

The Highland Council

Audit & Scrutiny Committee – 16th June 2016

Agenda Item	6
Report No	AS/9/16

Financial Regulations – Proposed amendments

Report by the Audit & Risk Manager

Summary

This report refers to proposed amendments to the Council's Financial Regulations arising from:

- (i) The Local Authority Accounts (Scotland) Regulations 2014.
- (ii) Operational changes to fraud investigations following the formation of the Corporate Fraud Team.
- (iii) An amendment in the job title of the Head of Audit & Risk Management.

1. Background

- 1.1 A full review of Financial Regulations was last undertaken in June 2014 and minor revisions were approved in March 2015, June 2015 and September 2015, thus demonstrating that these are reviewed on an ongoing basis. Further proposed amendments are now identified below.

2. Amendments to Financial Regulations

- 2.1 Section 1 of the Council's Financial Regulations provides an overview of the legislation that requires Local Authorities in Scotland to have adequate systems and controls in place to ensure the "proper administration of their financial affairs." In this respect, reference is made within the Regulations to the Local Government (Scotland) Act 1973 and the Local Authority Accounts (Scotland) Regulations 1985. The 1985 Accounts Regulations have now been replaced by revised Accounts Regulations of 2014. Although the Regulations have brought about some new practices (for example, recognising the Public Sector Internal Audit Standards and also requiring the term "Annual Accounts" to replace "Statement of Accounts"), these changes have been accommodated in previous revisions of Financial Regulations and have been approved by Members.

Proposed revision: Financial Regulations should be amended, simply to show that the Local Authority Accounts (Scotland) Regulations are now in force.

- 2.2 Section 16 of the Council's Financial Regulations refers to the procedures relating to the investigation of fraud by Internal Audit and require that:

"Where investigations indicate that a criminal offence may have been committed, the Head of Audit & Risk Management will notify the Chief Executive, and will seek permission to refer the matter to the Police."

From August 2015 some of the Benefit Fraud Team which was situated in Exchequer & Revenues transferred to Internal Audit to form a Corporate Fraud

Team. The staff who have transferred have the appropriate training, qualifications and experience to refer any fraud investigations direct to the Procurator Fiscal as all benefit cases were dealt with in this manner and cases which currently involve Council Tax benefits and discounts continue to be so.

In view of the above, the Corporate Fraud Team is now be in a similar position to refer any wider fraud investigations direct to the Fiscal which would mean that there is no requirement to contact the Police. This will be a considerable advantage, particularly where members of staff are on suspension, as it will speed up the process. The Chief Executive is content not to give express authority in the future but to be notified of any significant investigations.

Proposed revision: The text in italics above should be deleted from Financial Regulations.

- 2.3 Financial Regulations currently refer to the job title of “Head of Internal Audit & Risk Management.” *(Note: as part of the realignment of Service Management Teams following the Council restructure of October 2013, this was amended to “Head of Audit & Risk Management”)*. This post now encompasses the role of performance and has been amended to “Corporate Audit & Performance Manager”.

Proposed revision: References in Financial Regulations to the Head of Internal Audit & Risk Management should be replaced by the title “Corporate Audit & Performance Manager”.

3. Implications

- 3.1 There are no Resource; Legal; Equalities; Climate Change/Carbon Clever; Risk, Gaelic and Rural implications as a direct result of this report.

Recommendation

Members are asked to consider the above revisions and recommend acceptance to the Council.

Designation: Audit & Risk Manager

Date: 25th May 2016

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Background Papers: