budget allocation.

No supplies, services or works shall be ordered or instructed except on an official Purchase Order form, which shall be in an approved format and in accordance with Regulation 7 of the Procurement Regulations.



Purchase Orders must be issued for all supplies, services and works, or such other expenditure as the Chief Officer - Finance may require. A list of exemptions from the requirement for a purchase order is maintained by the Chief Officer - Finance and is included in this document as Appendix A.

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

Once the supplies have been received, or services or works completed, then the Order shall be receipted to confirm that it is complete, or part delivered, and invoice payment can be progressed accordingly.

### **5.12.3 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.

Invoices 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.

The Council has adopted a "No Purchase Order No Pay" approach to managing procurement expenditure, and as a result invoices will not be paid unless a purchase order has been raised. A list of exemptions from the requirement for a purchase order is maintained by the Chief Officer - Finance and is included in this document as Appendix A.

All supplier invoices should be addressed to the Business Services team. Any invoices received elsewhere shall be redirected to them 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 5.14.

### **5.12.4 Partnerships and Joint Ventures**

Prior to entering into any formal partnership or joint venture agreements with other parties the relevant Chief Officer must advise the Chief Officer - Finance and the Head of Commercial and Procurement Services of the on-going negotiations.

No partnership or joint venture agreement is to be formally entered into without the prior agreement of the Chief Officer - Finance and Head of Commercial and Procurement Services.

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

## **5.13 Consultants & Sub-Contractors**

### **5.13.1 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 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.

### **5.13.2 Contract**

All purchasing and Orders for consultancy services and/or sub-contract work must be undertaken in accordance with the Procurement Regulations.

### **5.13.3 Payment of Fees**

The relevant Chief Officer should ensure that fees are only paid when the work fulfils the specification.

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

## **5.14 Taxation and VAT**

### **5.14.1 General**

The Chief Officer - 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 Chief Officer - Finance should be consulted on the tax implications before committing the Council.

### **5.14.2 Value Added Tax (VAT)**

As with all VAT registered organisations, the Council is responsible for managing its VAT affairs in accordance with the Value Added Tax Act 1994, and VAT Regulations issued by Her Majesty's Revenue and Customs (HMRC).

HMRC VAT Regulations can be extremely complex and HMRC have the power to apply significant financial penalties for failure to comply with statutory requirements. Therefore, it is very important for all officers to be aware of their role in ensuring the Council's compliance with and adherence to HMRC's VAT regulations.

Services will be responsible for interest and/or penalties charged by HMRC where the Service has failed to obtain, or comply with, appropriate VAT guidance that results in the incorrect VAT treatment.

### **Chief Officer - Finance Responsibilities**

It shall be the responsibility of the Chief Officer - 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.

### **Chief Officers Responsibilities**

Chief Officers shall ensure that arrangements are in place to properly establish the correct liability, process and accounting for VAT.

All officers in the Council who have financial responsibilities are responsible to the Chief Officer – Finance, through the Council's VAT Officer, for the provision of accurate Value Added Tax (VAT) information.

Chief Officers shall ensure that any VAT invoices and VAT receipts that are held by their officers are retained for the prescribed statutory period.

Chief Officers will also 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 by services.

The treasury management team and the bank reconciliation team must be given the relevant documentation, financial coding and VAT coding for any transactions coming into or going out of the bank account.

### **General**

Aberdeen City Council VAT Registration Number 663 7266 13

To reclaim VAT, the council must have a valid tax invoice from a VAT registered trader and be able to produce it on request. Posting of the relevant VAT entries happens automatically when the correct VAT codes are used. The VAT Codes are:

S Standard Rate (currently 20%)

R	Standard Rate – PECOS orders
C	Outside Scope
F	Reduced Rate
Z	Zero Rated
E	Exempt

## VAT Errors

If input tax is claimed and not supported by a valid invoice, or output tax is under declared, the council may be liable for penalties for misdeclaration of VAT. When errors arise due to incorrect VAT coding this can impact on the amount of revenue posted to the income and expenditure account.

To correct this error, the Council's VAT Officer will 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 Council is required to make a voluntary disclosure to HMRC. Between £10,000 and £50,000 a voluntary disclosure is required if the sum is more than 1% of that month's turnover (as shown in box 6 of that month's VAT return). A voluntary disclosure is not required if the sum of errors in the VAT period is below £10,000.

HMRC periodically inspects the Council's records and any errors discovered by them during the inspection will be automatically deducted from payments due to the Council on the next VAT return. The Council may be liable for interest and penalty charges in these circumstances. Penalties may be greater if the error is discovered by HMRC rather than via a voluntary disclosure.

Any penalties or interest charges levied are an additional expense to the Council. If caused by the failure of an officer to comply with these Regulations, then that officer's Service will bear the cost of the penalty or interest.

## 5.15 External Funding / Grants

### 5.15.1 General

**Receivable** - External funding is a source of income. Funding conditions need to be considered to ensure they are compatible with the objectives of the Council.

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 to 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.

## Following the Public Pound

Further information on providing funding to partners and ALEO's is set out in section 5.16 below.

Approval of grants, both receivable and payable, must be compliant with Committee Terms of Reference and Powers Delegated to Officers, as appropriate.

### 5.15.2 Match Funding

Match funding occurs where external funding is payable only on the basis that it is matched by other funders, or by the recipient themselves.

**Where External Funding is Receivable** failure to achieve the match funding will put the Council at risk of losing the external funding proposed. The Council officer responsible for obtaining the external funding must produce a business case to support the application. The business case must include confirmation of the match funding. The match funding must be confirmed by the said officer prior to submitting the application for external funding and entering into any agreements. The business case should be signed off by the Director of the relevant Service and the Chief Officer - Finance.

Where match funding is being provided by the Council itself, then this may be in the form of attributing a value to specific staff, property or other supplies and services costs. The external funder will require to see evidence that those costs have actually been incurred by the Council. To provide this evidence a mechanism for justifying and accounting for those values must be put in place. This may involve the use of time recording systems or other estimation techniques. In these circumstances the Council officer managing the project shall seek guidance from the Chief Officer – Finance.

It is essential that match funding and project costs are closely monitored by the officer managing the project to take account of changes in cost profiles and to ensure that the full project value is captured and reflected in the Council's Medium Term Financial Plan.

Where match funding is being provided to the Council by a third party, suitable documentation should be put in place between the Council and that party to ensure that the Council is not exposed to unnecessary financial risk because 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 third party 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** failure to ensure that the match funding is obtained may put the Council at risk of both exposure to additional costs and a failure to complete the project and achieve the benefits anticipated. The budget holder must arrange for a suitable analysis of the costs of a project to be carried out 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 suitable documentation should be put in place between the Council and that body to ensure that the Council is not exposed to unnecessary financial risk because 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.

### 5.15.3 Grant Offers and Claims

**Where External Funding is Receivable** – Prior to acceptance of external funding the Director, the Chief Officer - Finance and the Head of Commercial and Procurement 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, partner organisations etc. is received. S/he must also ensure that the 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.

The relevant Chief Officer 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 Chief Officer - 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.

#### [Following the Public Pound](#)

## 5.16 Partnerships and Relationships with External Bodies

### 5.16.1 General

Chief Officers 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.

### 5.16.2 Relationship Management

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

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 external body and how they align to those of the Council; and
- Financial viability, risk and control.

### 5.16.3 Funding Agreement

The Council will put in place an appropriate funding agreement to set out the responsibilities of the external body to report back on outcomes and achievements 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.

### 5.16.4 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 ALEO Assurance Hub.

The Head of Commercial and Procurement Services shall use reasonable endeavours to ensure that all contracts to be entered into with Group Entities will provide that each group entity must:

- i) comply with all reasonable requests to co-operate with the ALEO Assurance Hub (applies only to those group entities that are considered to be ALEO's);
- ii) provide quarterly and year end information for inclusion in the Council's financial performance reports and the Annual Accounts in accordance with the timetable set by the Chief Officer - Finance. To include provision of an audited set of annual accounts and external audit report;
- iii) provide such assistance as the Chief Officer - Governance or Chief Officer - Finance may require in the production of the annual governance statement;
- iv) submit a Certificate of Assurance on the Effectiveness of Internal Financial Controls, as prescribed by the Chief Officer – Finance, on an annual basis;
- v) afford the Council's Internal Auditors (whether employed directly by or engaged by Internal or External Audit) full access rights as listed in 3.4; and

- vi) afford the Council's External Auditors the same rights of access as set out in 3.6.1.

## **5.17 Internal Audit**

### **5.17.1 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; and
- it may concern itself with any activity, function or operation of the Council.

The Council will secure an Internal Audit function through the employment of suitably qualified individuals or through entering into a binding contract with an external supplier of such services. The Chief Officer - Governance will manage the relationship that is put in place.

The Chief Officer – Governance shall be responsible for overseeing an independent and effective internal audit function.

The Chief Internal Auditor shall report on a regular basis to the Audit, Risk and Scrutiny Committee and they must:

- annually provide a copy of the Internal Audit plan drawn up after discussion with Chief Officers 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 sole trustee or able to exercise overall control.
- prepare an annual report, including their audit opinion, on the overall adequacy and effectiveness of the Council's control environment; and
- liaise closely with External Auditors to ensure the Council derives maximum value from the combined resource.

### **5.17.2 Responsibilities of Senior Management**

It is the responsibility of the Council's Chief Officers 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, within a specified timescale; and
- any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.

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

## **5.18 Financial Irregularities**

All officers shall inform their Chief Officer 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 Chief Officer to the Chief Officer – Finance and Chief Officer – Governance. Pending investigation and reporting, the Chief Officer is to take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.

The Chief Officer - Finance or Chief Officer – Governance may investigate such incidents as they consider appropriate.

If, on consideration of the results of such an investigation, the Chief Officer - Finance and Chief Officer – Governance are of the opinion that there may be a breach of criminal law they may, after taking advice from the Chief Officer – Governance, 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 Chief Officer must also ensure that passwords and computer access by the officer under investigation are also immediately withdrawn.

## **5.19 Deposit of Trust Securities**

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

## **5.20 Control of Registered Charities, Trust Funds and Other Funds**

### **5.20.1 Custody and Control**

The Chief Officer - 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) that such charitable funds 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 refer to the Council. All monies left in trust to the Council or to be administered by its officers shall be notified immediately to the Chief Officer - Finance, unless the trust's deed outlines otherwise.

#### **5.20.2 Investment**

All investments of money under the Council's control shall be made by the Chief Officer - Finance in the name of the Council or in the name of nominees approved by the City Growth and Resources Committee. Any investments made will be made in accordance with the Treasury Management Strategy approved by the Council.

#### **5.20.3 Audit**

Where elected members (all or some) of Aberdeen City Council are the sole trustees of registered charities, the charities will be subject to external audit by the Council's appointed external auditor.

### **5.21 Control of Common Good**

#### **5.21.1 Purposes for which Common Good monies may be utilised**

Items of expenditure which can be met from the Aberdeen City Council Common Good 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 or benefit of any particular individual or group.

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

Where there is a doubt about whether Common Good monies can be used for a particular purpose then in the first instance advice should be sought from the Chief Officer – Governance.

### **5.21.2 Common Good Investment Strategy**

The Common Good Investment Strategy was approved by the Finance and Resources Committee in December 2012. The Chief Officer - Finance is responsible for reviewing the Strategy and reporting any proposed changes in the Strategy to the City Growth and Resources Committee.

## **5.22 Voluntary Funds**

### **5.22.1 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. Directors shall supply the Chief Officer - Finance with a list of all employees who are signatories to such funds.

Such funds are to be subject to the same financial rigour and probity as if they were Council funds.

### **5.22.2 Financial Control and Administration**

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

The Chief Officer - 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.

The Council employee shall at the end of each financial year submit a return stating the balance held and a copy of the audit certificate & accounts to the Chief Officer – Finance.

### **5.22.3 Employee Involvement**

The Council employee must inform their line manager of any involvement in a voluntary fund and state the position they hold within 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. An audit should be carried out whenever an employee relinquishes this responsibility and hands over the funds to another person.

## **5.23 Pension Funds**

### **5.23.1 General**

The Chief Officer - Finance shall be responsible for the financial affairs of the North East Scotland Pension Funds. The investment of Pension Funds 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 Funds can be found in Section 12. To the extent that section 12 varies from the general financial regulations, Section 12 shall take precedence for the Pension Funds only. For matters not specifically covered within Section 12, the Pension Funds will take due guidance from the general financial regulations. Should the Pension Fund officers still have any doubt on interpretation or implementation of the general financial regulations, further guidance shall be sought from the Chief Officer-Finance.

## **5.24 Amendments to Financial Regulations**

5.24.1 Non-material amendments to the Financial Regulations can be made by the Chief Officer - Governance, following consultation as required by Powers Delegated to Officers, without the requirement to report to Full Council.

5.24.2 Material amendments to the Financial Regulations, including the removal or addition of Financial Regulations, may only be approved after consideration of a report to Full Council by the Chief Officer - Governance.

## **5.25 Review of Financial Regulations**

5.25.1 The Financial Regulations will be subject to annual review by the Chief Officer - Finance.

## **6. FINANCIAL MANAGEMENT & CONTROL - 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.

- 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.
- 6.1.3 The Financial Regulations define the respective roles and responsibilities of officers in both the accounting function and Services. Compliance with the Financial Regulations 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.

## **6.3 Chief Executive**

- 6.3.1 The Chief Executive has a responsibility to ensure that the Financial Regulations are applied across the Council, and the appropriate committee structures are in place.
- 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 report to the Chief Executive on the financial performance of their services.
- 6.3.3 The Chief Executive does not have operational responsibility for services, which responsibility rests with Directors. Similarly, the Chief Officer - Finance has the responsibility for establishing the appropriate financial reporting framework.
- 6.3.4 The Directors shall formally report any financial problems identified in a Service to the Chief Officer - 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 quarterly financial performance report shall be included on the agenda of the Corporate Management Team.

#### **6.4 Chief Officer - Finance**

6.4.1 Section 95 of the Local Government (Scotland) Act 1973 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. In Aberdeen City Council, the Chief Officer - Finance is the Section 95 officer. Where the Section 95 officer position is vacant, the Chief Executive will make alternative arrangements.

6.4.2 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 aligned with the authority's financial strategy; and
- leading the promotion and delivery by the whole authority of good financial management so that public money is safeguarded always 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 Chief Officer - Finance must be seen in this context. The Financial Regulations delegate much of the day to day financial administration to Chief Officers, and by sub-delegation, to staff within Finance. The extent of delegations will be outlined within a framework of job profiles.

#### **Financial Management**

6.4.5 As head of strategic and operational financial management and administration, it is the responsibility of the Chief Officer - 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; and
- ensure that financial management arrangements are in line with the Council's strategic policies and objectives and its overall management arrangements.

6.4.6 Specifically, the Chief Officer - 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; and
- ensure that all staff with financial management responsibilities are made aware of the existence and content of these financial regulations and their requirement to comply with them.

### **Supporting the Democratic Process**

6.4.7 In supporting and advising the democratic process, the Chief Officer - 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; and
- 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 Chief Officer - 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; and

- 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 Chief Officer - 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 in relation to financial management are clear and understood and that budget managers have access to adequate financial skills; and
- 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 Chief Officer - 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; and
- act as head of profession for all finance staff in the authority.

### **Bond Governance**

6.4.11 The credit rating that was obtained to facilitate the issue of bonds on the London Stock Exchange (LSE) must be maintained over the term of the bonds. The credit rating agency conducts a review at least once every twelve months and the Chief Officer – Finance shall ensure that the credit rating agency is provided with all the information that it requires to carry out its assessment. The outcome of such reviews shall be reported to the first meeting of the City Growth and Resources Committee following receipt of the outcome. The credit



rating agency may also amend the rating between reviews. If this occurs, the Chief Officer – Finance shall report this occurrence to the next available City Growth and Resources Committee.

6.4.12 The Chief Officer – Finance shall ensure that the Council's quarterly financial monitoring report to City Growth and Resources Committee is structured to comply with the reporting requirements of the LSE including any notifications required to comply with the Market Abuse Regulations.

## **6.5 Chief Officers**

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 law and the Council's Scheme of Governance;
- manage the expenditure and income of the service and ensure its control within approved budgets;
- prepare draft budget and service plans, following consultation with the Chief Officer - Finance and the Chief Executive;
- provide data necessary to enable the completion of budgets, monitoring reports, annual reports and all government or other statistical returns, following consultation with the Chief Officer - Finance; and
- formally report any financial problems identified within the service to the Chief Officer - Finance, and if appropriate the Chief Executive, who can instruct appropriate action and report as required.
- furnish the Section 95 officer, or her/his authorised representative, with all such information that s/he may reasonably require for the discharge of her/his functions.

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 The respective roles and responsibilities of budget holders and finance staff are set out in the Finance Framework (also see 4.1 above)

### **Line Responsibilities/Accountabilities**

6.6.2 The Chief Officer - 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 Chief Officer - 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 Chief Officer - Finance. Finance staff also have a responsibility to Chief Officers 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 Chief Officer - 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 Chief Officer - Finance may recommend how the matter shall be taken forward. Conversely, any Director has recourse to the Chief Officer - Finance where it is considered that any member of staff in Finance has not met the required standards. If a Director and the Chief Officer - Finance fail to agree, the matter shall be raised with the Chief Executive who will determine what action is appropriate.

## **7. INTERNAL CONTROL**

### **7.1 Introduction**

- 7.1.1 Internal control consists of all the policies and procedures the Council applies 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, to plan, monitor and report business operations.
- Ensure compliance - internal controls help to ensure the Council complies 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 control systems provide a mechanism for management to monitor the achievement of operational goals and objectives.

### **7.2 Responsibilities**

- 7.2.1 Chief Officers 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 complying with the Council's internal controls.

### **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.

## 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 systems should include both prevention and detection activities. Internal Audit will provide assurance over the controls that the Council has established and make recommendations for strengthening such controls.
- 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. Chief Officers 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 in comparison to the cost that would be incurred by the Council if the undesirable event occurred, recognising that some risks may be difficult to attribute a financial value to e.g. reputational risks;
- 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 costlier 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 and between 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 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; and
- **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 Chief Officer - Finance if any officer 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, e.g.:

- General Revenue Fund;
- Housing Revenue Account;
- Common Good; and
- North East Scotland Pension Funds (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 Strategic Business Plan. The budgets will be prepared jointly by the Chief Officers and the Chief Officer - Finance.
- 8.2.3 The Chief Officer - Finance shall prepare a consolidated draft budget, incorporating a Medium Term Financial Plan, together with a report on its financial implications. This budget report may be submitted to the City Growth 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 Chief Officer - Finance shall provide Chief Officers and Budget Holders with up-to-date financial information on income and expenditure compared to the approved budget. The Chief Officer - Finance will be entitled to receive any clarification deemed necessary on any item of expenditure or income. Chief Officers and Budget Holders shall provide the Chief Officer - Finance with such information as he or she shall require from them.
- 8.3.2 The Chief Officer - Finance shall report on a quarterly basis to the City Growth 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 Chief Officer - Finance, shall report on a quarterly basis to their Council 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 Operational Delivery Committee; the Common Good shall be to the City Growth and Resources Committee; the North East Scotland Pension Funds shall be to the Pensions Committee; and the Consolidated Group position will be reported quarterly to City Growth and Resources Committee.

### **8.4 Revenue Budget Management**

- 8.4.1 No expenditure shall be incurred unless it can be met from an approved budget. For the avoidance of doubt, any officer who fails to comply with this Financial Regulation may be subject to disciplinary action.
- 8.4.2 Budget Holders shall be responsible for monitoring their budgets in accordance with the Council's Scheme of Governance, using the relevant financial systems as determined by the Chief Officer - Finance.
- 8.4.3 If it becomes apparent that any item of income or expenditure is likely to vary 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. The Chief Officer – Finance must be notified of any budget that is or is likely to be overspent.

## **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 Chief Officers and Budget Managers may exercise virement, in accordance with the scheme of virement as set out below, and within the services' overall Revenue Budget provided that:

- The Chief Officer - Finance has been notified; and
- The virement does not create an additional financial commitment into future financial years.

Approval of such virement shall consider the following criteria:

- adherence to the Accounting Code of Practice (ACOP);
- the balancing of related expenditure and income issues;
- movements within approved schemes of budget delegation;
- the need to remedy anticipated budget pressures elsewhere;
- the impact of approved service developments on the nature of service spend;
- previous Council decisions on the application of budget resources;
- the remedy of error in budget compilation; and
- spend to save initiatives.

8.5.3 Virement cannot be used by services in the following situations:

- to mask overspend and underspend issues;
- to apply underspends or over-recoveries of income without reference to Committee;
- 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 relevant Council Committee(s);
- to provide a budget for the implementation of a new policy, or variation of existing policy, which exceeds the limit of delegated authority provided to all Chief Officers in this regard (general delegated power no. 40) and therefore requiring the approval of the relevant Council Committee;
- for service budgets which are committed to and included within partnership agreements;
- 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; and
- between services that are budgeted and funded via the Integration Joint Board and other funds of the Council i.e. between IJB budgets and non-IJB budgets.

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

### Devolved Education Management (DEM) scheme

Scope	Limit	Approval to Vire
1. Within or between Account Code Groupings, within individual budget holder areas of responsibility (e.g. printing & stationery to telephones – within admin costs or 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	Chief Officer
	Over £100,000	Director, reported to Service Committee in Service Monitoring Report
2. Between Functional Services Budgets but within Chief Officer area of responsibility (e.g. Primary to Secondary Education, Libraries to Community Learning, or Learning Disability to Mental Health)	Up to £20,000 or 10% of the budget grouping, whichever is the lesser	Chief Officer
	Up to £100,000	Director, reported to Service Committee in Service Monitoring Report
	Over £100,000	Service Committee
3. Between Functional Service Budgets within Directorate Budgets (e.g. transfer from Education to Environmental Services)	Up to £250,000	Director, reported to Service Committee in Service Monitoring Report
	Over £250,000	Service Committee
4. Between Directorate Budgets i.e. across committees (e.g. transfer from Commissioning to Operations)	Up to £500,000	Chief Executive, reported to Service Committees in Service Monitoring Reports
	Over £500,000	City Growth 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 The Chief Officer – Capital, following consultation with the Chief Officer – Corporate Landlord, shall ensure that all capital items are included in one of the Council's capital budgets:
- Non-Housing capital programme; or
  - Housing capital programme.
- 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 Strategic Business Plan.
- 8.7.3 Bids to have new projects included in the capital programmes should comply with, and have been approved by, the governance arrangements overseen by the Capital Board. The Chief Officer – Capital shall then submit such proposals to the relevant Council Committee.
- 8.7.4 The revenue budget implications identified during the process shall be incorporated into the Revenue Budget and Medium Term Financial Plan.
- 8.7.5 The Chief Officer - Finance shall prepare a consolidated draft capital programme, incorporating a 5-year programme, together with a report on its financial implications. This budget report will be submitted to the Council Budget meeting. Once approved by Council the Budget will constitute the Capital Budget for the relevant financial year.
- 8.7.6 The Chief Officer - Finance shall prepare a report on the Prudential Indicators. This will demonstrate the affordability and prudence of the budget being set. This report will be incorporated into the Council budget setting report outlined at 8.7.5.

## **8.8 Capital Monitoring**

- 8.8.1 No capital expenditure should be incurred unless it can be met from an approved capital budget. For the avoidance of doubt, any officer who fails to comply with this Financial Regulation may be subject to disciplinary action.
- 8.8.2 Capital project and programme managers shall be responsible for monitoring their budgets in accordance with the Council's Scheme of Governance using the relevant financial systems as determined by the Chief Officer - Finance. The Chief Officer – Finance must be notified of any budget that is or is likely to be overspent.

8.8.3 The Chief Officer – Capital, following consultation with the Capital Board, is responsible to the Corporate Management Team, for monitoring the overall Capital programme. S/he is also responsible, following consultation with the Capital Board, for the profiling of project expenditure within the Capital programme, subject to funding limits determined by the Chief Officer - Finance.

## 8.9 Virement of Capital Budgets

8.9.1 The Chief Officer – Capital, following consultation with the Capital Programme Board, may exercise virement of budgets between projects included in the approved General Fund Capital programme, in accordance with the scheme of virement and within the overall budget, provided that the Chief Officer - Finance has been notified.

8.9.2 Budget virements shall not be made between the Non-Housing and Housing Capital programmes at any level.

Scope	Limit	Approval to Vire
Between Capital Project Budgets within Project Sponsor area of responsibility (e.g. between two school projects)	Up to £20,000 or 10% of each project's gross expenditure budget, whichever is the lesser	Project Sponsor, reported to Programme Board in next Highlights report
	Up to £100,000	Chief Officer - Capital, reported to City Growth and Resources Committee in Quarterly monitoring report
Scope	Limit	Approval to Vire
Between Capital Project Budgets within Programme Board area of responsibility (e.g. between projects both governed by Asset Management Programme Board)	Up to £250,000	Chief Officer - Capital, reported to City Growth and Resources Committee in Quarterly monitoring report
	Over £250,000	City Growth and Resources Committee
Between Capital Project Budgets governed by different Programme Boards (e.g. from City Centre Masterplan to Asset Management Programme Board)	Up to £500,000	Chief Executive, reported to City Growth and Resources Committee in Quarterly monitoring report
	Over £500,000	City Growth and Resources Committee

## 9. ACCOUNTING POLICIES AND ANNUAL ACCOUNTS

### 9.1 General

- 9.1.1 The Chief Officer - Finance is responsible for the preparation of the Council's Annual Accounts, in accordance with proper practices. The accounts must be prepared 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 ways in which the Council discharges its responsibility for stewardship of public resources. Accordingly, the Chief Officer - Finance is responsible for selecting suitable accounting policies and ensuring that they are consistently applied to the accounts relating to each financial year. All accounting procedures of the Council and the format of related records shall be determined by the Chief Officer - Finance.
- 9.1.3 It is the duty of Chief Officers to maintain proper financial and accounting records within their Service to demonstrate adequate stewardship of public resources. Arrangements put in place by the Chief Officer - Finance shall not be discontinued or amended and new arrangements will not be introduced without the approval of the Chief Officer - 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 The Annual Accounts**

- 9.2.1 It is a statutory requirement that the Council prepares its Annual Accounts for the preceding financial year 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. The Chief Officer - Finance must submit the accounts by that date to the Council and the Controller of Audit. Following completion of the Audit, the Chief Officer - Finance will submit a certified copy of the Accounts, together with the External Auditor's report thereon, to the Council, not later than two months following receipt of the External Auditor's report.
- 9.2.2 To comply with its obligations to the London Stock Exchange (LSE) Aberdeen City Council will be required to complete its Annual Accounts earlier than the statutory deadline. The Chief Officer – Finance will be responsible for issuing a timetable and instructions that will allow completion of the Annual Accounts in time to meet the LSE requirements.
- 9.2.3 Chief Officers shall be responsible for ensuring that their staff provide the Chief Officer - Finance with such assistance as is necessary to ensure the deadlines set by the Chief Officer - Finance for the completion of the Annual Accounts are complied with.

9.2.4 At the end of the financial year (or any other date as laid down by the Chief Officer - 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 Officers 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.

10.1.2 In maintaining that balance, the Council shall also have regard to seeking the most effective and efficient means of delivering services to its citizens.

10.1.3 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.

10.1.4 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.

10.1.5 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"). The Code is prepared under International Financial Reporting Standards.

10.1.6 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 City Growth and Resources Committee

The City Growth and Resources Committee is responsible for oversight of the Council's:

- Revenue Budget;
- Capital Plan; and
- Common Good budget.

The City Growth and Resources Committee will also receive quarterly reports on the Council's Financial Performance as prepared by the Chief Officer – Finance.

The Capital Programme Sub Committee will oversee and scrutinise the Council's capital programme, making recommendations to the City Growth and Resources Committee on whether business cases should be approved for inclusion in the capital plan.

### 10.2.2 Audit, Risk and Scrutiny Committee

The Audit, Risk and Scrutiny Committee is responsible for the review of:

- the risk management system;
- the control environment; and
- internal and external audit reports.

The Committee is also responsible for overseeing the implementation of the Council's ALEO Assurance Framework, including the operation of the ALEO Assurance Hub

## 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 99 – 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

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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; and
- 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 the following shall apply in respect of the General Fund:

- (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.
- (c) All sums payable by the authority shall be paid out of that Fund.

#### **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 must be approved by the City Growth and Resources Committee.

#### **Management and Control**

Management and control is maintained through the established financial management processes for producing the Annual Accounts and the Council's budget.

### **Capital Fund**

#### **Purpose of the Reserve**

To defray any expenditure of the authority to which capital is properly applicable, or to provide money for repayment of the principal of loans (but not 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 processes for producing the Annual Accounts and the Council's budget.

## **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 Chief Officer - 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 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 Chief Officer - Finance**

11.4.1 The Chief Officer - 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 Chief Officer - 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 Chief Officer - Finance should consider the Council's Medium Term Financial Plan and the overall financial environment. Guidance also recommends that the Chief Officer - 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. The 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 Chief Officer - 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 the Council based on the advice of the Chief Officer - Finance. To enable the Council to reach a decision, the Chief Officer - Finance should clearly state the factors that influenced this advice.

11.6.3 As part of the budget report the Chief Officer - 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 Strategic 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 FUNDS**

### **12.1 Introduction**



The North East Scotland Pension Fund (NESPF) and the Aberdeen City Council Transport Fund (ACCTF) are administered by Aberdeen City Council within the Local Government Pension Scheme (LGPS) Regulations.

The Scheme was established under the Superannuation Act 1972 and is open to all employees of the scheduled bodies, except for those whose employment entitles them to belong to another statutory pension scheme (e.g. Police, Fire, Teachers). Employees of admitted bodies can join the Scheme subject to the admitted bodies' individual admission criteria, which are out-with the control of Aberdeen City Council.

The Funds' investments are externally managed in accordance with the Local Government Pension Scheme (Scotland) (Management and Investment of Funds) Regulations 2010, as amended.

All pension benefits are paid in accordance with the Local Government Pension Scheme (Scotland) Regulations 2014, as amended.

## **12.2 North East Scotland Pension Fund Pensions Committee**

Aberdeen City Council is the administering authority for the North East Scotland Pension Fund (NESPF) and the Aberdeen City Council Transport Fund (ACCTF). The Council delegates this responsibility to the Pensions Committee.

The Pensions Committee is the key decision maker for all matters under the LGPS Regulations including benefit administration and investment management.

The Council and the Pensions Committee have fiduciary duties and responsibilities towards pension scheme members, participating employers and local taxpayers.

## **12.3 North East Scotland Pension Fund Pension Board**

The Pension Board is responsible for assisting the Scheme Manager in relation to:

- Compliance with the Local Government Pension Scheme (Scotland) Regulations 2014, as amended, and any other legislation relating to the governance and administration of the Scheme; and
- Securing compliance with requirements imposed by the Pensions Regulator.

## **12.4 Pension Funds Management and Control**

### **12.4.1 Scheme Governance**

The Chief Officer - Finance shall ensure that the Pensions Section complies with all government regulations in the administration of the Pension Funds.

The Chief Officer - Finance shall ensure that all required policy statements are created, maintained and annually reviewed, and reported to the Pensions Committee as required. The statutory statements/policies are currently:

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

#### 12.4.2 Accounting

The North East Scotland Pension Funds are governed by the Council and are required to:

- Make arrangements for the proper administration of their financial affairs and to secure that the proper officer of the administering authority has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). For the North East Scotland Pension Funds, that officer is the Chief Officer - Finance of Aberdeen City Council;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as it is compatible with the legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003); and
- Approve the Annual Accounts for signature by the Section 95 officer.

#### **The Chief Officer - Finance's responsibilities:**

The Chief Officer - Finance is responsible for the preparation of the Pension Funds' Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the accounting code).

In preparing the Annual Accounts, the Chief Officer - Finance will:

- select suitable accounting policies and then apply them consistently;
- made judgements and estimates that are reasonable and prudent;
- comply with legislation; and
- comply with the Local Authority Accounting Code (in so far as it is compatible with legislation).

The Chief Officer - Finance will also:

- keep adequate accounting records which are up to date; and
- take reasonable steps for the prevention and deletion of fraud and other irregularities.

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

#### **12.4.3 Global Custody Arrangements**

The Chief Officer - Finance shall ensure that appropriate custody arrangements are in place to provide for the:

- safe custody of Scheme assets;
- income collection;
- proxy voting;
- foreign exchange transactions;
- the provision of a 'global record keeper'; and
- investment accountancy services.

The Chief Officer - Finance shall make recommendations to the Pensions Committee regarding added value custody services, such as, but not limited to:

- cash management;
- performance measurement; and
- stock lending.

#### **12.4.4 Cash Management**

Subject to the overriding requirements of the Council's Treasury Management Policy and Strategy, the Chief Officer - Finance shall create and maintain a Cash Management Policy in respect of the North East Scotland Pension Funds. The policy will provide for cash management practices in compliance with the Pension Funds' long-term investment objectives as set out in the Pension Funds Statement of Investment Principles.

The Chief Officer - Finance shall review the cash management strategy, policies, objectives, controls and activities annually, and report on these to the Pensions Committee.

#### **12.4.5 Financial Controls**

The Chief Officer - Finance shall maintain separate bank accounts on behalf of the Pension Funds as per the requirements of the LGPS Regulations.

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

#### **12.4.6 Budget**

A budget will be prepared taking into account the following:

- a) any 'Service Level Agreement' between Aberdeen City Council and the Pension Funds;
- b) any projected Fund management costs. These costs are to be assessed by the Chief Officer - Finance and the Pension Fund Manager regarding any likely movement in the investment markets over a 12-month period; and
- c) any projected third-party costs. These costs are to be assessed by the Chief Officer - Finance and the Pension Fund Manager.

It is the responsibility of the Pension Fund Manager to report any variations to the budget to the Pensions Committee on a quarterly basis.

#### **12.4.7 Financial Administration**

- The Chief Officer - 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 Funds.
- The Chief Officer - Finance shall ensure that all outstanding income due to the Funds are pursued by the Pensions Section and escalated to the Service Income Section as appropriate. A report shall be prepared annually by the Pension Fund Manager for the Chief Officer - Finance regarding the write-off of unrecoverable debt. On review of the annual report the Pension Fund Manager shall be authorised to write off debts up to a value of £10,000, and the Chief Officer - Finance is authorised to write off debts up to a value of £25,000. All unrecoverable debts over £25,000 would be submitted to the Pensions Committee to seek approval for write-off.
- The Chief Officer - Finance shall ensure that effective procedures are in place and regularly reviewed regarding the Pension Funds' expenditure.
- The Chief Officer - Finance shall ensure that accurate records are maintained in respect of all Pension Funds' income and expenditure activity.
- The Chief Officer - Finance shall ensure that the Pension Funds have in place appropriate IT and accounting systems to comply with the requirements of the LGPS Regulations.

The Chief Officer - Finance shall be responsible for authorising all agreements and other documents concerning the administration of the Pension Funds.

#### **12.4.8 Employee benefit payments**

The Chief Officer - Finance shall approve and control arrangements for the payment of all benefits to Scheme members and the transfer of Pension Fund benefits to external pension providers.

The Senior Pensions Officer (Benefits) will review and authorise all payments and transfers processed through the Pension Fund benefit administration system.

#### **12.4.9 Risk Management**

Subject to overriding requirements at Regulation 12 of the LGPS (Management and Investment of Funds) (Scotland) Regulations 2010, as amended, the Chief Officer - Finance shall be responsible for the identification and control of Risk for the North East Scotland Pension Funds.

The Chief Officer - Finance will carry out an ongoing review of risk management relating to the Pension Funds and will report quarterly to the Pensions Committee in respect of all risk matters impacting the Pension Funds.

#### **12.4.10 Audit**

The Pension Funds shall be subject to the same internal audit appointments as the Council, providing there is no conflict of interest. The Pension Funds' External Auditors shall be appointed by the Accounts Commission.

The internal and external audit functions shall report to the Pensions Committee. A copy of such information shall be provided to the Audit, Risk and Scrutiny Committee.

An annual internal and external audit plan shall be drawn up after discussion with the Chief Officer - Finance and the Pension Fund Manager for the Pensions Committee's information, input and approval.

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

Internal and External Audit shall prepare an annual report, including their audit opinion, on the overall adequacy of the Pension Fund's control environment.

#### **12.4.11 Investment of Funds**

The Chief Officer - 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 Chief Officer - Finance shall ensure that proper records are maintained regarding the investments of the North East Scotland Pension Funds.

The Chief Officer - Finance will be responsible for ensuring that, all investment will be held either in the name of the Aberdeen City Council Pension Fund 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 regarding investment of the Funds' monies including advice from the Chief Officer - Finance.

#### **12.4.12 Service Providers**

The Chief Officer - Finance shall ensure that all service providers engaged on behalf of the Pension Funds will be appointed in accordance with the Procurement Regulations.

The Pension Funds have identified the following third-party service providers as 'key' providers regarding the Pension Funds service provision. The list is not exhaustive and may be revised subject to direction by the Chief Officer - Finance:

- the Council;
- Scheme Actuary;
- Global Custodian;
- Investment Fund Managers;
- Investment Consultants;
- Benefit Administration system provider; and
- Implementation Services.

All third-party service providers will be subject to annual performance review (or more often as required) with reporting to the Pensions Committee as required.

#### **12.4.13 Travel and Expenses**

In respect of the North East Scotland Pension Funds', the Chief Officer - Finance shall approve an annual travel plan regarding the attendance at training events and conferences for elected members and officers.

Travel will be approved in accordance with the Travel Procedures set out in sections 4.7 and 4.8. To the extent that those procedures do not apply to all travel requirements relating to the Pension Funds, additional procedures specific to the Pension Funds will be determined by the Chief Officer - Finance.

## APPROVED EXEMPTIONS FROM REQUIREMENT TO ISSUE A PURCHASE ORDER

The requirement to issue a purchase order is set out in Financial Regulation 5.12.2 and 5.12.3.

Essentially there are only 2 overarching reasons to not use a Purchase Order when committing or incurring expenditure and all Exemptions must meet one or other of these 2 criteria.

1. The expenditure being incurred would not represent a purchase of supplies, services and works
2. There is an agreed alternative control process in place

Specific examples that meet these 2 criteria are as follows:

1. The expenditure being incurred would not represent a purchase of supplies, services and works:
  - 1.1 Payments made through the payroll system
    - 1.1.1 Salaries and wages
    - 1.1.2 Payroll deductions including payments to HMRC, pension funds and employee benefits scheme providers
    - 1.1.3 Travel and subsistence claims
  - 1.2 Taxation and similar payments made to government bodies
    - 1.2.1 Levies
    - 1.2.2 Council Tax
    - 1.2.3 Business Rates
    - 1.2.4 Payments to the Tax Authorities
  - 1.3 Transfer payments
    - 1.3.1 Benefit payments including Housing Benefit, Universal Credit etc.
    - 1.3.2 Grant schemes and other similar payments e.g. fund distributions
  - 1.4 Other payments that do not constitute a purchase of supplies, services and works
    - 1.4.1 Grant schemes and other similar payments e.g. fund distributions
    - 1.4.2 Refunds to customers/clients
    - 1.4.3 Insurance/Legal settlements and compensation payments
    - 1.4.4 Court fees/Legal fees
    - 1.4.5 Interview Expenses
    - 1.4.6 Long service awards
    - 1.4.7 Subscriptions to Professional Bodies (code 12873)
    - 1.4.8 Disclosure Scotland
    - 1.4.9 SQA fees

#### 1.4.10 Registration & Inspection fees

#### 1.5 Other agreed exemptions

##### 1.5.1 Postages

##### 1.5.2 Hire of taxis

#### 2. There is an agreed alternative control process in place:

##### 2.1 Payment vouchers/Self Bills

##### 2.2 Payments to foster carers, adoption fees and kinship carer payments

##### 2.3 Payments made via the one-bill system, including gas, electric, telephone, photocopying charges

##### 2.4 Property Rents

##### 2.5 Payments made via feeder systems

###### 2.5.1 Carefirst

###### 2.5.2 Consillium

###### 2.5.3 Tranman

###### 2.5.4 Confirm

##### 2.6 Items purchased using purchasing cards

##### 2.7 Ongoing annual (repeat) subscriptions

##### 2.8 Unitary Charges (e.g. 3R's/AWPR projects)

All other purchases require a purchase order to be raised and quoted on the supplier's invoice. Invoices not containing the purchase order number will not be paid.

No exceptions will be accepted unless specifically approved by the Chief Officer - Finance or their authorised representative.