

LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

FINANCIAL REGULATIONS

Approved 22 June 2016

1. General

1.1 These financial regulations shall govern the conduct of the financial transactions of the Board and may only be amended or varied by resolution of the Board.

1.2 The Responsible Financial Officer (RFO) under the policy direction of the Board shall be responsible for the proper administration of the Board's financial affairs.

1.3 RFO shall be responsible for the production of financial management information.

2. Annual Estimates

2.1. The RFO shall formulate and submit to the F&GP (Finance and General Purposes Committee) proposals in respect of revenue services and capital works for the forthcoming financial year at a meeting to be held prior to the February Board Meeting.

2.2. Detailed estimates of income and expenditure on revenue services, and receipts and payments on capital account, shall be prepared each year by the RFO.

2.3. The F&GP shall review the estimates and submit them to the Board at the February meeting and shall recommend the precept and agricultural rate to be levied for the ensuing financial year. The RFO shall supply each member of the Board with a copy of the approved estimate.

2.4. The annual capital and revenue budget shall form the basis of financial control for the ensuing year.

3. Budgetary Control

3.1. Expenditure on the revenue account may be incurred up to the amounts included in each approved budget.

3.2 No expenditure may be incurred which cannot be met from the amount provided in the revenue budget unless a virement has been approved.

3.3. The RFO may incur expenditure on behalf of the Board which is necessary, to carry out any repair, replacement or other work which is of such extreme urgency that it must be done at once, whether or not there is any budgetary provision for the expenditure. The RFO shall report the action to the Board as soon as is practicable thereafter.

3.4. Where expenditure is incurred in accordance with regulation 3.3 above and the sum required cannot be met from savings made elsewhere within the Board's approved budget, it shall be subject to the provisions of a supplementary estimate approved by the Board.

3.5. Uncommitted provisions in the revenue budget shall not be carried forward to a subsequent year. However a general provision including a contingency should be maintained which is equivalent to approximately 30% of the Board's annual expenditure.

3.6. No expenditure shall be incurred in relation to any capital project and no contract entered into or tender accepted involving expenditure on capital account unless the Board are satisfied that it is contained in the capital programme and that the necessary funds are available, or the requisite borrowing approval can be obtained.

3.7. All capital works shall be administered in accordance with the Board's financial regulations relating to contracts.

(a) Capital Expenditure

Capital expenditure shall not normally be incurred unless provision has been made within the capital budget, capital finance has been approved by the F& GP Committee and, where necessary, loan sanctions and other relevant approvals involving capital, the Board shall consider any report which the F&GP Committee may make regarding the financial effects of such proposal. Where approval of the Board is sought to incur capital expenditure not already included in the capital budget the RFO, in consultation with the Chairman shall report to the F&GP Committee on the financial aspects of the scheme.

(b) Revenue Expenditure

The inclusion of items in approved revenue estimates will constitute authority to incur such expenditure save to the extent to which the F&GP Committee or the Board shall have placed a reservation on any such items or items.

Revenue expenditure shall not normally be incurred unless provided for in annual estimates or by supplementary estimate examined by the F&GP Committee and approved by the Board. Whenever it is proposed to seek the approval of the Board to incur revenue expenditure not already sanctioned by the Board, the RFO in consultation with the Chairman shall report to the F&GP Committee and the RFO shall report to the full Board on the financial aspects of the proposal.

(c) Accounting Records

The RFO shall be responsible for the maintenance and supervision of all accounting records. He will supply to the Board at appropriate intervals such information as is necessary to enable expenditure and income to be controlled.

The F&GP Committee shall appoint internal auditors to review all accounting and financial operations of the Board as instructed by the Committee. The internal auditors shall at all reasonable times have access to the records of the Board and shall be entitled to such information and explanations from staff as may be necessary.

Irregularities concerning cash, stores and other property of the Board or any suspected irregularity in the exercise of the functions of the Board shall be notified forthwith by the RFO to the Chairman who shall take such steps as are necessary by way of investigation and report to the full Board.

(d) Income

The arrangements for the collection, recording and banking of all monies due to the Board should be made under the supervision of the RFO to the Board.

(e) Insurances

(i) The RFO shall effect all necessary cover and maintain suitable records.

(ii) The RFO shall promptly notify the Board of the extent and nature of all new risks to be insured and of any alteration affecting insurable risks that the Board may become liable for.

4. Sale of Assets

4.1 Where it is proposed to sell, part exchange or trade in Board assets where the book value or actual value (whichever greater) is estimated to exceed £20,000, the transaction shall require the prior approval of the Board, shall be publicly advertised and be by competitive tender unless otherwise determined by the Board.

4.2 Where the estimated value of the asset is between £5,000 and £20,000, the disposal shall be effected, in the most cost effective manner, including the use of Ebay/Paypal, and shall be subject to the approval of the appropriate Committee.

4.3 Where the estimated value of the asset is less than £5,000, the RFO/LD Engineer are authorised to undertake the disposal, in the most cost effective manner, including the use of Ebay/Paypal, under delegated powers.

4.4 If it is proposed, in any case, to accept a tender or offer other than the highest, approval from the Board or the appropriate Committee must be obtained and the reasons recorded in the minutes.

5. Investments and Loans

(a) Investments

The RFO shall be responsible for all investments after taking such advice as is necessary and subject to the Board's Treasury Management Policy.

(b) Loans

The Board shall be responsible for raising all loans after receiving appropriate advice from the RFO.

6. Accounting and Audit

2 6.1. All accounting procedures and financial records of the Board shall be determined by the RFO as required by the Accounts and Audit Regulations 2011 and the "Governance and Accountability in Internal Drainage Boards in England"

A Practitioner's Guide 2006 revised November 2007 together with any subsequent revisions thereof.

6.2. The RFO shall be responsible for completing the annual accounts of the Board as soon as practicable after the end of the financial year and shall submit them to the Board at a Board Meeting held before the Statutory Date in accordance with regulation the Accounts and Audit Regulations currently in force.

6.3. The following principle shall be observed in connection with accounting duties: the duty of providing information, calculating, checking and recording sums due to, or from, the Board should be separated as completely as possible from the duty of collecting or disbursing them.

6.4. Internal Audit

- (i) The RFO shall not be responsible for internal audit.
- (ii) The F&GP Committee may appoint a body or person with the appropriate accountancy qualification to be responsible for maintaining an internal audit of the Board's accounting, financial and other operations. Any officer or member

of the Board shall if required make available to the auditor those documents of the Board which appear to the auditor to be necessary for the purpose of the audit and shall supply the auditor with such information and explanation as the auditor considers necessary.

- (iii) Any internal audit report shall be made available to the members of the F&GP Committee and to the Board.

6.5 External Audit

- (i) The Board will appoint the External Auditors as advised by the National Audit Office or any successor or equivalent.
- (ii) Any officer or member of the Board shall if required to make available to the auditor those documents of the Board which appear to the auditor to be necessary for the purpose of the audit and shall supply the auditor with such information and explanations as the auditor considers necessary.
- (iii) The Annual External Audit report together with the audit certificate should be presented to the Board prior to 30 September.

7. Banking Arrangements and Cheques

7.1. The Board's banking arrangements shall be made by the RFO and approved by the Board. A current account shall be, and one or more deposit accounts may be, maintained at the bank. No changes shall be made to the Board's banker or the bank mandate without prior consent of the Board.

7.2. A schedule of all payment to suppliers in excess of £100 (see 6.3) and of all transfers between accounts shall be prepared by the Administrative Staff, checked and initialled by the RFO and together with the relevant invoices and supporting documents for amounts in excess of £5,000 be made available for inspection by Board members. A schedule of all payments and transfers will be made available at the following Board meeting.

7.3. Cheques drawn on the current bank account in accordance with the schedule referred to in the previous paragraph shall be signed by two duly authorised persons. One, the A signatory to be the Chairman or Vice Chairman and the second, the B signatory to be the, RFO, LDE or the CE.

7.4 Suppliers may be paid by the use of ebanking up to a value of £20,000 in one transaction. The authority to make payment will require the prior signed approval of the Chairman or Vice-Chairman. The ebanking payment to be actioned by either one of the RFO/LDE or CE.

8. Payment of Accounts

8.1. Apart from petty cash payments all payments shall be effected by cheque drawn on the Board's bankers or by Bank Transfer. The exception is where arrangements have been made to make payments by direct debits to continual supplier for example, electricity, telephone, fuel, etc.

8.2. All invoices for payment shall be examined, verified and certified by the member or officer issuing the order. Before certifying an invoice that person shall satisfy himself

that the work, goods or services to which the invoice relates have been received (or carried out), examined and approved.

8.3. All duly certified invoices shall be passed to the appropriate officer who shall examine them in relation to arithmetical accuracy and authorisation, and code to the appropriate expenditure head. The RFO shall take all possible steps to settle all invoices submitted, and which are in order, within 30 days of their receipt.

8.4. When the RFO is satisfied that invoices are in order he shall pass them for payment.

8.5. All duly certified invoices will then be entered on the schedule referred to in 7.2 above. These are reported at the appropriate Board Meetings. Members may inspect invoices and supporting documentation by prior arrangement with the RFO at the Board's offices, or request copies to be forwarded to them.

8.6. The Administration Clerk may provide petty cash to employees for the purpose of defraying operational and other expenses. Vouchers for payments made shall be forwarded to the Administration Clerk with a claim for reimbursement:

- (a) The RFO shall maintain petty cash to a limit of £300 for the purpose of defraying operational and other expenses. Vouchers for payments made from petty cash shall be kept to substantiate the payment.
- (b) The RFO shall carry out petty cash counts and reconcile the cash balance to the ledger monthly.
- (c) Income received must not be paid into petty cash but must be separately banked, as provided elsewhere in these regulations.
- (d) Payments to replenish the petty cash shall be shown separately on the schedule of the payment of money presented to the Board (under 7.2 above.)

9. Payment of Salaries and Wages

9.1 The payment of all salaries and wages shall be made by the RFO from the designated bank account in accordance with the salaries and wages records maintained by Moorepay

9.2 Employees annual salaries and any enhancements should be reviewed from time to time by the Staff and Pension Committee and presented to the Board for consideration.

10. Income

10.1. The collection of all sums due to the Board shall be the responsibility of the RFO.

10.2. Particulars of all charges to be made for work done, services rendered or goods supplied shall be notified to the RFO and the RFO shall be ultimately responsible for the collection of all accounts due to the Board.

10.3. The Board will review all fees and charges annually.

10.4. Any approval to write-off amounts due shall be reported to the Board.

10.5. All sums received on behalf of the Board shall be banked by Administrative Staff under the supervision of the RFO. All receipts shall be deposited with the Board's bankers with such frequency as the RFO considers necessary.

10.6. A reference to the related debt, or otherwise, indicating the origin of each cheque, shall be recorded.

10.7 Personal cheques shall not be cashed out of money held on behalf of the Board.

11. Orders for Work, Goods and Services

11.1. An official order or letter shall be issued for all work, goods and services unless a formal contract is to be prepared or an official order would be inappropriate eg petty cash purchases. Copies of orders issued shall be maintained.

11.2. Order books shall be controlled by the RFO/LDE/CE.

11.3. All Officers and Board members are responsible for obtaining value for money at all times. The person issuing an official order is to ensure as far as is reasonable and practicable that the best available terms are obtained.

12. Contracts

12.1. Financial Regulations shall not apply to contracts which relate to items (i) to (vii) below:

- (i) For the supply of gas, electricity water, sewerage, and telephone services.
- (ii) For specialist services such as are provided by solicitors, accountants, surveyors, planning and IT consultants.
- (iii) For work to be executed or goods or materials to be supplied which consist of repairs to or parts for existing machinery or equipment or plant.
- (iv) For work to be executed or goods or materials to be supplied which constitute an extension of existing contract by the Board.
- (v) For goods or materials proposed to be purchased which are proprietary articles and/or which are sold only at a fixed price.
- (vi) For work to be executed, or for the purchase of goods, services or materials of a specialist nature or are obtainable from only one supplier.
- (vii) Employment contracts.

12.2.1. All contracts for over £250 in value shall be in writing.

12.2.2. Where it is proposed to enter into a contract:

- (a) For expenditure up to £5,000 in value the RFO/LDE/CE shall have delegated power to contract but must demonstrate that value for money is obtained by comparing prices from alternative suppliers/contractors which are recorded, or by obtaining written quotes.
- (b) For expenditure between £5,000 and £20,000 in value, the RFO/LDE/CE shall invite quotations from at least two firms approved by the Board or appropriate Committee.
- (c) For expenditure over £20,000 in value the RFO/LDE/CE shall invite tenders from at least two firms approved by the Board/appropriate Committee.

12.2.3. For the avoidance of doubt, in calculating the relevant expenditure limits under paragraph 12.2.2. above, likely expenditure over a period of a recurring nature, shall be aggregated.

12.2.4. Any invitation to tender shall state the general nature of the intended contract and the RFO/LDE/CE shall obtain the necessary technical assistance to prepare a specification in appropriate cases. The invitation shall in addition state that tenders must be addressed to the RFO and the last date by which such tenders should reach the RFO in the ordinary course of post or by email.

12.2.5. A detailed register of all tenders received, indicating the total sums (where available), should be formerly recorded and be duly signed, by those officiating at the review of the tenders. All sealed tenders shall be opened at the same time on the prescribed date by the RFO or other properly authorised officer in the presence of at least one member of the Board.

12.2.6. If fewer than two tenders are received for contracts value above £20,000 or if all the tenders are identical the Board may make such arrangements as it thinks fit for procuring the goods or materials or executing the works.

12.2.7. The Board shall not be obliged to accept the lowest or any tender or quotation.

12.2.8. Apart from those cases falling within Financial Regulation 12, where the value of the contract exceeds £5,000 and it is proposed to enter into a contract without obtaining two or more quotations or tenders, the reasons for such proposed acceptance shall be reported in writing to the Board/appropriate Committee or and shall be recorded in the minutes.

13. Payments Under Contracts for Construction Works

13.1. Payments on account of the contract sum shall be made within the time specified in the contract by the RFO upon authorised certificates of the officer engaged to supervise the contract.

13.2. Where contracts provide for payments by instalments the RFO shall maintain a record of all such payments. In any case when it is estimated that the total cost of work carried out under a contract, excluding fluctuation clauses, will exceed the contract sum by 5% or more a report shall be submitted to the Board.

13.3. Any variation to a contract or addition to or omission from a contract must be approved by the RFO in writing, the Board being informed where the final cost is likely to exceed the financial provision.

14. Insurance

14.1. Insurance cover shall be approved annually by the Board.

14.2. The RFO shall effect all insurances and negotiate all claims on the Board's insurers.

14.3. The RFO shall give prompt notification to the Board of all new risks which require to be insured and of any alterations affecting existing insurances.

14.4. The RFO shall keep a record of all insurances effected by the Board and the property and risks covered thereby and review annually.

14.5. The RFO shall be notified of any loss liability or damage or of any event likely to lead to a claim.

14.6. All appropriate employees of the Board shall be included in a suitable fidelity guarantee insurance.

15. Revision of Financial Regulations

It shall be the duty of the Board to review the Financial Regulations of the Board from time to time and to make such recommendations as are considered necessary.