

Financial regulations

Introduction

1. Audit Scotland is a corporate body 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. Audit Scotland consists of the Auditor General, the Chairman of the Accounts Commission and three other members appointed jointly by them.
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:
 - (a) signing the accounts of the expenditure and receipts of Audit Scotland;
 - (b) ensuring the propriety and regularity of the finances of Audit Scotland; and
 - (c) ensuring that the resources of Audit Scotland are used economically, efficiently and effectively.
6. All members of the Board and all employees, severally and collectively, are responsible for 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:
“the 2000 Act” means the Public Finance and Accountability (Scotland) Act 2000
“the 1973 Act” means the Local Government (Scotland) Act 1973
“the Board” means the members of Audit Scotland acting together to discharge the functions of Audit Scotland
“the Management Team” consists of the Auditor General, Deputy Auditor General, Managing Director of Audit Services, Director of Corporate Services and Director of Audit Strategy 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 for a three year period and will be updated annually. 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 and the annual review will be submitted to the Board with the annual budget proposals.

Budget

11. Estimates of expenditure and income will be submitted as budget proposals to the Board for approval not later than 31 January in the year preceding the financial year to which they relate.
12. The financial year of Audit Scotland is 1 April to 31 March.
13. Proposals for the use of resources and expenditure for each financial year will be submitted to the Scottish Commission for Public Audit at such times as the Commission requires to enable it to examine the proposals and report to the Parliament on them under section 11(9) of the 2000 Act.
14. No expenditure will be incurred unless there is provision for that expenditure in the budget approved by the Board. There may be virement between budget heads, in accordance with the Scheme of Delegation.

Budgetary control and reporting

15. Financial performance will be monitored against budget and reported regularly to the Management Team and at least quarterly to the Board.
16. Systems of budgetary control will be devised and maintained to include:
- Regular financial reports as prescribed above containing -
 - income and expenditure to date and forecast year end position
 - explanations of any material variations
 - details of any corrective action necessary
 - virement

- The issue of timely, accurate and comprehensible advice on financial reports to each budget holder covering the areas for which they responsible
 - Arrangements for the authorisation of virement.
17. Each budget holder will be responsible for the management of their budgets within the approved policies of the Board.

Accounting

18. 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.
19. Sufficient 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.
20. Accounting policies will be set consistent with appropriate guidance and all accounting procedures and records will be consistent with any form of accounts prescribed.
21. 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

22. Arrangements will be made for the appointment of bankers in accordance with the provisions for the letting of contracts set out in these Regulations.
23. No Audit Scotland monies will be held in any bank accounts outwith those approved by the Board.
24. Detailed arrangements and instructions on the operation of bank accounts will be prepared and maintained, including:
- The conditions under which each bank account is to be operated
 - The limit to be applied to any overdraft
 - Those authorised to sign cheques or other orders drawn on Audit Scotland's bank accounts, and the limits of their authority.
25. Banking arrangements will be reviewed at regular intervals to ensure that they reflect best practice and represent best value for money.

Income

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

Investments and borrowings

30. All short term borrowings will be kept to the minimum period of time possible, consistent with the overall cash flow position.
31. Any long term borrowing must be consistent with policies decided by the Board.
32. 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

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

Tendering procedures

35. No contract for the supply of goods and materials will be made where the probable cost exceeds £25,000 unless either tenders have been invited by public advertisement or not less than three competitive tenders have been obtained.
36. No contract for the provision of services or the execution of works will be made where the probable cost exceeds £50,000 unless either tenders have been invited by public advertisement or not less than three competitive tenders have been obtained.
37. In special circumstances the Chair, on a report by the Auditor General, may except a contract from the above provisions and direct adoption of such other procedure for the letting of the contract as seems appropriate.
38. 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.
39. All orders will be made on Audit Scotland headed stationery, numbered and recorded in a book or file kept for that purpose. Such orders will be signed by the employee authorised under the scheme of delegation to do so.
40. Officials 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.
41. Directives by the Council of the European Union prescribing procedures for awarding forms of contracts shall have effect as if incorporated in these Regulations.
42. 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 after following the procedure relating to contracts set out in these Regulations.

Payment of accounts

43. 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
 - The works, goods or services to which the account relates have been received or carried out satisfactorily
 - Prices, extensions, calculations, trade discounts, other allowances, credits and tax are correct
 - The expenditure has been authorised and is within the relevant estimate provisions, and
 - Appropriate entries have been made in inventories or stores records as required.
44. All duly certified invoices shall be authorised for payment by the officer authorised under the Scheme of Delegation.

Audit

45. The Board will establish an Audit Committee with clearly defined terms of reference under Standing Orders.
46. The external auditor is appointed by the Scottish Commission for Public Audit (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.
47. The internal auditor is appointed by Audit Scotland and reports to the Management Team and the Audit Committee on systems of internal control.
48. The external and internal auditor are entitled to
 - (a) have access at all reasonable times to any document in the possession, or under the control, of Audit Scotland or any of its employees who prepared the account which the auditor may reasonably require;
 - (b) require from any person holding, or accountable for, any such document any assistance, information or explanation which the auditor reasonably thinks necessary;
 - (c) require Audit Scotland or any employee who prepared the account to provide, at times specified by the auditor, accounts of such transactions as the auditor may specify.

Security and Fraud Prevention

49. Arrangements will be made to develop and document effective policies on -
 - Prevention of fraud and irregularity
 - IT security
 - Security of assets.

Salaries, wages and pensions

50. 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 to appropriate members of the Board and to members of the Accounts Commission.
51. Salaries and pensions will normally be paid by direct transfer to the employee's bank account.
52. A record of all matters affecting the payment of such emoluments shall be kept and in particular the following information will be recorded:-
 - a. appointments, resignations, dismissals, suspensions, secondments and transfers;
 - b. absences from duty for sickness or other reason, including approved leave;
 - c. changes in remuneration, including those arising from normal increments and pay awards and agreements of special and general application;
 - d. information necessary to maintain records of service for superannuation, income tax, national insurance and the like;
 - e. particulars of any deduction from salary for loans, subscriptions and the like, and the authority for such deduction.
53. All deductions and changes in gross pay entitlement will be certified by the personnel section or other appropriate person and checked by a second officer prior to payment.

Travelling, subsistence and other allowances

54. The Secretary shall cause all travelling or other allowances to be paid to Commission Members, Board members and advisers who are entitled to claim them upon receipt of the prescribed form duly completed.
55. All claims by staff, including advances, for payment of car mileage allowances, subsistence allowances, travelling and incidental expenses shall be submitted duly certified on the prescribed form and made up to the end of each month. The officers authorised to certify such records shall be determined by the Scheme of Delegation.

Variation of Financial Regulations

56. These Regulations may be varied from time to time by the Board on receipt of a report and recommendations from the Auditor General.
57. The Chair of the Board may authorise, on a report from the Auditor General, 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.