

# Financial Regulations



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Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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# Financial regulations

## Introduction

1. Audit Scotland is a body corporate established under section 10 of the Public Finance and Accountability (Scotland) Act 2000. It came into existence on 1 April 2000 under the Public Finance and Accountability (Scotland) Act 2000 (Commencement) Order 2000 (SSI 2000 Number 10(c.1)).
2. The Board of Audit Scotland consists of the Auditor General, the Chairman of the Accounts Commission and three other members appointed by the Scottish Commission for Public Audit, one of which will be appointed as Chair.
3. Audit Scotland's function is to provide such assistance and support as the Auditor General and the Accounts Commission require in the exercise of their respective functions and, in particular, is to provide them, or ensure that they are provided, with the property, staff and services which they require for the exercise of those functions.
4. Audit Scotland may impose reasonable charges in respect of the exercise of its functions. In determining the amounts of the charges Audit Scotland must seek to ensure that the total sum received in respect of the charges is, taking one year with another, broadly equivalent to its expenditure. Any expenditure not met out of sums received is payable out of the Consolidated Fund.
5. The Scottish Commission for Public Audit (SCPA), established under section 12 of the Public Finance and Accountability (Scotland) Act 2000, has the duty to designate an accountable officer for Audit Scotland. The SCPA has designated the Auditor General as the Accountable Officer. The responsibilities of the Accountable Officer are set out in section 18 of the 2000 Act. They are:
  - 5.1. signing the accounts of the expenditure and receipts of Audit Scotland;
  - 5.2. ensuring the propriety and regularity of the finances of Audit Scotland; and
  - 5.3. ensuring that the resources of Audit Scotland are used economically, efficiently and effectively.
6. All members of the Board and all employees, shall conduct their business with diligence and with a view to the security of the property of Audit Scotland, avoiding loss, exercising economy and efficiency in the use of resources and conforming with the requirements of Standing Orders, Financial Regulations and the Scheme of Delegation.
7. The Board has made Standing Orders, these Regulations and a Scheme of Delegation to govern the operation of Audit Scotland. They should be read together.

## Definitions and interpretation

8. In these Regulations terms will have the following meanings:

- 8.1. “the 2000 Act” means the Public Finance and Accountability (Scotland) Act 2000
- 8.2. “the 1973 Act” means the Local Government (Scotland) Act 1973
- 8.3. “the Board” means the members of Audit Scotland acting together to discharge the functions of Audit Scotland
- 8.4. “the Management Team” consists of the Auditor General, the Assistant Auditor General, the Chief Operating Officer and the Audit Scotland Directors, or such other combination of officers as may be determined from time to time by the Board.

## Corporate Plan

9. A Corporate Plan will be prepared and will be reviewed annually by the Board. It will set out the strategic approach to be adopted by Audit Scotland in performing its functions. So far as possible, it will outline the financial consequences of proposals contained in it.
10. The Corporate Plan will be approved by the Board.

## Budget

11. The financial year of Audit Scotland is 1 April to 31 March.
12. Proposals for the use of resources and expenditure for each financial year will be submitted to the SCPA at such times as the Commission requires to enable it to examine the proposals and report to the Parliament under section 11(9) of the 2000 Act.
13. Estimates of expenditure and income will be submitted as budget proposals to the Board for approval prior to the submission to the SCPA. Provided the SCPA report has been submitted to and approved by Parliament, a final version of the budget will be submitted to the Board not later than 31 March in the year preceding the financial year to which it relates.
14. In the event that Parliament has not approved the budget, a version of the budget that includes our best estimate of operational changes will be submitted to the Board by 31 March. A final version to be submitted when the Scottish Government budget is passed.
15. No expenditure will be incurred unless there is provision for the expenditure within the overall budget approved by the Board. Approval of expenditure where there is no provision within the overall budget will be made by the Board. (Scheme of delegation 3.1)
16. There may be virement within the budget, in accordance with the Scheme of Delegation. (Scheme of delegation 3.2 and 3.3)

## Budgetary control and reporting

17. Financial performance will be monitored against budget and reported regularly to the Management Team and at least quarterly to the Board.
18. Systems of budgetary control will be devised and maintained to include:

- 18.1. Regular financial reports as prescribed above containing -
    - 18.1.1. income and expenditure to date and, when relevant, forecast year end position
    - 18.1.2. explanations of any material variations
    - 18.1.3. details of any corrective action necessary
    - 18.1.4. virement
  - 18.2. The issue of timely, accurate and comprehensible advice on financial reports to each budget holder covering the areas for which they are responsible
  - 18.3. Arrangements for the authorisation of virement.
19. Each budget holder will be responsible for the management of their budgets within the approved policies of the Board.

## Accounting

- 20. An effective system of internal financial control will be maintained including detailed financial procedures and systems incorporating the principles of separation of duties and internal checks. These will be documented and maintained.
- 21. Proper records will be maintained to show and explain Audit Scotland's transactions in order to disclose, with reasonable accuracy, the financial position of Audit Scotland at any time.
- 22. Accounting policies will be set consistent with appropriate guidance and all accounting procedures and records will be consistent with any form of accounts prescribed. Accounting policies will be approved by the Board. (Scheme of delegation 3.4)
- 23. Annual Accounts will be prepared and submitted to the Board for approval no later than 31 August in respect of the financial year finishing on the 31 March.

## Bank accounts

- 24. HM Treasury require public bodies to operate a bank account through the Government Banking Service (GBS), to allow the transfer of monies from central accounts to public bodies and vice-versa.
- 25. Apart from the requirement to use a bank specified by the GBS for the transfer of central funds, Audit Scotland will, for day to day banking and transactions, make arrangements for the appointment of bankers in accordance with the provisions for the letting of contracts set out in these Regulations.
- 26. No Audit Scotland monies will be held in any bank accounts outwith those approved by the Board.
- 27. Detailed arrangements and instructions on the operation of bank accounts will be prepared and maintained as Treasury Management Procedures by the finance department, and will include:

- 27.1. The conditions under which each bank account is to be operated.
- 27.2. The limit to be applied to any overdraft.
- 27.3. Those authorised to sign cheques or other orders drawn on Audit Scotland's bank accounts, and the limits of their authority in accordance with the Scheme of Delegation.
- 28. Banking arrangements will be reviewed at regular intervals to ensure that they reflect best practice and represent best value for money.
- 29. Controlled stationery (e.g. cheques) will be held securely at all times and proper records will be maintained in relation to such stationery.

## Credit Cards

- 30. Credit cards will be offered to members of the Management Team automatically. Credit cards will also be offered to other members of staff, with the specific approval of the Accountable Officer and the Chief Operating Officer, where there is an on-going requirement for credit card use.
- 31. The default credit limit for all cards will be set in the Scheme of Delegation and variations for individual cards will be approved by the Management Team. (Scheme of delegation 3.5)

## Income

- 32. Systems will be designed and maintained for the proper recording, invoicing, collection and coding of all monies due to Audit Scotland.
- 33. All monies received will be banked promptly.
- 34. Arrangements will be made for appropriate recovery action on all outstanding debts.
- 35. Fees and charges, including fees to audited bodies, will be determined in accordance with policies decided by the Board.

## Investments and borrowings

- 36. No borrowing or investments will be made without the expressed agreement of the Board. In exceptional circumstances the Accountable Officer may consult with the Chair of the Board and agree a short term borrowing strategy, but this must be reported to, and ratified by the full Board at the earliest opportunity.
- 37. All short term borrowings will be kept to the minimum period of time possible, consistent with the overall cash flow position.
- 38. Any long term borrowing must be consistent with policies decided by the Board.
- 39. Detailed procedural instructions will be prepared on the operation of investment accounts and regular reports will be made to the Board on the performance of any investments held.

## Insurance

40. Arrangements will be made to ensure that all insurance cover is effected, periodically reviewed and adjusted as necessary.
41. Insurance arrangements will be reviewed regularly and the market will be competitively tested and costs will be sought for insurance services in accordance with the provisions set out in these Regulations at least every three years.

## Tendering procedures

42. Tendering procedures are contained in the Procurement Handbook, which is published on the intranet. This document provides information on the procedures to be adopted by Audit Scotland staff when purchasing any goods and services and the need to follow value for money principles when carrying out this activity.
43. No contract for the supply of goods and materials, the provision of services or for the execution of works will be made where the probable cost, over the contract period, exceeds £50,000 unless tenders have been invited by advertisement on Public Contracts Scotland, the Scottish Government procurement system.
44. In exceptional circumstances the Chair of the Board, on a report by the Accountable Officer, may except a contract from the above provisions and direct adoption of such other procedure for the letting of the contract as seems appropriate. The decision will be notified to the full Board at the earliest opportunity.
45. Standing contracts for the provision of goods, materials, services or works will be kept under review and competitive tenders for such standing contracts will be sought at least every three years, or later if the contract has been extended under the terms of the original contract. No extension will be greater than three additional years before retendering.
46. The overall value of the tender will determine who is required to approve the acceptance of the tender and place the order for the goods, materials or service. The Scheme of Delegation will list those authorised to accept and place orders. (Scheme of delegation 3.6)
47. All orders will be printed on Audit Scotland headed stationery unless generated through the electronic ordering system. Orders on headed stationery will be signed by the member of staff authorised under the Scheme of Delegation to do so. Where the order has been generated electronically it will be sent for authorisation in accordance with the procedure contained within the Scheme of Delegation (Scheme of Delegation 3.10). All orders must be made in accordance with the procedures and controls and within the terms of the Scheme of Delegation.
48. Official orders will be issued for all work, goods or services to be supplied to Audit Scotland except for supplies of public utility services or periodical payments such as rent or rates or such other exceptions as may be approved by the Management Team.



49. Directives by the Council of the European Union prescribing procedures for awarding forms of contracts shall have effect as if incorporated in these Regulations and Audit Scotland's Procurement Handbook should be followed as appropriate.
50. The appointment of auditors under section 97(6) of the 1973 Act and section 21(3) of the 2000 Act will be recommended to the Accounts Commission and the Auditor General respectively at such intervals as they require. With the exception of the interval between awards (see paras 42-44), the procedure relating to these contracts should follow the procedure set out in these Regulations.

## Payment of accounts

51. Before an invoice is paid the certifying officers will satisfy themselves that the account has not been previously passed for payment and is a proper liability of Audit Scotland and that:
  - 51.1. The works, goods or services to which the account relates have been received or carried out satisfactorily.
  - 51.2. Prices, extensions, calculations, trade discounts, other allowances, credits and tax are correct.
  - 51.3. The expenditure has been authorised and is within the relevant estimate provisions.
52. All duly certified invoices shall be authorised for payment by the officer authorised under the Scheme of Delegation. (Scheme of delegation 3.8)
53. An officer shall not add any additional items to an invoice rendered to Audit Scotland by a supplier.
54. When an order has been placed using the electronic purchase ordering (EPO) system, this process incorporates authorisation of the payment prior to an order being placed. In these circumstances the authoriser will be advised of the cost of the goods or services, or an estimate if a firm cost is not available, at the time they receive the EPO. Authorisers are required to satisfy themselves that the cost displayed is reasonable and represents value for money, before they electronically sign the order. Once an EPO is signed the system will not allow any changes to the order by the authoriser or the originator.
55. The EPO system maintains a list of staff with delegated authority to authorise expenditure, as per para. 51 above.
56. When the goods or services have been received the originator records the receipt through the EPO system.
57. On receipt of the invoice, Finance will check whether the goods or services have been marked as received. The invoiced amount charged will be checked against the EPO submitted and, if the amount is within the parameters agreed by the Management Team, the invoice will be accepted and paid. (Scheme of delegation 3.10)

58. Management Team will set agreed parameters and if the value of the invoice is outwith the agreed parameters it will be sent back to the authoriser for an additional manual authorisation. The invoice will not be paid until the second authorisation has been received. (Scheme of delegation 3.11)
59. The receipt, certification and payment of accounts to approved auditors are subject to separate arrangements under the Scheme of Delegation. (Scheme of delegation 3.12)

## Audit

60. The Board will establish an Audit Committee with clearly defined terms of reference under Standing Orders.
61. The external auditor is appointed by the SCPA to report on whether expenditure and income have been applied lawfully and the accounts comply with the accounts direction. The external auditor will report to the SCPA who must lay the report and accounts before Parliament and publish them.
62. The internal auditor is appointed by Audit Scotland and reports to the Management Team and the Audit Committee on systems of internal control.
63. The external and internal auditor are entitled to:
  - 63.1. enter any Audit Scotland establishment at all reasonable times with or without previous notice;
  - 63.2. have access to all records, documents and correspondence (including computer records) relating to financial and other transactions of Audit Scotland;
  - 63.3. require and receive explanations as are necessary concerning any matter under examination;
  - 63.4. require any employee of Audit Scotland to produce cash, equipment or any other property under his/her control; and
  - 63.5. direct access to the Chair of the Audit Committee.

## Security and Fraud Prevention

64. Arrangements will be made to develop and document effective policies on:
  - 64.1. Prevention of fraud and irregularity.
  - 64.2. IT security.
  - 64.3. Security of assets.
65. Proper security must be maintained, at all times, for all buildings, stores, furniture, equipment, cash, information, etc.

66. A register of secure key containers will be maintained by Business Support and kept under review by the Chief Operating Officer. Keys removed from the secure key containers will be signed for and are to be kept safe at all times until returned. The loss of any such keys must be reported immediately to Business Support staff.
67. A register of staff ID (office access) badges and building access fobs will be maintained by Business Support. The loss of ID badges will be reported immediately to Business Support and the Corporate Governance Manager. The ID badges will be deactivated immediately.
68. The Chief Operating Officer is responsible for maintaining proper security and privacy relative to information held in the computer installations.
69. Under the terms of the Counter Fraud Policy, employees are required to notify their Director or Assistant Director of any financial irregularity or suspected irregularity. Such concerns may be raised under the terms of the Whistleblowing Policy if considered appropriate. The employee, or senior management to whom the concerns are reported, must also advise the Chief Operating Officer. Details of these policies are to be available to all staff through the staff handbook.

## Salaries, wages and pensions

70. Arrangements will be made for the payment of all salaries, wages, pensions, compensation and other emoluments due to all employees or former employees of Audit Scotland or the Accounts Commission, the Auditor General for Scotland, appropriate members of the Board and to members of the Accounts Commission.
71. Salaries and other payments will normally be paid by direct transfer to a nominated bank account.
72. A record of all matters affecting the payment of such emoluments shall be kept and in particular the following information will be recorded:
  - 72.1. appointments, resignations, dismissals, suspensions, secondments and transfers;
  - 72.2. absences from duty for sickness or other reason, including approved leave;
  - 72.3. changes in remuneration, including those arising from normal increments and pay awards and agreements of special and general application;
  - 72.4. information necessary to maintain records of service for superannuation, income tax, national insurance and the like;
  - 72.5. particulars of any deduction from salary for loans, subscriptions and the like, and the authority for such deduction.
73. All deductions and changes in gross pay entitlement will be certified by Human Resources or other appropriate person and checked by a second officer prior to payment.
74. Pension payments are paid to former staff through the appropriate pension agency. Audit Scotland's role is to make the required deductions from salary and to provide the information

which is required from time to time by the pension supplier to allow them to maintain their records, provide information about pensions and make payments.

75. There are special arrangements in place relating to pensions for former Ombudsman staff and the former Auditor General for Scotland, which are separate from the arrangements for Audit Scotland.

### **Travelling, subsistence, expenses and other allowances**

76. The Secretary to the Accounts Commission shall review, authorise and ensure all travelling or other allowances are paid to Commission Members and advisers who are entitled to claim them upon receipt of a fully completed expense claim form.
77. The Chief Operating Officer shall review, authorise and ensure all travelling or other allowances are paid to Board members and advisers who are entitled to claim them upon receipt of a fully completed expense claim form.
78. All claims by staff for payment of car mileage allowances, subsistence allowances, travelling and incidental expenses and any advances shall be submitted duly certified and made up to the end of each month and in accordance with the current travel and subsistence policy, published in the staff handbook, and the expenses procedures published on the intranet. The officers authorised to certify such records shall be determined by the Scheme of Delegation. Initial delegation is £2,000. (Scheme of delegation 3.13)

### **Observance of Financial Regulations**

79. It shall be the duty of the Accountable Officer to ensure that these regulations are made known to the appropriate Audit Scotland staff and to ensure that they are adhered to.
80. Any breach or non-compliance with these Regulations must, on discovery, be reported immediately to the Chief Operating Officer who will discuss the matter with the Accountable Officer in order to determine the proper action to be taken. Such concerns may be raised under the terms of the Whistleblowing Policy if considered appropriate.

### **Variation of Financial Regulations**

81. These Regulations may be varied from time to time by the Board on receipt of a report and recommendations from the Accountable Officer.
82. The Chair of the Board may authorise, on a report from the Accountable Officer, exceptional treatment of a matter covered by these Regulations. Any such exceptions will be reported in writing to the next available meeting of the Board.