

**SOUTH WEST OF SCOTLAND
TRANSPORT PARTNERSHIP**

**FINANCIAL REGULATIONS
AND
FINANCIAL CODES**

Version 1.0
September 2006

FINANCIAL REGULATIONS

1. Scope and Observance

1.1 S.95 of the Local Government (Scotland) Act 1973 states that: -

"every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that the proper officer of the authority has responsibility for the administration of those affairs."

That provision of the Act also applies to Regional Transport Partnerships. These Financial Regulations fulfil this requirement by setting out the responsibilities of the Officers of the South West of Scotland Transport Partnership and by providing a mandatory framework for financial administration in the Transport Partnership.

1.2 Financial Regulations apply to every financial transaction and to every member of staff throughout the Transport Partnership. Failure to observe Financial Regulations may be regarded as a breach of trust and lead to disciplinary action or dismissal.

2. Principles

2.1 The financial affairs of the Transport Partnership shall at all times be conducted in accordance with the three principles of corporate governance set out in The Cadbury Report, namely: -

Openness — in terms of approach and disclosure of information;

Integrity — straightforward dealing and completeness;

Accountability — whereby individuals accept responsibility for their actions.

2.2 It is also a requirement of these Regulations that financial transactions do not take place unless they fall within the legal powers of the Transport Partnership and are within the limit set by the Transport Partnership. Where new service developments or contributions to other organisations arise or in cases of doubt, clarification as to legality must be obtained before any liability or expenditure is incurred.

3. Role of the Director for Finance

3.1 The Director for Finance has to ensure that, as custodians of public money, the Transport Partnership performs and accounts for its financial activities in an honest and trustworthy manner in accordance with best accounting practice.

3.2 The Transport Partnership has designated the Director for Finance as the officer responsible for the administration of the Transport Partnership's financial affairs in terms of S.95 of the 1973 Act. This means he is entitled to issue and require compliance with instructions on any aspect of financial administration. He may examine administration and control systems within the Transport Partnership and secure any improvements which he considers necessary. He also has the authority to institute investigations and study or observe on matters of economy, efficiency or effectiveness for any practices or procedures, existing or proposed.

3.3 The Local Authority Accounts (Scotland) Regulations 1985 which also apply to the Transport Partnership specify that the system of accounting control and the form of the accounts and supporting records are to be determined by the Director for Finance and that he is to ensure accounting controls are observed and the accounts and supporting records are kept up to date. He is responsible for publishing the Annual Report and Accounts of the Transport Partnership and attendant information and for making the arrangements for the statutory audit required by S.96 of the 1973 Act.

3.4 In terms of a management role, the Director for Finance is responsible for advising the Transport Partnership on all financial matters and for monitoring and reporting on its financial performance and position. It is a requirement of these Regulations that his views are canvassed and he is given the opportunity to express these in any report to the Transport Partnership Board which affects its finances. He must also be granted access to any information and be given such explanations he requires to comply with his responsibilities.

4. Responsibilities of Service Heads

4.1 Officers are responsible for ensuring that their staff at all times secure the best value for expenditure incurred by them, with the objective of achieving the policies of the Transport Partnership for minimum cost. The arrangements, procedures and systems under their control should ensure the Transport Partnership's affairs are conducted without waste or extravagance and with full regard for probity and propriety.

4.2 Officers are fully accountable for the financial performance of their Service against the budgets allocated. They may incur revenue expenditure in pursuit of policies agreed by the Transport Partnership only to the extent that budgetary provision has been made. Authority to exceed budgeted amounts must be granted by the Transport Partnership beforehand. Officers should secure all income due to the Transport Partnership whether or not recognised in budgets and are not entitled to use it to offset expenditure without prior approval of the Transport Partnership.

4.3 The approval of the Transport Partnership to the Capital Investment Strategy for the next financial year may be taken as giving approval to expenditure on the individual schemes contained therein up to the amounts identified. Officers may then instruct the preparation of schemes and estimates and proceed through tendering

5. Framework for Financial Administration

5.1 It is a requirement of these Financial Regulations that a written framework governs the way that the Transport Partnership's financial affairs are to be conducted.

5.2 This framework consists of: -

Financial Codes to be issued by the Director for Finance, which establish the policy principles and methods which are to apply;

Practice Notes to be issued by Officers which put the Financial Codes into effect for their areas, setting out the procedures their staff are to follow.

5.3 Whilst Financial Codes and Practice Notes are not contained in Financial Regulations they are issued under their authority and have the same status as if they were included in the body of these Regulations. Officers are required to ensure that their staff are familiar with these Regulations, the Financial Codes and the Practice Notes relevant to the discharge of their duties.

5.4 The Director for Finance is to prepare Codes for aspects of financial administration and issue amendments to existing Codes as appropriate. Officers may also seek the issue of Codes for areas of responsibility not previously addressed.

6. Review of Financial Regulations

6.1 The Director for Finance is required under the Local Authority Accounting Code of Practice to report on the effectiveness of the Transport Partnership's financial administration. His report is to make reference to any significant problems encountered or areas of concern; state the extent to which these Regulations, the Financial Codes and the Practice Notes remain sufficient and relevant; and confirm the reliability and integrity of the systems of administration used to effect the Transport Partnership's business.

FINANCIAL CODE No. 1 — INTERNAL CONTROL AND AUTHORISATION

1. Background

1.1 This Financial Code gives advice on authorisation and internal control. Officers are required to ensure the principles outlined are incorporated in the working practices of their Service.

1.2 The Transport Partnership requires its staff to be accountable. This means its employees have to understand and accept responsibility for their actions. Staff engaged in financial administration must therefore:-

- be intellectually capable of performing the work allocated to them;
- devote sufficient time to carry out their duties properly;
- undertake their tasks efficiently;
- be demonstrably above reproach.

Financial administration may not be entrusted to staff when these requirements cannot be met.

2. Internal Control

2.1 Internal controls are the safeguards put in place to ensure that the Transport Partnership's business is conducted in an orderly and efficient manner, its policies adhered to, its assets protected and its records complete and accurate.

2.2 Firstly, it must not be possible for one person to be able to influence a financial transaction from inception to completion. There must be a **separation of duties** between individuals such that a transaction is progressed in stages by different people. For example, orders could be prepared by one person, received and checked off by a second person, and invoice settlement handled by a third; and similarly debtor accounts raised, the payments received and the income controlled in separate offices. The separation of duties must be more than notional to pass this requirement — it is not enough simply to involve another person working under the direction of the first. An effective separation of duties requires the parties to be independent of one another.

2.3 Secondly, financial transactions must be subject to **internal check** within each stage to reduce the likelihood of errors. If a spreadsheet is used to calculate amounts to be raised by the Transport Partnership or a series of supplier accounts are settled by a composite invoice for example, it should be obvious that input prepared by one person has to be checked by another. But internal check extends to all situations including those where relatively little preparation is involved. And it is important that the control is evidenced, so the person undertaking the work and the person checking it both need to endorse (sign or initial) the documents involved.

2.4 Thirdly, there must be regular **management review** of financial transactions. This is over and above budget monitoring because it involves effort to prove the record of expenditure or income to independent statistics or performance. For example, payphone income should be reconciled to telephone bills for the installation; overtime payments be related to letting income; vehicle running costs reconciled to mileage logs, etc. This can be a difficult control to implement but it is one of the most worthwhile. It should be built into administration through the use of quarterly reports, management returns and the like rather than applied ad hoc.

3. Authorisation

3.1 The Transport Partnership has to be sure that it only enters into transactions that are wanted and necessary. To achieve this it requires all financial transactions to be authorised before being

executed. The purpose of authorisation is for accountability rather than for accuracy, which should be addressed through internal check prior to authorisation.

3.2 In authorising financial transactions an officer is accepting the burden of responsibility for them. They are confirming that, through their own enquiries or as a result of the work of their staff, they are satisfied the following are true:-

for orders

The goods or services are relevant to the Transport Partnership's needs, in type and quantity; are being procured at an appropriate combination of price and quality from a reputable, independent source; and there are sufficient uncommitted funds available from the relevant budget to pay for the item(s);

for timesheets

The hours stated were actually worked by the person concerned and were in accordance with an appropriate prior authority, such as a contract of employment or overtime sanction;

for expense claims

The activity giving rise to the claim was necessary to the business of the Transport Partnership, was sanctioned in advance and was actually performed in the manner stated; the claim conforms with the relevant schemes in force with regard to rates, scales or entitlements, is not excessive and has not previously been paid; and settlement of the claim is not against the Transport Partnership's financial interests in terms of cost-effectiveness and value for money;

for imprest claims

The expenditure was incurred on necessitous items which could not have been procured in a more cost-effective way; is fully supported by till receipts or other reliable vouchers retained locally; is allocated to valid account codes within the purview of the officer's responsibilities; and the records of the imprest have been inspected and the cash in hand checked recently (within the last 3 months, at most);

for invoices (including interim contract payments)

The goods or services were fully received into the custody of the Transport Partnership; they were in good condition or met the required quality standard; the liability to pay properly falls on the Transport Partnership and is a legitimate expense; the price paid is consistent with the order details or other contractual arrangement with the supplier; the invoice has not previously been paid; and the costs have been analysed across valid and appropriate codes in the Transport Partnership's accounting records;

for advance agency payments

The requirement to pay arises from a decision of the Transport Partnership or equal authority; the service is being and will continue to be provided to the required standard from the locations agreed; the amounts involved are consistent with the service agreement, funding schedule or contract between the parties; and there have been no breaches in the terms of the agency arrangement which warrant a retention;

for accounts receivable (including sundry debtors)

The account represents the sum due for a requested service or supply, a statutory fee, or the extent of an undischarged debt; it is for the maximum amount obtainable under the current scale of charges; it is neither understated nor overstated; payment has not previously been rendered; and there is no reason to believe the amounts will not be paid or cannot be recovered.

3.3 It follows from the above that an officer can only be asked to authorise a transaction where they have knowledge of its circumstances; they are given access to the documents supporting it; and they are in a position to challenge it. It is not appropriate for an officer to authorise a transaction where these conditions do not exist.

3.4 It is also the case that an officer may not authorise a transaction in which they have a personal interest. In recognition of the difficulty this creates in respect of personal expense claims by Senior Officers, special arrangements have been established which involve the Director of Finance.

3.5 The officer authorising the transaction must sign their name in full — the use of initials alone is not acceptable, nor are facsimile signatures to be used (e.g. ink stamps, scanned/digitized images, etc).

3.6 The Director of Finance is responsible for determining the numbers and distribution of authorising officers to meet the needs of their service. Although there are no restrictions on grades, the assignment of authorisation responsibilities should coincide with the management structures of the operating units concerned.

3.7 A register of authorised signatories is kept for reference purposes by the Proper Officer and this contains details of:-

- a) the names, designations and locations of staff appointed as authorised signatories;
- b) any financial limits applicable to individual authorising officers; and
- c) the types of transactions which they approve.

Sample signatures of authorising officers should also be supplied.

FINANCIAL CODE No. 2 — PERSONAL INTERESTS OF STAFF

1. Background

1.1 This Financial Code gives advice on personal interests arising during the course of work, including acceptance of gifts and hospitality.

1.2 The reason for issuing this Code is that it is not enough simply for employees of the Transport Partnership to avoid actual impropriety. At all times they should avoid giving cause for suspicion or the appearance of improper conduct, no matter how well intentioned they may be.

2. Personal Interests

2.1 Personal interests arise from the private or business affairs of one's self, one's family and one's friends, and from membership of or association with clubs, societies and other organisations such as voluntary bodies, trades unions, political parties and the Freemasons.

2.2 The over-riding duty of Transport Partnership employees is to serve the Transport Partnership and the whole community. An employee should not allow the impression to be created that they are, or may be using their position to promote a personal interest rather than the general public interest.

2.3 Where a substantial personal interest arises an officer of the Transport Partnership should not contribute to or participate in any discussion or decision about the matter. They should declare themselves ineligible and withdraw from involvement completely.

2.4 If their interest is indirect, incidental or insignificant an officer is not precluded from involvement providing they have written permission from their Head of Service and they disclose the nature of their interest to any third parties. However even where circumstances do permit participation an officer should not put themselves in a position where they could be seen as allowing their interest to influence a decision.

2.5 Similarly employees must not canvass the support of colleagues for an outcome in which they have a personal interest or otherwise bring influence to bear by indirect means.

2.6 Employees will often be in the position where they have access to information which has not yet been made public or is confidential. It would be a betrayal of trust to breach such confidences and employees must never disclose or use such confidential material for personal advantage or for the advantage of anyone known to them, or to the disadvantage or discredit of the Transport Partnership or of anyone else.

3. Gifts and Hospitality

3.1 Officers should treat with caution any offer or gift, favour or hospitality that is made to them personally. The individual or organisation making an offer may hope to gain preferential treatment in any dealings they have with the Transport Partnership. Even if this is not their intention, acceptance could lead others to believe this was a factor.

3.2 As a general rule Transport Partnership employees are not permitted to accept personal gifts. Excluded from this only are small value marketing items which can be used in the office, such as calendars and pens. Gifts which are accepted must be recorded in the Register kept by the Proper Officer especially for this purpose.

3.3 It is particularly important that any hospitality accepted is of an appropriate scale and nature to the affairs in hand. For example, working lunches may be a suitable way of doing business providing there is no extravagance involved. Similarly it may be reasonable for an officer to represent the Transport Partnership at a social function or event hosted by outside bodies. However foreign travel and overnight stays as the guest of a business are unlikely to be appropriate. All hospitality accepted must be recorded in the central Register.

3.4 Transport Partnership employees must never canvass or ask for hospitality even in the belief that this may save the Transport Partnership money. There is too much scope for misinterpretation of intentions and uncertainty about the impartiality of the officer concerned.

3.5 In cases of doubt about the propriety of accepting gifts or hospitality, authority should be sought from the Head of Service in advance and details again recorded in the Register.

3.6 Employees should immediately report to the Head of Service any offers or suggestions which could appear to be improper or to have been made to obtain advantage.

4. Use of Supplier's Facilities

4.1 Employees should not purchase goods from or use the services of a supplier on preferential terms for private purposes if these terms are given either directly or indirectly because of the contractual or other business relationship, potential or actual, between the supplier and the Transport Partnership.

FINANCIAL CODE No. 3 — REVENUE BUDGET VIREMENT AND SUPPLEMENTATION

1. Background

1.1 This Financial Code gives advice on the circumstances where revenue budget virement and supplementation are appropriate and sets out the procedures for effecting them.

1.2 The scheme of delegation set out in this Code was approved by the Transport Partnership on 6 October 2006 as an aid to sound financial management but the entitlement granted is subsidiary to the corporate good as determined by the Director for Finance.

2. Virements

2.1 A virement is a self-balancing transfer of budgets. Financial Regulation Paragraph 4.2 states that (without Transport Partnership approval) expenditure may be incurred only to the extent that budgetary provision has been made. Virement is one mechanism by which budgets are adjusted to allow additional expenditure to take place.

2.2 The circumstances where virements are appropriate include:-

- short-term adjustments to budgets which reflect an alteration in the incidence or pattern of demand-led spending (long-term adjustments should be made in the base budget);
- changes in the structure of a Service after the base budget has been approved;
- new spending funded from existing budgetary provision (subject to appropriate authority);
- distribution of any budget reductions to Service codes.

3. Supplementations

3.1 A supplementation (Supplementary Estimate) is the application of balances or reserve funds to Departmental budgets. Supplementations may be used to top-up or enhance budgets to reflect, for example, national pay bargaining agreements.

3.2 Supplementations may also be used where the Transport Partnership decides to fund new or unexpected spending, for example where it attracts match funding or grant aid.

4. Delegated Powers

4.1 In any financial year the Head of Service may, without prior reference to the Transport Partnership, exercise budget virement of up to £10,000 within and between expenditure headings in the Estimates subject to the following:-

- the agreement of the Director for Finance is obtained;
- the establishment of employees is not being varied;
- there are no additional implications for future years;
- the value of transfers in one year doesn't affect an expenditure heading by more than 10%;
- the virements are reported retrospectively to the Transport Partnership.

Expenditure headings are the categories of Staff Costs, Property Costs, Supplies & Services, Admin Costs, etc.

4.2 Virements affecting expenditure headings in excess of the above limits and virements between divisions of service headings are subject to the prior approval of the Transport Partnership. Virements between services and those necessitating additional resources in future years require the approval of the Transport Partnership. The Director for Finance should be consulted before virement proposals are put to the Transport Partnership.

4.3 The Director for Finance is authorised to make changes to budgets during Estimates preparation to reflect service adjustments without specific reference to the Transport Partnership, subject to an account of such adjustments being available to the Transport Partnership at an appropriate stage in its deliberations on the budget.

4.4 The Director for Finance is authorised to supplement budgets from contingencies or other reserves in respect of national pay awards and price inflation when funded without reference to the Transport Partnership. All other supplementations are also subject to approval by the Transport Partnership.

5. Administrative Control

5.1 Virements and supplementations are controlled by the Director for Finance through a central register. Budget movement proposals should be identified to account code level and reported to the Director for Finance along with a request for concurrence for decisions under delegated powers or a copy of a draft report to the Transport Partnership.

5.2 A reference number for the specific virement or supplementation will be supplied by the Director for Finance and this should be quoted in the Recommendations section of the Transport Partnership Report by way of confirming that the necessary details have been logged.

5.3 The ability to make adjustments to base budgets in the Transport Partnership's prime financial records, the General Ledger, is reserved to the Director for Finance.

FINANCIAL CODE No. 4 — VALUE ADDED TAX (VAT)

1. Background

1.1 This Financial Code gives advice on VAT.

1.2 VAT has to be charged on any taxable goods or services supplied in the course of business by a registered person or company.

1.3 The VAT paid on goods or services bought is called input tax and the VAT collected on goods or services sold is called output tax.

2. VAT Categories

2.1 **Standard-Rated** - These are goods and services which are taxable, and where the tax is charged at the standard rate of 17.5% (or 5% in the case of domestic fuel).

Examples of Standard-rated supplies are:-

- Private use of photocopiers
- Staff secondments outwith the Transport Partnership
- Vending machine takings
- Buses with less than 10 seats

2.2 **Zero-Rated** - These are goods and services which could be taxable but the Government has decided not to charge any tax, and the rate is therefore zero. These are in the main the necessities of life such as food and medicine. A registered trader selling zero-rated goods can reclaim any tax he pays on supplies to him.

Examples of Zero-rated supplies are:-

- Food
- Books, maps, newspapers, pamphlets
- Public transport – buses more than 10 seats

2.3 **Exempt** - These are a range of activities which are not taxable and therefore incur no tax liability. The main difference between zero-rated and exempt, in practical terms, is that any input tax incurred in making exempt supplies is not recoverable, whereas input tax paid in making zero-rated supplies is. However the Transport Partnership enjoys Section 33 status which means it can reclaim input tax paid in making supplies which are exempt where this is not greater than 5% of all tax paid. These are known as **partially exempt** supplies.

Examples of Exempt supplies are:-

- Harbours
- Land, rents, let property
- Insurance
- Finance; securities, credit, loan charges

2.4 **Non-Business** - These are activities which are not carried out for a "business" (i.e. profit) motive. So far as the Transport Partnership is concerned, **any activity where they are the monopoly supplier and where the supply by them is "enshrined in legislation" is deemed**

to be non-business. VAT is not chargeable on non-business supplies but the Transport Partnership can recover input tax because of its Section 33 status.

Examples of Non-business supplies are:-

- Grants

3. Tax on Supplies to the Transport Partnership

3.1 Tax Invoices

3.1.1 The Transport Partnership's payments systems allow for the automatic recovery of input tax by using VAT indicators at the time payments are made (or the expenditure funded in the case of imprests). It is very important that VAT is reclaimed to the maximum extent possible to avoid costs falling unnecessarily on the Transport Partnership's limited budget, especially in today's economic climate. **VAT indicators are used in conjunction with the Transport Partnership's departmental code 'eitp' on Powersolve.**

The VAT indicators in use at present are:-

- T1 - Standard-rated 17½%
- T2 - Zero-rated
- T3 - Exempt
- T4 - Standard-rated 5%
- T5 - Non-business

3.1.2 However to be eligible to reclaim VAT the Transport Partnership must have received a tax invoice from a registered trader and be able to produce it on request. If input tax is claimed which is not supported by tax invoices the Transport Partnership will be liable to penalties for misdeclaration of tax. These can be severe. All VAT registered traders have a duty to supply a tax invoice within 30 days of a supply taking place.

3.1.3 A tax invoice must include the following:-

- Invoice number
- Date of issue
- Date of supply (i.e. tax point)
- Name, address and registration number of the supplier
- Name and address of the person/organisation to whom the goods or services are supplied
- A description sufficient to identify goods or services supplied
- Unit price of goods or services supplied (if the supply can be split into units) e.g. per item or hourly rate
- Quantity of goods or extent of services, rate of tax and amount payable (excluding tax)
- Total amount of tax
- Rate of cash discount if offered

Note: a final figure showing the gross amount payable including tax is standard practice but not legally required.

3.1.4 The name and address of the Transport Partnership must appear on the invoice for it to qualify for a VAT refund under the Transport Partnership's registration. The Transport Partnership is not eligible to reclaim VAT on goods or services supplied to another party, in

particular third party legal fees. The Transport Partnership is however eligible to reclaim VAT on goods it purchases and afterwards donates to a third party (such as a voluntary organisation or community group). Where such an arrangement is proposed, advice should first be sought from the Proper Officer.

3.1.5 A less detailed tax invoice can be given if the value of the supply is £250 or below, it must contain the following information:-

- Name, address and registration number of supplier
- Date of supply
- Description of goods and services
- Total amount payable including tax
- Rate of tax

3.1.6 For a limited number of items less than £25 in value (including VAT) the VAT element can be assumed even though a tax invoice is not available. These list of such items is very restrictive and comprises:-

- Telephone calls from public or private telephones
- Purchases through coin operated or vending machines, e.g. passport booth photographs
- Off street car parking charges.

3.1.7 **One area where there is all too often a misunderstanding about the documentation required to support a correct reclaim of VAT is Imprest and Petty Cash payments. A till receipt is generally insufficient because it does not contain all the information required even though it may contain the supplier's VAT number.** Receipts are not required to be sent in with Imprest Reimbursement Claims and should be retained at the office where the imprest is held and made available for inspection if requested.

3.1.8 There may be resistance from retail staff to accede to requests for a proper VAT receipt but officers purchasing goods out of petty cash must be insistent that correct documentation is obtained. Customs & Excise Notice 700, Paragraph 53 states that retail staff must give their customers a tax invoice if asked for one, otherwise the shop can face a financial penalty. This will usually be of the "less detailed" kind.

3.2 Pro Forma Invoices

3.2.1 Pro Forma invoices are commonly issued by suppliers requiring payment with an order. In effect they represent an offer of goods or services to potential customers. Such an offer may or may not be taken up and, until payment is received, the goods or services will not be supplied.

3.2.2 So far as VAT regulations are concerned the point at which tax arises is the date of the supply or the date payment is received, if earlier. When entering a claim for the repayment of input tax paid the Transport Partnership may not include amounts where VAT has not yet arisen. Since VAT has not been incurred in the case of Pro Forma invoices they cannot be used to evidence a reclaim of VAT even if they show all the details required for a tax invoice. Pro Forma invoices are invariably marked "This is not a tax invoice".

3.2.3 Payment with order arrangements should be avoided wherever possible; if a supplier will not agree to offer the Transport Partnership credit terms an alternative supplier should be sought. In exceptional circumstances, for example where there is only one supplier for the items, a Pro Forma invoice can first be obtained and a payment raised but none of its cost should be coded to VAT. Once the goods have been delivered and a proper tax invoice received the VAT element of the expense should be re-coded by journal entry. The Proper Officer should be contacted in such cases.

3.3 Electronic Invoices

3.3.1 The VAT Act 1994 schedule 1 paragraph 3 made it possible for a supplier to invoice customers on magnetic tape or other form of data transmission without the production of a 'hard copy' invoice. This opened the way for the transmission of an acceptable VAT invoice from one computer to another. Customs permission is required before any supplier can invoice in this manner.

3.4 Correcting Errors

3.4.1 In no circumstances may the VAT on an invoice rendered to (or by) the Transport Partnership be altered. It follows that the amount charged for goods or services supplied (to which VAT relates) cannot be amended in respect of errors, returned items, deductions for incomplete service, etc. otherwise the VAT will not be the correct proportion of the resultant charge.

3.4.2 Errors must be corrected through a credit note issued by the supplier, if the original charge was too much, or by a supplementary invoice if too little was charged. Alternatively the supplier may cancel the original invoice and issue a fresh one for the correct amount.

3.5 Cash Discounts

3.5.1 If a supplier offers a discount on condition that the Transport Partnership pays within a specified time, the tax value is based on the discounted amount even if the Transport Partnership does not take up the discount.

3.6 Contract Certificates

3.6.1 A contract certificate cannot be used by the Transport Partnership to make a VAT claim. Stage and interim payments under contract will only be released by the Transport Partnership when the Contractor submits a valid VAT invoice.

4. Tax on Supplies By the Transport Partnership

4.1 The majority of the Transport Partnership's activities are non-business and VAT is not chargeable to its 'customers'. However there are a number of circumstances where VAT falls due on income received and this must be paid over to Customs & Excise (see Section 2.1 for examples).

4.2 The Transport Partnership's financial system enables VAT to be given up by using VAT indicators when debtor accounts are issued and income is banked. Again the penalties for failing to identify VAT on income are severe and great care should be taken to do so correctly.

4.3 Where charges for services are being reported to the Transport Partnership's for approval they should be given exclusive of VAT (except for coin in the slot charges determined by coin value, where VAT is deemed to be included). Published tariffs should however show the VAT inclusive price.

FINANCIAL CODE No. 5 — REVENUE BUDGET MONITORING

N.B. Appendix 1 cannot be completed at present

1. Background

1.1 This Financial Code gives guidance on revenue budget monitoring procedures.

1.2 Apart from sound financial management and contributing to Best Value the need for budget monitoring flows from a number of sources:

- Section 95 Local Government (Scotland) Act 1973
- Financial Regulations 3.4 and 4.2

2. Budget Monitoring Principles

2.1 Budget monitoring should be viewed as an essential tool in developing a business and management culture that continually monitors and reviews its use of resources in seeking to achieve, through service plans, the strategic aims and objectives of the Transport Partnership.

2.2 Accurate and timely monitoring reports can only be produced within a culture of openness, honesty and integrity. Service plans must remain subservient to Corporate plans. The timely identification and reporting of budget variances should not be constrained by service considerations.

3. Accountable Officers

3.1 Corporate Monitoring

3.1.1 Financial Regulation 3.4 states the Director for Finance is responsible for advising the Transport Partnership on all financial matters as well as monitoring and reporting on its financial performance position.

3.1.2 The Director for Finance is responsible for collating all service/department monitoring reports and producing a summary corporate monitoring report that should be reported to the Transport Partnership at intervals agreed by the Transport Partnership.

3.1.3 The report should be in a format which clearly identifies significant known variances to budget and include a commentary from the Director for Finance on the impact that the reported position could have on the Transport Partnership's current and future financial position.

3.2 Service/Department Monitoring

3.2.1 Financial Regulation 4.2 states inter alia that Officers are fully accountable for the financial performance of their Department against the budget allocated.

3.2.2 Appendix 1 provides a list of Officers together with a description of the services for which they are accountable particularly for the purposes of this Code, i.e. revenue budget monitoring.

3.2.3 It is the responsibility of the Director for Finance to provide to the Accountable Officer Service Revenue Monitoring Reports in accordance with the agreed timetable.

3.2.4 Accountable Officers are responsible for ensuring the accurate interpretation of Service Revenue Monitoring Reports as produced by the Director for Finance.

3.2.5 While the Accountable Officer has overall responsibility for the budgets under his/her control it is recognised as good practice for budgets to be devolved to the nearest point at which decisions are taken to commit expenditure or influence receipt of income. In consultation with the Director for Finance it is the responsibility of the Accountable Officer to identify budget holders and issue a practice note which clearly spells out the responsibilities of budget holders.

3.2.6 It is the responsibility of the Accountable Officer and/or designated Budget Holder to review and understand Service Revenue Monitoring Reports and to provide commentary on the Service and Corporate implications that may arise from the Service Revenue Monitoring Report.

3.2.7 Where for operational reasons the Accountable Officer allocates a budget to a Budget Holder in another department or service the Accountable Officer should issue written guidance to that Budget Holder outlining their monitoring and reporting responsibilities.

4. Budget Holders

4.1 Budget holders should be proactive in developing systems to monitor their budgets both in terms of financial and non financial performance measures.

4.2 It is the responsibility of the budget holder to ensure that appropriate systems and procedures are in place to provide accurate information for monitoring the budgets under their control.

4.3 Budget holders will be expected to provide information and commentary to the Accountable Officer on current and projected budget performance.

5. Department Revenue Budget Monitoring Reports

5.1 The Director for Finance is responsible for providing the Accountable Officer and Budget Holders with budget monitoring statements in accordance with the framework and timetable set out by the Director for Finance.

5.2 The Director for Finance is responsible for compiling a practice note detailing the expected format of monitoring reports and responsibilities of monitoring officers.

5.3 It is the responsibility of the Accountable Officer to develop relevant non financial performance measures and to agree a timetable with the Director for Finance for the development of same.

5.4 It is recognised as sound practice that the development of non financial performance measurements should initially commence with budgets or budget cost centres where the income or expenditure has a significant impact on the department's planned outcomes. Particular attention should be given to areas of income and/or expenditure which is less predictable, discretionary or demand led.

6. Corporate Revenue Monitoring Reports

6.1 Corporate monitoring reports must be submitted by the Director for Finance to the Board in accordance with the timetable agreed with the Board.

6.2 The report should summarise the financial position of each of the main Revenue Funds and highlight any significant variances to planned budgets. The report should also provide a professional assessment of the summarised report position and the impact it will have in terms of the Transport Partnership's current and future financial planning assumptions.

7. Training

7.1 It is the responsibility of each Accountable Officer to ensure that the appropriate staff under their control have the skills and knowledge to undertake budget monitoring and that there is at the very least a reasonable awareness by all officers of the importance of budget and resource management.

7.2 Where a skills gap is identified training will be provided by the Director for Finance.

8. Budget Flexibility

8.1 In the absence of three year budgeting and financial planning it is recognised that the annual nature of the Transport Partnership's budget is not conducive to sound financial management practice. A number of mechanisms are however available to Accountable Officers and Budget Holders to assist in budget/resource management:-

- Virement — Financial Code No. 3 refers

8.2 The treatment of year-end over- and/or under-spends remain *de facto* at the discretion of the Board.

FINANCIAL CODE No. 6 — FINANCIAL IRREGULARITIES

1. Background

1.1 The Transport Partnership is funded out of the public purse and attaches great importance to the proper management of this money. Transport Partnership employees are expected to be honest, to be accountable for their actions and to submit themselves to scrutiny when required. The Transport Partnership also expects its business dealings with other parties to be based on the same standards on their part.

1.2 Consequently the Transport Partnership is committed to dealing firmly with all instances of fraud, theft, bribery, corruption or any other attempted financial malpractice.

1.3 This Financial Code provides guidance on preventing, detecting and responding to such financial irregularities.

2. Prevention and Detection

2.1 Managers are responsible for preventing and detecting fraud and other financial irregularities within their services. They are required to:-

- Establish an open work culture
- Operate a sound system of internal control
- Attend to areas of special risk

2.2 The starting point for successful prevention and detection is to create a culture which opposes impropriety, values honesty and puts the protection of the public interest first. It is achieved by managers operating to the core values of integrity, trust and openness and by requiring all their staff to do the same.

2.3 Staff must be encouraged to raise concerns. They should be made to feel these will be taken seriously and know that, as long as the allegations are not malicious, they will not suffer as a result of bringing them to a manager's attention.

2.4 Staff should be required to report when they have reason to believe that one or more of the following applies:-

- A criminal offence
- Failure to comply with a statutory or legal obligation
- Improper use of funds
- A miscarriage of justice
- Maladministration, misconduct, misfeasance or malfeasance
- Endangerment of a person's health and safety
- Damage to the environment
- Deliberate concealment of any of the above.

2.5 The Transport Partnership has a written policy on raising concerns at work which staff should be directed to read as well as other procedures on how and where to report any of the above.

2.6 Managers are required to establish in their service a sound system of internal control designed to deliver the Transport Partnership's business, protect staff and inhibit misconduct. It should be made clear to staff that failure to operate these internal controls is a serious, potentially disciplinary, matter. Advice on internal financial control is provided to managers in Financial Code No. 1.

2.7 Managers are also required to consider what special risks occur in the business of their service and make arrangements to manage these. Examples of higher risk areas include:-

- Access to cash and other negotiables
- Ability to influence fees and charges (including writing off)
- Tendering and award of contracts
- Decisions on the award of service to individuals
- Grant of permissions
- Acquisition, use and disposal of assets
- Ability to raise payments
- Claims (expenses, timesheets)

3. Investigation of Irregularities

3.1 Managers are required to arrange for a formal investigation of any financial irregularities intimated in their service. The purpose of this investigation is to establish the facts of who and what are involved in the irregularity.

3.2 It is essential that strict confidentiality is maintained to avoid prejudicing the case and the rights of those concerned. Action should be taken to secure all evidence which might be needed to take the matter further.

3.3 The investigation must be controlled and fully documented. The key stages in the investigation process are:-

- Review and evaluate the evidence that an irregularity has occurred;
- Decide whether any members of staff need to be suspended or otherwise restricted from access to the facility on a protective basis while the investigation continues;
- Establish the characteristics of normal operations;
- Identify all anomalies, the timeframe over which they occur, and who was involved;
- Formally interview staff to obtain their account of events, getting them to sign the written record of the interview;
- Take action to address any immediate deficiencies in the control arrangements;
- Identify whether any members of staff have behaved improperly;
- Prepare a formal report.

3.4 Advice on whether suspension is appropriate should be sought through the Proper Officer. Training in all aspects of managing discipline is also available.

3.5 Technical advice on the investigation of financial irregularities can be obtained from the internal audit service of Dumfries & Galloway Council through the Proper Officer.

4. Sanctions

4.1 Theft, fraud and corruption are serious offences against the Transport Partnership and (following proper process) employees should face disciplinary action if there is evidence they have been involved in anything of this kind. Disciplinary action should not be delayed for the outcome of criminal or civil proceedings unless there are exceptional circumstances (e.g. on Police advice).

4.2 Where there are grounds to believe a criminal act has taken place the matter should be referred to the Police under a formal complaint without delay. There may also be times where early Police involvement will be deemed necessary because an investigation cannot make progress without their participation.

4.3 The standard of proof required for a prosecution is considerably more demanding than the 'reasonableness' test required for a disciplinary sanction. There will be circumstances therefore where a disciplinary hearing is the only proposed course of action. To ensure consistency and to protect the reputation of the Transport Partnership, Managers must consult the Director for Finance on all decisions where a financial irregularity does not lead to a Police referral.

5. Recovery

5.1 A key objective in dealing with financial irregularities is the full recovery of any loss. There are a number of routes available depending on the circumstances of the case.

5.2 It is acceptable to seek repayment directly from the employee concerned. This will not generally affect a Court case because, if a criminal act was involved, repayment does not alter this fact. Where repayment is to be made in this way it should be made clear to the employee that such an action will not affect the Transport Partnership's right to refer the matter to the Police, nor does it represent acceptance by the Transport Partnership that the sum settled is the only amount of loss. The Police should be advised of any restitution if made after referral to them.

5.3 The Transport Partnership has a Fidelity Guarantee insurance policy which covers loss through fraud by its employees. A claim under the policy does not depend on there being a Court case but there must be a demonstrable financial loss. If a claim is made the insurance company have the right to instigate their own action through the Courts to obtain redress against the individual.

5.4 If the case is going to Court after a formal complaint by the Transport Partnership, the Procurator Fiscal should be asked to seek a compensation order to cover the loss.

5.5 The Local Government Pension Scheme (Scotland) Regulations 1998 (as amended) provide for the employing authority to recover amounts from former employees who have ceased employment in consequence of a criminal, negligent or fraudulent act. However recovery of this type is cumbersome to administer since the employing authority must give 3 months notice and a certificate of the method of calculation and the effect on benefits. The deduction is subject to appeal to a Court or an arbitrator. For these reasons it would be used only as a last resort (usually only when imprisonment is involved).

6. Recording

6.1 The Transport Partnership is required to report all financial irregularities to its external auditors. Notification of all such incidents must be passed to the Proper Officer on discovery for recording purposes.

6.2 A copy of the investigation report should also be provided to the Proper Officer as soon as it is available.

FINANCIAL CODE No. 7 — RETENTION OF FINANCIAL DOCUMENTS

1. Background

1.1 This Financial Code provides guidance on the retention and disposal of financial documents.

2. Main Issues

2.1 Generally speaking the main motivator behind most questions on document retention is storage difficulties. Once documents are no longer needed for day to day administration there is a strong incentive to dispose of them. Whilst this may not be a concern for many documents there are certain requirements imposed by HM Revenues & Customs and the Inland Revenue which must be adhered to.

2.2 Aside from these requirements it is for the Head of Service to decide what is to be retained, based on operational needs and the availability of storage facilities. It should however be borne in mind that the early disposal of supporting documents is prejudicial to enquiries involving fraud.

2.3 The Head of Service must establish if there are any further retention requirements (e.g. contractual, legal, industry practice, etc) and ensure these are met also.

2.4 In the main it is the original document which has to be retained and therefore it is feasible to dispose of Departmental duplicate copies (e.g. of timesheets) before the indicated time scales have passed. However it is incumbent on the service involved to ensure that the original has been retained elsewhere before disposing of the duplicate. Retention of the documents must be within the Transport Partnership and not within the Council.

2.5 Consideration can be given to retaining documents on microfilm or document imaging systems rather than in paper form to economise on storage costs. However it is important to establish the legal admissibility of information stored in photographic or electronic form first, as well as dealing with issues such as the potential for loss by fire, computer failure, etc.

3. Retention Periods

3.1 HM Revenues & Customs

3.1.1 HM Revenues & Customs require all business records to be kept for a minimum period of six years. These records include:-

- orders and delivery notes
- purchase orders for creditors and copy supply invoices to debtors
- any debit or credit notes issued or received
- cash records and till rolls
- bank statements and paying-in slips
- creditors, debtors and cash income ledger control accounts
- the VAT account
- the annual accounts
- import and export documents
- relevant business correspondence

3.1.2 HM Revenues & Customs allow organisations to retain records on microfilm or microfiche, provided that copies can be produced and there are adequate facilities for Revenues & Customs

staff to view them when required. However such approval can be withdrawn in any individual case where their requirements are not being met.

3.2 Inland Revenue

3.2.1 Under Inland Revenue requirements, records related to the payment of salaries or wages to employees need to be retained for a minimum of three years after the end of the year in which they occur. Such records can be kept on either paper or computerised format.

3.3 External Audit

3.3.1 Many documents are required to be retained for the use of external auditors in verifying the final accounts of the Transport Partnership. Any documents likely to be required by the external auditor which do not have to be retained for a longer period because of statutory or other reasons should be retained at least until the external audit has been completed.

3.4 European Grant Claims

3.4.1 If a service will be in receipt of European Grant monies then it should be noted that a current condition of receiving grant is that the **original documents be kept** – that is microfilmed copies are not sufficient for purposes of grant claim audit.

3.4.2 Originals of invoices against EU Objective 5(b) and 2 grant projects must be kept for 6 years after the closure of the Objective. For EU Objective 5(b) the closure date was put back because of Foot & Mouth to end March 2002 - so originals need to be kept to end of 2008. For EU Objective 2, if there are no extensions, to end of 2012.

3.5 Historical Documents

3.5.1 Notwithstanding the above guidelines, financial documents considered to be of historical interest may merit permanent retention. Advice should be sought from the Proper Officer where this is a possibility.

4. Storage and Disposal

4.1 All financial documents, current and historical, must be retained securely.

4.2 It is normally appropriate to keep on file the previous year's worth of records as well as the current year's. After this time financial documents to be retained can be put into store. Containers should be securely tied-off or taped down and access to the store controlled.

4.3 Records to be kept permanently should be separated from items which will be disposed of in due course. Archive papers should be stored in accordance with BS5454 as follows:-

- in acid-free boxes or document wallets
- in well-ventilated premises on shelves allowing a free-flow of air
- in a constant temperature within the range 55-65 °F and within a relative humidity of 50-60%.

4.4 Financial document containers put into store must be labelled clearly to show:-

- the origin and contents
- the period they relate to
- the person or section responsible for them
- their retention information (generally a "Not to be Disposed of Before" date)

4.5 Time-expired financial records which include any personal information must be treated as confidential waste. They should be shredded or incinerated under supervision or consigned to a specialist contractor. Financial records not including personal information such as day books, receipt stubs, etc. can be disposed of through ordinary waste paper collection agents. They must not be consigned to an open skip, left out in bin sacks or otherwise be exposed to casual retrieval.

FINANCIAL CODE No. 8 — INTERNAL AUDIT

1. Background

1.1 This Financial Code gives information about the role, responsibilities and operation of the Internal Audit Service.

2. Purpose

2.1 The Director for Finance is the Proper Officer under S95 of the Local Government (Scotland) Act 1973 with responsibility for administering the Transport Partnership's financial affairs.

2.2 Internal Audit is an independent review body reporting to the Director for Finance. Its purpose is to review and report on the adequacy and effectiveness of controls put in place by management to deliver the Transport Partnership's business.

3. Authority

3.1 Internal Audit staff work with the full authority of the Transport Partnership.

3.2 Auditors have the right of unrestricted access to all information, people, records and assets connected with the Transport Partnership and its agencies. They are entitled to seek any explanations they think necessary for the purposes of audit work and must be given the requested information in full.

3.3 Auditors are authorised to access, hold and process personal data held anywhere in the Transport Partnership, in connection with the evaluation of controls. Data controllers are required to disclose any such information requested of them by audit staff.

3.4 Staff from Internal Audit are provided with official cards which they will show on request as proof of identity.

4. Independence

4.1 Internal Audit has no executive responsibilities so as to remain independent of what is audited. It sets its own work programme and reports in its own name without being influenced by its employing Department's interests.

4.2 The Chief Internal Auditor is entitled, at his sole discretion, to bring any audit matter to the attention of the Head of Service of the Transport Partnership.

4.3 Internal Audit staff are prohibited from auditing services in which they were employed during the previous 12 months. Audit staff are required to record their interests in a register and may not work on assignments where a concern about their independence may arise.

4.4 Auditors will maintain confidentiality and respect service interests in the normal course of their work. However they have the right to investigate and report on any matter of concern even where doing so conflicts with service interests.

5. Method of Working

5.1 Internal Audit's objective is to obtain sufficient, relevant and reliable evidence to support the annual Control Assurance Statement. It will achieve this by testing for the continuous operation of key controls in corporate financial systems and by evaluating control arrangements in areas of business risk. It will also seek assurances on controls from management.

5.2 Internal Audit will review management's achievement of the following business objectives:-

- Effective and efficient operations
- Reliable internal and external reporting
- Compliance with laws, regulations and internal policies.

Internal Audit will report on whether or not the Transport Partnership can be reasonably confident these objectives are being met based on the controls that are in place.

5.3 Internal Audit is not responsible for controls or their operation. These are the responsibility of management. Internal Audit will work with managers to identify controls and may make recommendations for improvement. However managers can accept the risks associated with the control issue or implement a different solution. Internal Audit's sole responsibility is to report matters of concern.

6. Standards and Performance

6.1 Internal Audit generally will seek to work to the principles and standards outlined in the current Code of Practice for Internal Audit in Local Government (published by CIPFA). However, it will not undertake formal Value for Money studies.

6.2 Internal Audit will use the CIPFA Audit Manual (developed by the Scottish Local Authorities' Chief Internal Auditors' Group) as its core document and will supplement this with local practice notes.

6.3 Internal Audit will be assessed on its delivery of work against an annual audit plan. Performance measures for Internal Audit as recommended by the Best Value Working Group of CIPFA Finance Directors in Scotland will also be reported annually.

6.4 The Transport Partnership's External Auditors will review and report regularly on Internal Audit as part of their work programme.

7. Reporting Protocols

7.1 Internal Audit will report the results of its test programmes, including instances of control failures, to Service Managers at quarterly intervals throughout the year.

7.2 A report will be made to the S95 Officer in respect of any significant control issue immediately such conclusion is reached.

7.3 Interim assessments of control adequacy and effectiveness will be reported to the S95 Officer (and Operational Managers where applicable) at six months.

7.4 Internal Audit will report annually to the Transport Partnership on its final conclusions as to what assurance is provided from the control arrangements established by management.

8. Anti-Fraud Responsibilities

8.1 Responsibility for preventing, detecting and investigating fraud and other financial irregularities rests with service management.

8.2 Internal Audit will contribute to anti-fraud activity. Auditors will be alert to the possibility of fraud when carrying out their work, will follow up anything that looks suspicious and will report to management where they believe fraud might have occurred.

8.3 In the ordinary course of its work Internal Audit will consider the adequacy and effectiveness of controls to assist management in preventing and detecting fraud.

8.4 Internal Audit will also review reported fraud cases for their applicability to the Transport Partnership's arrangements.

8.5 Advice on the investigation of fraud and other financial irregularities will be given to management at their request.

FINANCIAL CODE No. 9 — SUNDRY DEBTORS

1. General

1.1 This Code gives advice on the issuing and processing of Sundry Debtor Accounts to parties external to the Transport Partnership. The Code should be viewed in the context that delays in receipt of sums due to the Transport Partnership are costly, both in terms of lost interest and the extra costs of administration. The immediate and efficient issue of accounts and the prompt collection of sums due are therefore essential to the Transport Partnership's requirements.

1.2 Officers are required to ensure that the principles outlined below are incorporated in the working practices of the Transport Partnership. It is primarily the Transport Partnership's responsibility to recover as much of the income owed as possible. Once it becomes clear that there is little likelihood of recovery, immediate steps should be taken to write-off the account.

2. Issuing Accounts

2.1 Where possible, **payment in advance** of the service is to be **actively encouraged at all times** and particularly so where the sums involved are considered to be uneconomical to pursue (see 2.4 below).

2.2 All accounts must be issued in the name of **South West of Scotland Transport Partnership**. All accounts are required to detail the name and telephone number of the appropriate contact in the event of a query. All accounts are to be issued **promptly**, either in advance or within a short time of the service being provided.

2.3 The Transport Partnership is required to ensure that all Debtors accounts issued are for sums **properly due only**. They are required to keep appropriate supporting records and documents in respect of each transaction. This should be sufficient for the purposes of meeting the requirements of evidence in the event of legal proceedings being initiated to recover the debt. These should be provided to the Director for Finance on request.

2.4 Generally accounts should only be issued for sums which are considered **economical to pursue**. By way of general guidance, accounts should **not** be issued for sums below £25 and staff should have due regard that sums below £150 are not considered economical to pursue via legal action. It is acknowledged however that there may be a need to raise accounts for smaller sums, but these should be minimised as far as possible.

2.5 Where goods and services have been provided for which a payment is required and has not been paid, a debtors account in a format approved by the Director for Finance **must be** issued. The accounts must only be processed via a debtor system approved by the Director for Finance.

3. Settlement

3.1 All Debtor accounts should be updated at the **earliest possible opportunity** following a payment to that account.

3.2 Debtors should be given a reasonable time to make payment. The general policy to be followed is that the debt is due for payment **no later than 28 days** following the date of issue.

Where an account remains unpaid after the due date, debtors are to be given a **reminder** allowing a further 14 days to make payment.

3.3 Where an account remains unpaid after the issue of the reminder, the debtor will be issued with a **final reminder**. This will indicate that failure to settle the account within a further 7 days will result in the matter being referred for legal action. The final reminder letter should fully explain the consequences of any further default by the debtor.

3.4 The Transport Partnership may opt to vary from the foregoing arrangements if considered appropriate but must notify the Director for Finance of alternative arrangements in all such instances.

3.5 Where a debtor is unable to settle in full by the due date there may, at the Head of Service's discretion be the opportunity of making an arrangement to repay the remaining balance by instalments. This facility should only be agreed to where the Head of Service is satisfied that the debtor does not have the means to made immediate settlement and no alternative external source of finance is available for use by the debtor. Generally and particularly so in respect of commercial transactions, the debtor will be required to sign an instalment agreement. This will set out the period and dates of repayment together with the rate of interest which will be applied at an appropriate rate. In all cases the repayment period should be for the shortest term possible and should not, without the consent of the Director for Finance, exceed a period of 2 years.

4. Further Action

4.1 Accounts which remain outstanding after 49 days are required to be identified and considered for further action as follows:-

- (a) Refer to external collection agents
- (b) Recover by legal action
- (c) Write-off in the accounts of the Transport Partnership.

4.2 As a general rule accounts other than those being reasonably queried or with satisfactory repayment agreements in place or those being actioned as (a) or (b) above will not be permitted to remain in the accounts of the Transport Partnership. These should be referred for write-off. Accounts which have been passed to external agents for collection should continue to be monitored. In the event of there being no recovery, or prospect of recovery after 6 months, should also be referred for write-off.

4.3 All requests for write-offs shall be in accordance with the guidance prescribed in Financial Code No. 11.

4.4 All requests for legal action for recovery shall be referred in the first instance to the Director for Finance. The Head of Service will take responsibility for identifying all indebtedness by a debtor prior to such action being taken. Prior to being referred, the Transport Partnership must ensure that there are no unanswered queries in respect of the account. They must also in particular advise where any disputed account remains unresolved after contact with the debtor which the debtor may use as a defence in an action for recovery. Where part of a debt only is disputed, the debtor should be encouraged to make immediate payment of undisputed element.

4.5 It is essential to advise the Director for Finance at the earliest opportunity in cases where payments (wholly or in part) are received after an account has been referred for legal action. Where possible the Transport Partnership should also make some attempt to find out whether the debtor has the ability to pay before referring for such action.

4.6 Where practical to do so, staff should have due regard to debtors outstanding accounts when considering whether to continue to provide further services.

4.7 The Transport Partnership is required to monitor and review their outstanding accounts on a regular basis. They are required to provide details, on a monthly basis, to the Director for Finance where the foregoing procedures have not been compiled with.

4.8 At the end of the financial year the Director for Finance will make provision for Doubtful Debts as considered appropriate.

FINANCIAL CODE No. 10 — WRITE-OFFS

1. General

1.1 This code gives advice and guidance on the procedures to be adopted when writing-off various accounts. Generally, once it becomes clear that there is little likelihood of recovering a sum due, steps should be taken to write-off the account. Officers are required to ensure that the principles outlined below are incorporated in the working practices of their departments or units.

1.2 The Transport Partnership is required to **regularly** review the various categories of accounts appropriate to their service and **identify** those accounts where avenues for recovery have been exhausted and are subsequently deemed to be uncollectable.

1.3 The Transport Partnership is required to indicate an appropriate justification from the list below for each account written-off:-

- (a) Gone away (No trace/forwarding address)
- (b) Bankrupt/Sequestered
- (c) Uneconomic to pursue
- (d) No realistic prospect of recovery (further details required)

1.4 The Transport Partnership is required to maintain full records of such transactions and to submit details to the Director for Finance requesting individual approval for write-off, on a **monthly basis**.

1.5 All sums in excess of £5,000 to be written-off should be submitted to the Board for approval. Sums not greater than £5,000 can be authorised for write-off by the Director for Finance. Where subsequently, the possibility arises of recovering sums previously written-off, arrangements should be made to reinstate the debt.

2. Sundry Debtors

2.1 The Sundry Debtors Financial Code requires all departments to identify and review on a **regular basis** all accounts which are more than **49 days outstanding**. For such accounts, unless actions for recovery are being implemented or have been exhausted without success, the appropriate sum will be written back to the ledger account credited with the income.

FINANCIAL CODE No. 11 — INCOME

1. Background

1.1 This Financial Code sets out the arrangements which are to apply to income.

1.2 The term 'cash' in this Code refers to coins, banknotes, cheques, postal orders, bankers drafts or anything similar. 'Electronic credits' means money transferred directly to the Transport Partnership's bank account through standing orders, direct debits, credit cards and inter-bank transmissions.

2. Income Policies

2.1 Fees, charges and prices must be set to recover the full economic costs (including admin) of goods or services provided unless constrained by statute or there is a national scale amount which the Transport Partnership has agreed to apply. Officers must review annually all fees and charges for their activities and prepare a report to the Board for approval. The report should identify any subsidy inherent in the proposed charges.

2.2 The Transport Partnership must not ever be deprived of any income to which it is entitled. The maximum amount must be requested/demanded in every case, consistent with any other policies the Transport Partnership may have. The Director for Finance must be consulted on any proposal to waive fees and charges and at his discretion the matter may be referred to the Board for decision.

2.3 Charging schemes should be publicised as widely as possible amongst the client group in advance of supply to avoid dispute. Prices must be printed on application/booking forms, leaflets, etc. and be posted prominently in any facility where the public are admitted.

2.4 Prices quoted to the public should be inclusive of VAT when it applies.

3. Collection

3.1 Cash income from external parties must be collected by one of the following methods:-

- **Electronic Tills:** these must have an audit roll, allow identification of the operator, be able to produce management control prints and, the till must issue a receipt;
- **Manual Receipting Systems:** receipts/sales notes must be pre-printed with the Transport Partnership's name and VAT Registration Number, be pre-numbered, have a description of the income making distinction between cash and cheques, and be at least two part self-carboned so copies are automatically taken;
- **Tickets:** these must be pre-numbered (or be numbered automatically if printed at the point of sale), show the value of the ticket, and be inspected and cancelled/clipped at an entry control point;
- **Lock Boxes/Coin Repositories:** the contents must remain inaccessible until boxes are opened and counted by two staff together, a cash office or the Bank;
- **Metered Equipment:** vending machines etc must meter takings and the meters should not be resettable;
- **Tokens:** an imprest arrangement must operate, the person selling them must not be involved in re-collecting used tokens, and records must be kept of daily sales, purchases and balances.

3.2 Receipting stationery, tickets etc must be kept securely with regular stock checks carried out. Supplies must be controlled independently (e.g. centrally) with records kept of who they are issued to, the date issued and what number range is involved. A build up of unused stationery should be prevented; the quantities issued should be kept small requiring top-up, say, monthly.

3.3 Cash income from staff (e.g. in respect of personal telephone calls) need not be receipted but each person should be asked to countersign the collection sheet/log by way of confirming the amount paid over.

3.4 When payment by cheque is offered the person should be always be asked for a cheque guarantee card. The terms of the Banks' guarantee scheme are given in the attached leaflet. It should be noted in particular that the card number is to be written on the back of the cheque by the Transport Partnership's representative, not the person making the payment. Post-dated cheques are not acceptable.

3.5 Cheques accepted outwith the guarantee scheme (e.g. by post) are subject to clearance and receipts should be endorsed as such. It should also be pointed out that the Transport Partnership reserves the right to charge a minimum fee of £5.00 for refused cheques.

3.6 Details of the Transport Partnership's bank accounts must not be passed to anyone without the prior written agreement of the Director for Finance. Electronic credit by BACS or Direct Debit are administered by the Director for Finance under special arrangements. Customers who wish to pay by BACS must complete a proforma. This will have all the relevant details to enable the council to allocate payments to the appropriate systems. The proforma will be accepted for all services. BACS payments can only be paid through a nominated bank account specifically set up for this purpose.

4. Banking

4.1 All income must pass through the official bank accounts which are under the control of the Director for Finance. It must not be directed or reassigned or lent or transferred to anyone else.

4.2 The Transport Partnership's name must not be altered or removed from cheques etc it is entitled to receive, nor should cheques be returned for such alteration. When the Transport Partnership's name properly appears as the payee on a cheque the funds may only be banked to the Transport Partnership's account, even if ultimately intended for a third party.

4.3 All cash income must be:-

- banked promptly to the appropriate account, within one or two days of receipt at most;
- banked intact, in its entirety without retention for change, floats or to fund expenditure.

4.4 No-one may have use of coins or banknotes from income rendered to the Transport Partnership. Personal cheques may not be exchanged or substituted for such.

4.5 Additional details on banking cash (involving deferred checking of deposits) are set out in Financial Code No. 13.

5. Postal Remittances

5.1 Where there is any possibility that money will be received through the post formal mail-opening arrangements must be established involving two or more people working together.

5.2 A log must be kept of all remittances received by post showing:-

- date received
- opened by/checked by
- name & address of sender
- amount
- purpose
- payment details:-
 - cash — denomination and number of coins/notes
 - postal orders — serial no., date, point of issue
 - cheques — open or crossed, bank and sort code, account and cheque nos
- how disposed of

5.3 Postal remittances of coins, banknotes, postal orders and open cheques should be actively discouraged. In all cases these must be acknowledged to the sender by issue of a receipt or letter by return. Acknowledgement should also be made of a crossed cheque when requested.

5.4 Postal income should be banked as a priority, preferably on the same day as arrival. It may be passed to a cash office if one is available locally (**who should countersign the mail log to acknowledge its transfer**) otherwise it must be banked directly to the Transport Partnership's account. It should not be given to another section, for example because the money is to do with their work. Nor should the banking be delayed because the purpose of the income isn't known. In the latter case a copy of anything accompanying the remittance should be forwarded to the income section with the voucher for the banking.

6. Credit/Debit Cards

6.1 The written approval of the Director of Finance is required in advance if credit/debit card facilities are to be used. The Transport Partnership will be re-charged for the transaction charges (currently 25 pence per transaction and 1.9% for credit cards) incurred and should therefore consider whether to levy the transaction charge on customers.

6.2 Credit cards are not to be used for Sundry Debtors transactions or the collection of any other areas.

7. Reconciliations

7.1 The following income reconciliations must be carried out at regular intervals. The frequency will depend on the volume of transactions but as a minimum they should be done once a month:-

- the income due (from the receipts/tickets/tokens physically issued, the number of items sold, the meter readings or the movement in stock for the period) to the income declared as collected;
- the income declared to the amount actually banked (as evidenced by bank giro credit counterfoils stamped and dated by the Bank);
- the bankings to the ledger income postings on the relevant dates;
- the total income posted in the ledger to the target or expected income for the period.

7.2 Reconciliations must be undertaken by someone independent of the actual collection and receipting of income. They should record the intervals between collection and banking on the reconciliation statement.

7.3 Any unresolved unders or overs in income must be formally noted and written off or banked, debiting/crediting codes in the ledger specifically set up for this purpose. An unders and overs float must not be kept. Shortages in excess of £5 should be fully investigated to the satisfaction of the appropriate designated officer.

8. Security

8.1 In public offices access to areas where income is handled should be physically restricted to nominated personnel by the use of security key locks, electronic locks, etc. Elsewhere rooms should be locked off or the money removed to a secure area away from general view during cash counts.

8.2 Staff involved in handling income at counters etc should not be allowed to leave for the day until they complete a cashing-up exercise. If the counter is closed over lunch breaks and the same operator is returning the till or cashbox may be locked off without cashing-up if the area is secure.

8.3 Where counters are in continuous use each operator should have their own cashbox or till drawer equipped with a lockable lid. These can then be removed to a safe during breaks. Operators should separately cash-up their cashboxes/till drawers at the end of the shift and their cash declarations compared with operator totals to identify any unders or overs.

8.4 Staff handling cash should not be allowed to bring their own handbags, purses, wallets or similar to the counter nor to keep bags close by.

8.5 Wherever possible there should be a rotation of staff involved in handling income at intervals of 3 to 6 months. Less satisfactorily, arrange for staff to be substituted for a week twice or three or times a year on a surprise basis (i.e. in addition to holidays).

8.6 Generally where cash remittances exceed £200 bankings should be made every day. Special arrangements have been made for security collections at offices throughout the Transport Partnership's area and income which has been made up into a banking may be brought for inclusion in these pick-ups. Unbanked income stored overnight in a safe may not exceed the insurance limit. The limit applies to the value of negotiables held (coins/banknotes, open cheques, postal orders, vouchers, phone cards, etc).

<p>1. WATCH the cheque being signed.</p> <p>2. FEEL the signature strip and look for any alterations.</p> <p>3. CHECK that the signatures match.</p> <p><i>If in doubt, check it out with your supervisor.</i></p>	<p>UK CHEQUE CARD SCHEME GUARANTEE CONDITIONS</p> <p>The bank guarantees in any single transaction the payment of only one cheque taken from only one of its own cheque books for up to £50, or for up to £100 or £200 if indicated in the hologram, provided the cheque is not drawn on the account of a Limited Company, and:</p> <ol style="list-style-type: none">1) The cheque bears the same name and code number, where printed, as the card;2) It is signed, before the expiry of the card, in the UK in the presence of the payee by the person whose signature appears on the card;3) The card number is written on the cheque by the payee;4) The card has not been altered or defaced.
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FINANCIAL CODE No. 12 — BANKING ARRANGEMENTS

1. Background

1.1 This Financial Code gives guidance on the Transport Partnership's banking arrangements, including the procedures for depositing coins and banknotes.

1.2 Officers should ensure that operations at all locations they are responsible for achieve the following:-

- cash is banked intact (i.e. none of it is held back for spending)
- it is deposited without delay
- the security risks in handling it are minimised
- insurance limits are never breached.

2. Authority to Open Accounts

2.1 Responsibility for the Transport Partnership's banking arrangements is delegated exclusively to the Director for Finance. No-one else may open a bank account using the name of the Transport Partnership or represent themselves as having authority to conduct banking business on the Transport Partnership's behalf.

2.2 **No cheque bearing the Transport Partnership's name as payee may be banked to a voluntary, charitable or personal account.**

3. Banking Services

3.1 The Transport Partnership has appointed the Bank of Scotland, High Street, Dumfries as its banker and all of its accounts operate from this branch. Agency arrangements have been set up so that banking can take place at any branch of the Bank of Scotland in Dumfries & Galloway. Other banks (including the Post Office Giro Bank) apply charges for business conducted through them so the Bank of Scotland should be the first choice for all banking transactions.

4. Deferred Checking of Deposits

4.1 The Transport Partnership has agreed to co-operate with the Bank's deferred checking arrangements for coins and banknotes. These are not counted by bank staff at the time of deposit but one or two days later at a central place. All coin/banknote deposits are "subject to confirmation" and the Bank will subsequently adjust the credit to the Transport Partnership's account if it identifies a difference between the amount declared and the amount deposited.

4.2 To keep coin/banknote deposits intact until counted the Bank provides self-sealing white polythene bags. These can be obtained from any branch of the Bank of Scotland.

4.3 Coins should first be placed into coin bags as appropriate and banknotes bundled by denomination using wrappers or rubber bands. They should both be placed in the white poly bag and firmly sealed. **Only coins and banknotes are to be put into in the white bags.**

4.4 On the front of the white bag (in ballpoint pen) should be written:-

- The bank account to be credited
- The value of the bag's contents (in coin, banknotes and total)
- The name of the school/office/centre where the banking comes from.

Although there is no dedicated place to enter the latter information, it assists the Bank in tracking our bags and should be included.

4.5 A bank giro credit (pay-in slip) must be completed in accordance with the Banking Procedure Note, showing the total for the whole banking. Any cheques should be listed on the back of the pay-in slip. The cheques and the pay-in slip should be securely clipped to the **outside** of the sealed bag.

4.6 Each bag is coded with a serial number and has a tear-off strip which is used as a receipt. **The tear-off strip may only be removed by a member of the Bank's staff** - it must remain attached to the bag until handed over the counter or delivered to the Bank by Securicor. (In the latter case the receiving branch will keep the receipt strips for a few days before returning them.)

5. Cheque Control

5.1 **Under no circumstances should any of the Transport Partnership's cheques be altered.** The Transport Partnership has given an undertaking to the Bank that it will not alter any cheques. A cheque which has been altered will be treated as an improper attempt to obtain payment.

5.2 If an input error means there's a small mistake in the spelling of their name the payee should be encouraged to bank the cheque. Most banks accept this situation when the funds are being paid to an account. However if an error leads to the payee line bearing no resemblance to the person or company involved the cheque must be recovered and returned to the Director for Finance before a replacement can be issued.

5.3 Requests to issue or re-issue a cheque to another payee should normally be refused. The Transport Partnership is obliged to pay its creditors but not to settle affairs on their behalf. The payee can endorse the cheque and let the third party bank it, or in the case of a company which has ceased trading the administrator has the legal power to bank a cheque made out in the name of the former business. Sometimes companies use invoice factoring (where they get cash from a bank for each invoice they issue, rather than waiting for the customer's payment) but this doesn't affect who the cheque is made payable to. There have been instances of fraud elsewhere involving redirected cheques and such requests should be treated with caution.

5.4 Sometimes a payee reports that they haven't received or have lost a cheque. They should be put in touch with the Proper Officer who will identify if the cheque has been cashed and put a 'stop' on it with the bank. At least 24 hours should be allowed after this before a replacement cheque is issued and the payee must complete and sign an indemnity certificate.

FINANCIAL CODE No. 13 — MEMBER ALLOWANCES

1. Background

1.1 This Code gives advice and guidance on the procedures to be adopted by Board Members when claiming expenses and identifies certain special responsibilities of the Proper Officer.

2. General

2.1 Board Members should endeavour to restrict expense claims to the minimum amount consistent with the efficient discharge of their duties.

2.2 It is the duty of each Board Member to ensure that all amounts claimed are within statutory limits and regulations and the terms of the scheme approved by the Transport Partnership.

2.3 Board Members should ensure that high standards of stewardship of public money are maintained and that all expenses claimed stand a simple test of reasonableness.

3. Maintenance of Records

3.1 The Proper Officer will keep a record of all expenses paid showing the name of the recipient and the amount and nature of the payment.

3.2 This record will be available during normal working hours at the office of the Proper Officer for inspection free of charge by any local government elector of Dumfries and Galloway who will also be entitled to make a copy of the record or any part of it at their own expense.

3.3 At the end of the financial year the Proper Officer will submit a report to the Board detailing for each Board Member, the total travel and subsistence claimed during the preceding financial year.

4. Submission of Claims

4.1 Travel and subsistence payments will be made to and on behalf of Board Members on the basis of:-

- a) expenditure actually and necessarily incurred;
- b) rates determined by the Scottish Executive from time to time;
- c) any restrictions imposed by the Transport Partnership within the rates determined by the Scottish Executive. (The only variations currently in place are that claims for overnight stays must be supported by suitable vouchers (VAT invoices/receipts), and that standard class or cheaper rate will apply for rail travel).

4.2 Claims for travelling and subsistence allowances must be made in such a manner as the Transport Partnership determines from time to time and must be submitted to the Proper Officer within two months of the date on which the duty is carried out.

4.3 Claims should be submitted on the appropriate form to the Proper Officer.

4.4 Claims should cover a calendar month and be received by the Proper Officer on or before the 2nd day of the following month unless notified of an alternative date. (Note: Board Members may find it more convenient to submit claims up to the 28th of each month).

FINANCIAL CODE No. 14 — CASH ADVANCES

1. Background

1.1 The purpose of this Code is to give guidance and advice to Officers and Board Members who may require a "cash advance" to meet directly-incurred business expenditure whilst undertaking official duties on behalf of the Transport Partnership.

1.2 Cash advances must be viewed as the last resort. Every effort must be made to have invoices for expenditure rendered direct to the Transport Partnership. It is, however, accepted that on occasions it may not be possible to make such arrangements, e.g. a hotel may demand payment when a guest is checking out or certain elements of hospitality may not lend themselves to pre-arrangement.

2. Authority for Cash Advance

2.1 Where a Member or Officer has identified a need for a cash advance they should complete a *pro forma* statement (Form Cashadv1) detailing:-

- (a) the purpose of the advance
- (b) an estimate of the likely areas of expenditure
- (c) date advance required
- (d) currency

2.2 The statement should then be authorised by the appropriate Officer as follows:-

- (a) in the case of Board Members, authorised by the Head of Service or Director for Finance
- (b) for Head of Service, authorised by the Director of Finance
- (c) advances for other officers should be authorised by the Head of Service.

3. Draw Down of Cash Advance

3.1 The completed form should be sent or delivered to the Proper Officer marked for the attention of the Control Unit. It must be received at least 7 days prior to the date that the Board Member or Officer requires the advance.

3.2 Where the currency requested is sterling an uncrossed cheque will be drawn, made payable to the Board Member or Officer whose name appears in the "Name on Cheque" box on the form. It will be that person's responsibility to draw the cash from the bank. If foreign currency is required, the Proper Officer will make arrangements to obtain the currency from the bank or other agency.

3.3 When the cheque or currency is ready, the Proper Officer will contact the "Advance Organiser" who will either collect or arrange for the collection of the advance. The person collecting the advance will be required to sign a receipt & identification may be required.

3.4 The recipient of the advance must always sign for receipt of the advance if not collected personally.

4. Board Member and Officer Responsibility

4.1 The Board Member or Officer to whom an advance is given, is fully accountable and responsible for the advance.

4.2 As soon as possible, or at the latest 7 days after the event for which the cash advance was granted, the Board Member or Officer must prepare a detailed cash statement (Form Cashadv2) reconciling the expenditure incurred, with supporting receipts and invoices, to the balance of the cash advance returned. The statement should be then signed by the Board Member or Officer and passed for authorisation to the appropriate person. Thereafter, the statement should be passed to the Proper Officer along with the balance of any unused cash or travellers cheques.

4.3 Where expenditure is not supported by receipts or invoices, it will be deemed private/personal and the Transport Partnership will seek reimbursement from the Board Member or Officer. The exception to this rule will be where the appropriate authorising officer is prepared to sanction the unreceipted expenditure by providing a brief explanation for so doing and separately initialling the items of expenditure on Form Cashadv2.

5. Accounting Arrangements

5.1 On receipt of a properly authorised request for a cash advance the Proper Officer will arrange for the advance to be drawn and issued to the Board Member or Officer. The advance will be charged to a suspense code for ease of monitoring.

5.2 On receipt of a properly authorised and coded reconciliation/cash advance statement the Proper Officer will effect a journal entry clearing the suspense code and charging the appropriate cost centre(s).

FINANCIAL CODE No. 15 — STOCKS AND INVENTORIES

1. Background

1.1 This Code gives advice on the arrangements to be adopted in connection with stocks and inventories.

1.2 Stocks are reserves of materials or components kept for the smooth running of operations, for example at roads depots. Generally only stocks kept in designated stores are affected by this Code.

1.3 An inventory is a record of assets (such as furniture) held at any building or other location occupied by the Council. The requirements of this Code in respect of inventories are likely to apply very widely therefore.

2. Stocks

2.1 The Head of Service is responsible for determining the location and number of stockholdings necessary to meet operational needs. They must ensure that stocks held are only sufficient to meet reasonable consumption levels. It follows that arrangements must be made to review stock turnovers at regular intervals to prevent excess stockholding.

2.2 Stocks must be held in safe custody at all times to prevent loss through theft or damage. Records should be kept of all additions, issues, returns and disposals for each item of stock such that its balance can be identified at any time.

2.3 It is generally appropriate for a financial trading account to be kept for each store to demonstrate that controls over stock usage are effective.

2.4 As a minimum a stockcheck involving a physical count of all stock should be carried out (or supervised) annually by a person independent of store operations. This should take place on or as close as possible to the last day of the financial year (31 March) for audit purposes. The count should be compared to the balance recorded in the stock records and any differences noted. If there are unresolved discrepancies the stock records should be altered accordingly and an adjustment made to the store's trading account.

2.5 Stock shortages and write offs in excess of £500 per store per annum should be formally notified to the Director for Finance.

2.6 The Head of Service must supply the Director for Finance with a certificate each year dated 31 March giving the financial value of each stockholding. End of year stock is to be valued at the lower of cost or net realisable value (i.e. adjusted for obsolete, defective or out of date items duly written down in value). The certificate should be supported with schedules giving quantity and value details for each line of stock.

3. Inventories

3.1 The Head of Service must ensure that an inventory is kept at every location used by their staff. The task of establishing and maintaining inventories should be made the responsibility of the senior person at each building or site. Inventories are quite separate and distinct from the PAT records held for health & safety purposes (which are confined to electrical equipment).

3.2 Generally only moveable items costing more than £50 to replace should be included in inventories (not fixtures such as fitted carpets, ceiling lighting, plumbing). Records should however be kept for collections of items such as library books even though they may not individually exceed £50 in value.

3.3 Inventories should record sufficient detail so as to be able to distinguish the individual items concerned, including their location. For trophies, works of art and similar a description of the items should be logged along with a note of any distinguishing marks (e.g. damage) which might be used to identify them. For equipment, plant, etc the make, model and serial number(s) should be recorded.

3.4 It can be difficult to distinguish individually some items such as modern office furniture, in which case they should be assigned and marked with unique internal reference numbers for inventory purposes.

3.5 As far as possible inventories should include the date of acquisition and original cost for listed items. Assets which are disposed of or transferred should have these details recorded in the inventory and the record then crossed through but not deleted.

3.6 Arrangements should be made which ensure that additions are logged in the inventory straight away, e.g. by linking inventories with purchasing procedures.

3.7 A physical check of the inventory should be made at least annually and records marked with the date each item was confirmed as having been seen. Any missing items should be identified and traced.

3.8 Whilst equipment etc should be used for Transport Partnership business only, in some cases borrowing for official purposes may have been authorised. The log of items on loan (showing the authorisation) should be reviewed as part of the inventory checks and borrowers required to produce the items for inspection.

- 3.9 The Head of Service should arrange for management review of inventories at regular intervals to satisfy themselves that:-
 - equipment etc held is appropriate to the operation concerned;
 - excess inventory has not developed;
 - there is evidence of regular inspections of the assets identified in inventories;
 - inventory losses are not excessive.

FINANCIAL CODE No. 16 — PROJECTS/ACTIVITIES PART/WHOLLY FUNDED WITH EXTERNAL CONTRIBUTIONS

1. Background

1.1 This code gives guidance on the administrative, financial and managerial processes related to projects part or wholly funded by any external funding providers e.g. European Funds, Scottish Executive, New Opportunities Fund etc. It is not intended to cover projects incorporating small scale contributions from local partner agencies such as Dumfries and Galloway Health Board and Scottish Enterprise Dumfries and Galloway.

1.2 Officers are required to ensure the principles outlined in this code are incorporated in the working practices of their departments.

1.3 The approval of funding through numerous external funding sources brings with it a very valuable additional financial resource to the Transport Partnership. However, coupled with this resource is a requirement to meet a range of conditions and the award of funding places an element of financial risk on the Transport Partnership. This code sets out guidance on how these conditions can best be met within the Transport Partnership and what steps need to be taken to ensure that the risks are appropriately acknowledged.

1.4 The level of risk differs between each of the many differing external funding providers. In some cases the initial award of funding can be considered secure. In other cases despite initial project approval there may exist a risk of repayment arising if grant conditions/targets etc are not met during and for a time after the project eligibility period.

1.5 In the case of European funded projects, long after a project is complete there remains a potential financial risk to the Transport Partnership in that, despite a project having been processed through a complex approval hierarchy, throughout the life of the project and the subsequent potential audit period it is possible that a project could be found to have failed to fulfil some eligibility criteria and/or audit trail process, resulting in the requirement to repay some or all of the grant received. Please note that as from 31 March 2002 the Scottish Executive require that all final claims for ERDF, and all final claims for ESF for over £150,000, are externally audited before they are submitted for payment.

1.6 Projects funded through external funding providers may potentially be subject to a range of audits at varying levels. This code sets out guidance on the creation of audit trails adequate to meet the requirements of the providers of the external funding.

2. Advising Board of the project benefits and risks

2.1 The first major stage in the process of securing grant from the various providers of external funding is usually the submission of a grant application form. In almost all instances of European assisted projects and many others, there will be a requirement for an element of match funding from the Transport Partnership or for a guarantee from the Transport Partnership backing match funding provided by voluntary or private sector partners. In considering the identification of match funding recognition should be taken of the overall impact of the additional money brought into Dumfries and Galloway through external funding.

2.2 Before a formal detailed application is submitted for consideration by the appropriate body relevant to the nature of grant sought, the Transport Partnership should be advised through a formal report to the Board setting out details of the proposed project and its potential benefits and risks to the Transport Partnership. This report should include a comprehensive financial

appraisal of the project identifying capital and revenue costs and detailing sustainability i.e. specifying what will happen to the project when the secured funding ceases. The report should also clearly identify the sources of any match funding required to support the project. In the unlikely event that it proves impractical due to time or other constraints to submit a report to the Board before submission of the grant application a report should be submitted to the next Board immediately after the date of submission. This is in order to ensure that the Board consideration occurs before any financial commitment is entered into.

2.3 In a worst case scenario the major risk is that the Board could be required to repay the full amount of grant received for a project and therefore it is vital that this risk is quantified and detailed in the report.

2.4 If at any point in time any project is subject to external audit then the Board should be advised that this is the case and any consequences should be reported comprehensively.

2.5 Similarly if at any time there are any significant variations in the performance of the project, relative to the original submission, then the Board should be advised of these variations and particularly of any financial consequences arising from the changes.

2.6 In some instances funding is awarded to the Board (notably from the Scottish Executive) without the need for submission of an application. Generally there are conditions attached to this funding and a requirement to submit claims/returns in some form. Such awards should also be reported to the Board in a manner appropriate to the scale of the award and the conditions attached to it. The requirements of this code should also be applied to the management/operation of the activity/project supported by the funding.

3. Match funding

3.1 All European Funded projects require an element of match funding. This can take the form of cash or contributions in kind in differing forms. Similar arrangements also exist in respect of other external funding providers.

3.2 Reports to the Board, working papers and the project file should all provide comprehensive details of the nature and source of the match funding being applied to the project.

3.3 Where the match funding is provided in kind e.g. staff cost contributions, the working papers related to the project application should show precisely how these costs have been calculated, how they form part of the project and how they meet the eligibility criteria for the project. Subsequently claims should be supported by appropriate timesheet information.

3.4 Any other match funding in kind should also be supported by appropriate documentation.

4. Projects involving partner organisations

4.1 Projects may involve a number of partner organisations and it is imperative that the Head of Service ensures that the agreements entered into with partner organisations incorporate the requirement for those organisations to maintain/supply information to the standard required by the external funding body.

4.2 Where possible the risks of repayment of grant should remain with the partner organisations. Where this is not possible and the Transport Partnership assumes the risk on behalf of the partner organisation Transport Partnership should be fully aware that this is the case, through appropriate reporting to the Board.

5. Project management arrangements

5.1 The Head of Service will for each project designate an appropriate Project Officer who will be responsible for ensuring that the requirements of this financial code are met. Where there is cross departmental involvement in managing/delivering a project the Head of Service will have to identify a clear line of command and responsibility for the identification of an appropriate Project Officer.

5.2 The Head of Service will be responsible for satisfying him/herself that the Project Officer fulfils his/her obligations in ensuring compliance with this financial code.

6. Constructing and maintaining an audit trail

6.1 From the point of inception of a project a project file(s) should be created to be kept as the prime audit trail. This file should contain comprehensive details of all information relevant to the project and should contain a full set of data relevant to the project either in original or photocopy form (or a combination, as appropriate). The differing funding bodies have different policies regarding the treatment of original documentation and their specified requirements should take precedence. NB The EU will now accept original documentation "or versions certified to be in conformity with the originals on commonly accepted data carriers".

6.2 The project file(s) should be kept in a designated location and the Project Officer should be designated with responsibility to maintain this file.

6.3 The project file should contain:-

- Discussion notes/papers
- Working papers/calculations
- Reports to management
- Reports to the Board
- Correspondence/agreements with partner organisations
- Copy applications
- Copies of any amendments to applications
- Copy award/approval letters
- Copy of terms/conditions of grant
- Copy claims
- Payment advice notes
- Original/copy invoices
- Original/copy timesheets
- Original/copy documentation supporting any other financial transactions in respect of the project
- Financial monitoring reports
- Financial reconciliations i.e. regular documented reconciliations of the project grant claims to the relevant underlying information systems e.g. Powersolve and supporting documentation
- Statistical information and monitoring reports
- Correspondence
- Publicity information
- Press releases
- Photographs
- Any other documentation relevant to the project.

6.4 Adequate financial planning should take place prior to the submission of any grant applications. Realistic and accurate cost projections should be used e.g. salary costs should be based on appropriate actual grades and be evidenced appropriately.

6.5 Any cost calculation, allocation or apportionment relevant to the project should be supported by appropriate information detailing the method and basis of apportionment and justification for use of the chosen cost basis, allocation or apportionment methodology.

6.6 At all times the rules, guidelines etc. supplied by the grant awarding body must be complied with.

7. Public authority match funding certification (European funded projects) and/or evidence of commitment

7.1 Applications for European funding generally require to be accompanied by a certification confirming the Transport Partnership's financial commitment to the project.

7.2 Similarly for projects funded by other external funding providers there may be a requirement to provide some form of certification of commitment.

7.3 Certification should be by the Director for Finance.

8. Final Claim requirements

8.1 Each funding body has its own requirements in respect of audit/certification of final claims. It is vital that these requirements are considered at the outset of the project and that appropriate action is planned and followed throughout the life of the project to ensure that these requirements can be fulfilled

8.2 Please note that as from 31 March 2002 the Scottish Executive require that all final claims for ERDF, and all final claims for ESF for over £150,000, are externally audited **before** they are submitted for payment.

9. Corporate monitoring/authorisation of externally funded projects

9.1 To enable appropriate monitoring of European projects to be undertaken across the Transport Partnership Officers are required to ensure that copies of all grant applications, subsequent amendments and approval letters are provided promptly to the Head of Service and in respect of **all external funds including European grants** also to the Director for Finance.

9.2 In addition, all European and many other claims require to be signed by the Director for Finance prior to submission. Claim forms should therefore be supplied timeously to the Director for Finance and should be accompanied by a memo from the appropriate Project Officer confirming that appropriate checks and reconciliations have been undertaken and that the project file provides a suitable audit trail.

9.3 For those externally funded projects which do not require the signature of the Director for Finance copies of the claims should still be provided.

9.4 The Proper Officer will maintain a register of all projects funded wholly or in part through external contributions.