

YORKSHIRE DALES NATIONAL PARK AUTHORITY
FINANCE AND RESOURCES COMMITTEE

15TH May 2006

REVIEW OF FINANCIAL REGULATIONS

Purpose of report

To inform the Committee of a review of Financial Regulations which has just been completed, and to recommend that certain changes be made to the Regulations.

Strategic Planning Framework

The information and recommendation(s) contained in this report are consistent with the Authority's statutory purposes and its approved strategic planning framework:

- ***Best Value Performance Plan***

Corporate and Democratic Core Functions: Objective 1 is to plan and manage all aspects of the Authority's business so as to make the most effective use of our resources. Financial Regulations are an important aspect of this.

Background

The Senior Management Team has carried out a review of the current Financial Regulations, looking at issues of legality, clarity, consistency and compliance. The following recommendations are made for amendment to the Financial Regulations and/or to other procedures. The Treasurer to the Authority has been consulted, and has confirmed that he supports the proposed amendments and has no adverse comment to make.

This paper explains the changes proposed, and the reasons for them. The Appendix sets out the existing text of Financial Regulations, with the proposed changes marked.

Paragraph numbers below refer to those in the Financial Regulations.

PROPOSED CHANGES

2.2.3 states that:

Where appropriate, reports to the Authority, or any of its Committees must contain a financial statement or appraisal setting out the full financial implications arising from any proposals contained within the report. The financial statement or appraisal must be agreed with the Treasurer or his nominee in advance of the relevant meeting.

This is achieved by giving the Treasurer the opportunity to comment on draft reports. A note should be put into the standard format for Authority and Committee reports, to help ensure that this requirement is not overlooked.

3.3.4 Delete “management team meeting” and substitute “Senior Management Team” (amendment for clarity: no substantive change in practice)

3.4 Relates to virement, but there are a number of problems with this section of Financial Regulations:

- Where resources within one budget head are found not to be needed, the usual practice now is to move them into the “Opportunities Fund”, which is then spent with the approval of this Committee. This encourages better budgeting in the first place, and closer links between Committee decisions and actual spending.
- FR 3.4.1 potentially conflicts with FR 3.4.4, in that they have different definitions of what is meant by a budget head for the purposes of the virement rules. The better definition is in 3.4.1.
- The existing Financial Regulations give the financial limits for “any single virement”. There is, however, no clarity about multiple virements – eg if a virement of £15,000 has been approved by the HOFr, can the HOFr then approve another virement in the same year between the same budgets for a further £10,000, albeit that that exceeds the limit to which the HOFr may approve a single virement? It is felt that the answer to that should be “no”, and there needs to be a rule against virements being deliberately broken down into small chunks to get round the financial limits.
- FR 3.4.6 deals with virements between £20,000 and £40,000. The wording differs from its companion paragraphs 3.4.5 (virements below £20,000) and 3.4.7 (virements over £40,000), and this should be changed so that the wording is standard. It also needs to be spelled out who can approve virements between £20,000 and £40,000 – ie after the consultation with the Treasurer, who actually approves them? This should be the Chief Executive or HOFr.

In the light of all of the above, it is suggested that Financial Regulations 3.4.1 to 3.4.7 should be rewritten as follows:

- 3.4.1 Virement is the transfer of budget provision between individually defined budget headings. It is a necessary facility to assist the effective management of budgets. When the Authority sets its overall Budget for a given financial year it will approve a series of specific functional budgets. The financial limits specified in this Regulation 3.4 are totals for each financial year in relation to virements from and to the same two budgets.
- 3.4.2 Virements must be contained within the overall totals of the Budget approved by the Authority.
- 3.4.3 The CEO shall ensure that virement is undertaken as necessary.
- 3.4.4 Where the CEO believes that the provision within any budget is not wholly required, he will in the first instance consider virement of sums not required into the “Opportunities Fund” budget. Spending from within the Opportunities Fund budget may be approved by the Finance and Resources Committee.
- 3.4.5 Virements not exceeding £20,000 between approved budgets may be approved by the CEO or by the HOFr.
- 3.4.6 Virements exceeding £20,000 but less than £40,000 between approved budgets may be approved, following consultation with the Treasurer, by the CEO or by the HOFr.

3.4.7 Virements exceeding £40,000 between approved budgets shall be subject to approval by the Finance and Resources Committee.

Section 5 generally: the numbering of the paragraphs is inconsistent, and some of the references are wrong. This section needs a complete renumbering.

5.2.1 (i) [5.4 in the renumbered version in the appendix] It is not correct that raising an order constitutes a contract in law. The wording should be changed to "...the raising of such an order is likely to lead to the Authority being legally committed to the purchase".

5.2(iv) provides that:

All orders must be authorised by a member of the Senior Management Team before any invoice relating to that order is paid.

This is inconsistent with 5.2(iii), which allows any nominated officer to place an order up to £5000, and orders above £5000 to be authorised by a Head of Department. 5.2(iv) should be deleted.

5.2(v) [5.6 in the renumbered version] provides that:

Orders above £20,000 must be authorised by either the CEO, the HOFR, or any member of the Senior Management Team with delegated authority to do so from the CEO.

Any such delegated authorisations should be in writing.

5.3(vi) [5.8(vi) in the renumbered version] line 1: insert the word "out" after "set"

5.3(vii) [renumbered 5.8(vii)] refers to the EC procurement directives, but this could be better worded, to help ensure compliance: "For any supplies or services exceeding £150,000 *over the total contract period* the EU public procurement directives are likely to apply. Advice should be sought from the Contracts Manager or the Finance Section".

5.4 [renumbered 5.9] states that:

A register is to be maintained by the CEO in which gifts, hospitality to staff and any interests which might be thought to bring a conflict with an aspect of the Authority's work are to be declared.

This Register is in fact maintained by the Monitoring Officer, so FR 5.4 should be changed to reflect that.

5.5.1 [renumbered 5.10.1] lists cases in which quotations or tenders are not required. The Instruction of Counsel by the Solicitor to the Authority should be added to this list, on the basis that the barrister will be chosen in the light of known professional skills, relevant experience and likely charges.

5.5.1(vi) and also 5.6.3 [renumbered 5.10.1(vi) and 5.11.3]: insert "Committee" after "Finance and Resources"

5.6.1 [renumbered 5.11.1] provides that:

In circumstances where 3 quotations have not been obtained, and the CEO has satisfied himself that proper steps have been taken to secure at least 3 quotations, he/she shall authorise the normal quotation process to continue.

Insert "seek to" before "secure", and amend "shall" to "may".

5.7 [renumbered 5.12] generally: Feedback from officers has been to the effect that this section on tender procedures is very difficult to follow. It could benefit from being rewritten to make it clearer, whilst not changing the substance (except as mentioned below). The Appendix suggests specific amendments at 5.12, but then at the end suggests a complete rewrite of 5.12, with the aim of making it clearer. It is suggested that the rewritten version, which is identical in substance, is adopted.

The specific proposed amendments to tender procedures are set out below:

5.7.1 [renumbered 5.12.1] should start with the words "Subject to Regulation 5.7.3". Also, this Regulation refers to tenders being sought by advertisement, and persons applying for permission to tender "within a minimum of 14 days after the date specified". This wording is ineffective, for what is "the date specified"? These words should be replaced with "by a specified date, which must be at least 14 days after the date of the first advertisement".

5.7.1 the second paragraph of this Regulation is correct but it is in the wrong place. It should be moved to become a new Regulation 6.3, since it relates to contracts, not to tenders.

5.7.4 [renumbered 5.12.4] refers to electronic tenders. It should make clear that such tenders must be submitted in such a way that they can remain unopened until the date and time for the opening of all tenders. It should also say that this must happen in practice. Finally, this Regulation ends with the sentence:

Any such e-mails will be treated as 'commercial in confidence', and will be recorded at the due date for receiving tenders (in whatever format) by the "HOFR" should be added here.

5.7.10 [renumbered 5.12.10] Insert the words "prior to the acceptance of any tender" after the words "Authority approval will be required"

5.7.13 [renumbered 5.12.13] line 2: "it" should read "them".

6.1 Include a paragraph stating that all contracts should contain a clause entitling the Authority to cancel the contract, and to recover any costs from the Contractor, in the event of the Contractor having offered any gift or consideration of any kind as an inducement or disincentive for doing anything in respect of the contract or any other contract with the Authority, or having committed an offence under the Prevention of Corruption Acts 1889 to 1916.

7.1 Reads as follows:

The Treasurer shall advise on the negotiation of terms for any assets which the Authority, or a Budget Holder within the context of their budgetary responsibility, has decided to acquire where the sole purpose of the designated lease is to finance the transaction, with the proviso that if the Treasurer is dissatisfied with the financial implications of the final terms agreed he will submit a report to the Authority.

This is difficult to understand, and does not appear to be necessary. It should be deleted.

8.1 According to this, invoices of a value between £5,000 and £20,000 must be authorised for payment by a member of the Senior Management Team other than the officer who authorised the order, whereas this requirement (for a different officer) does not seem to apply in the case of invoices over £20,000. It should therefore be added to paragraph (c).

9.2(v) add the word “employment” at the end of this paragraph.

13.2(a) “sating” should read “stating”

13.3: the last sentence states that:

The CEO does not have the sole responsibility or authority in formulating a strategy for the control of the Authority's borrowing, capital expenditure or investments.

This leaves open the question as to who else has responsibility. Add: “any such strategy should be agreed with the Treasurer, and approved by the full Authority”.

13.7 says that the Monitoring Officer has the following responsibilities:

ensure compliance by the Treasury Management Policy Statement and that the statement complies with the law and/or any Code of Practice; satisfy his/her self that any proposal to vary treasury policy or practice complies with the law and/or any Code of Practice; advise the Treasurer where such advice is sought.

Apart from the technicality that “by” should read “with”, this is not an appropriate duty for the Monitoring Officer. It used to be part of the duty of the MO to look at breaches or potential breaches of the law and codes of practice, but the code of practice part of that has been repealed. Reword as follows: “ensure that the Treasury Management Policy Statement and any proposal to vary treasury policy or practice complies with the law; and give legal advice to the Treasurer upon request”.

18.2 Insert “or Tenders” after the word “Quotations”.

21.3 states that:

Depending on the nature of the changes [to financial standards] they could also affect the Financial Regulations of the Authority which are to be updated by the Monitoring Officer. In this case the Treasurer should consult the Monitoring Officer and report to the Authority if the change is considered material.

Regulation 2.2.5 implies that updating the Financial Regulations is a function of the Treasurer, which it ought to be. 21.3 therefore ought to say “...updated by the Treasurer”, and that the Treasurer ought to consult the HOFR and report to the Authority if the change is material. (The Monitoring Officer can pick up any issue of legality when a report to the Authority is being prepared).

RECOMMENDATION

That the amendments to Financial Regulations detailed in this report be approved, including the complete rewriting of Regulation 5.12 as set out at the end of the Appendix to this report.

Richard Daly
Solicitor / Monitoring Officer

Richard Burnett
Head of Finance and Resources

Background documents: Existing YDNPA Financial Regulations

2nd May 2006

YORKSHIRE DALES NATIONAL PARK AUTHORITY

FINANCIAL REGULATIONS

Preamble

These Financial Regulations apply to all activities of the Yorkshire Dales National Park Authority. Each officer of the Authority is responsible for ensuring that the Regulations are followed in carrying out his/her duties. Failure to do so may lead to disciplinary action.

1. Background

These Regulations form an integral part of the procedural and control framework within which the members and officers can ensure the best standards of financial management and administration in the discharge of the Authority's statutory duties. The Regulations are not intended to form a barrier to the achievement of these duties and will be kept under periodic review to ensure their relevancy.

1.2 The hierarchical framework for these Regulations is:

Financial Grant Memorandum

- issued by Department of the Environment Transport and the Regions (DETR). Current sponsoring Department is the Department of the Environment, Food and Rural Affairs (DEFRA)

Standing Orders - approved by Yorkshire Dales National Park Authority (NPA).

Financial Regulations - approved by NPA.

Financial Instructions - issued by the Chief Executive (National Park Officer) and Treasurer.

Finance Manual - prepared and maintained as required by the Treasurer in consultation with the Chief Executive.

1.3 The **Financial Grant Memorandum** defines the controls, means of accounting for, and audit procedure relating to the payment of the National Park Grant by DEFRA to the National Park.

1.4 **Standing Orders** are the governing framework for the conduct of the Authority's business.

1.5 **Financial Instructions** are issued as and when necessary to address specific issues of financial administration. They derive authority from these Regulations.

1.6 **Finance Manual** provides a comprehensive working reference document for staff, detailing systems and procedures relating to all financial matters including use of the computerised accounting system.

1.7 **Finance and Resources** staff, in particular those with specific finance responsibilities and including any accountants contracted in to the Authority will provide advice and assistance to any officer requiring it.

1.8 **Review** of these Regulations is an on-going process taking into account both their impact on operational remits and the influence of new best practice developments. A key component to this review is consideration of comments from those staff who are affected by the implementation of these Regulations.

1.9 The following abbreviations and terms are used:

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"Authority" or "NPA" means the Yorkshire Dales National Park Authority.

"Chairman" or "Deputy Chairman" are the holders of those positions on the Yorkshire Dales National Park Authority.

"DEFRA" means Department of the Environment, Food and Rural Affairs.

"NPG" is National Park Grant from the DEFRA.

"CEO" is the Chief Executive Officer (National Park Officer; NPO).

"HOFR" is the Head of Finance and Resources.

"Treasurer" means the Section 151 Chief Finance Officer.

2. **Responsibilities**

2.1 **Introduction**

2.1.1 These Financial Regulations have been approved with the intention of enabling the delegation of financial responsibility to the lowest appropriate level of management within the Authority. They also set out the working arrangements by which the Authority gives effect to its statutory financial responsibilities. In particular they define the role and responsibilities of any person designated as a 'Budget Holder'.

2.2 **Framework**

2.2.1 The Financial Memorandum which sets the framework for the grant of National Park Grant states that:

"The statutory accounting framework for National Park Authorities is established by the Accounts and Audit Regulations 1996 (SI 1996 No. 590), by sections 41 and 42 of the Local Government and Housing Act 1989 and, for the audit of accounts, by Part II of the Audit Commission Act 1998. The CIPFA Code of Practice on Local Authority Accounting in Great Britain is a statement of "proper accounting practice" with which the English and Welsh local authorities must comply when preparing their financial statements. The NPAs are to operate in accordance with the Code of Practice and their accounts shall therefore be prepared on an accruals basis."

2.2.2 Each Budget Holder shall be responsible for the observance of these Financial Regulations within their Department and for ensuring that staff under their supervision understand and comply with these Regulations.

2.2.3 Where appropriate, reports to the Authority, or any of its Committees must contain a financial statement or appraisal setting out the full financial implications arising from any proposals contained within the report. The financial statement or appraisal must be agreed with the Treasurer or his nominee in advance of the relevant meeting.

2.2.4 The nature and format of all accounting procedures and financial records shall be determined by the Treasurer.

2.2.5 The application of these Financial Regulations is constantly under review. The Treasurer therefore welcomes feedback on their operation and any related Financial Instructions, to ensure they remain effective and relevant to the day to day activities of the Authority.

2.3 **Responsibilities**

2.3.1 The Financial Memorandum states that:

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- (i) "The National Park Officer (NPO) (see paragraph 14 of schedule 7 of the 1995 Act) is responsible for the manner in which the carrying out of the Authority's different functions is co-ordinated. The NPO may also hold the office of head of the Authority's paid service, the office of monitoring officer, or both of these offices, with the responsibilities laid down in sections 4 and 5 of the Local Government and Housing Act 1989.
- (ii) "In accordance with section 151 of the Local Government Act 1972 (applied by paragraph 13(6) of schedule 7 of the 1995 Act) each NPA is required to appoint an officer to be responsible for the proper administration of its financial affairs. The NPO may not be appointed as the officer responsible for the administration of an authority's financial affairs. This officer has a particular responsibility, under the terms of this memorandum, for ensuring that NPG is applied only for the purposes approved by Parliament and for observing the conditions laid down by the DEFRA for its administration".

2.3.2 The officer referred to in Paragraph 2.3.1 (ii) is the Treasurer. The Treasurer is also responsible for ensuring that the internal financial procedures and controls of the NPA are sufficient to provide for the proper administration of its financial affairs, including appropriate safeguards against fraud and theft.

2.3.3 The Authority is required to appoint a nominated Money Laundering Officer (see section 22); That officer is the Head of Finance & Resources.

2.4 Budget Holders

2.4.1 Departmental Heads will be the Budget Holders for those items of the expenditure and income arising from the agreed work programme for their Departments.

2.4.2 Day to day management of specific budgets may be delegated by budget holders to budget managers.

2.4.3 All Budget Holders are individually responsible for the proper financial management of resources allocated to them through the budget-making process and for the identification of income arising from activities within their functional areas. In addition to the control of staff this includes the security, custody and management of assets including plant, equipment, buildings, materials, cash and stores relating to their area(s) of responsibility.

2.4.4 Each Budget Holder shall ensure that staff under their charge comply with the requirements contained in these Financial Regulations and any related Financial Instructions.

2.4.5 Budget Holders have a general responsibility to be aware of transactions which could permit money-laundering activities (see section 22)

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3. **The Budget**

3.1 **Introduction**

3.1.1 The Budget sets out the financial interpretation of the Authority's current and future programmes and activities within the format laid down in the Financial Grant Memorandum. Once approved it provides not only the delivery plan to achieve National Park purposes and objectives but also a basis upon which the financial performance of the Authority can be monitored and against which the impact of policy can be measured.

3.1.2 Whilst the Finance & Resources Committee have the authority to approve in-year virements and other variations to the budget, the annual 'start' budget will be approved by the full Authority.

3.2 **Expenditure against the Revenue Budget**

3.2.1 Expenditure may be incurred within the Revenue Budget approved by the Authority in pursuance of the aims for which the Budget has been established, subject to any overriding requirements of the Authority.

3.2.2 If any proposed change in policy is likely to affect the Budget, a report to the Authority shall be prepared setting out clearly the full financial implications.

3.3 **Monitoring of the Revenue Budget**

3.3.1 Throughout the financial year each Budget Holder shall monitor income and expenditure against those specific budgets for which they are responsible. Where an officer orders goods or services which are to be charged against the budget(s) managed by another officer they will be required to gain the consent of that other officer before committing any expenditure against that budget. This consent should be documented.

3.3.2 The HOFR shall provide financial advice to assist Budget Holders to fulfil their responsibilities, consulting the CEO in circumstances where it appears that significant variations to the approved budget will occur.

3.3.3 Budget Holders shall supply the HOFR with sufficient information, as and when required, to enable accurate budget profiling and/or financial projections to be undertaken.

3.3.4 Budget Monitoring Statements shall be submitted to the Senior Management Team, and to the Finance and Resources Committee on a quarterly basis. The Financial Information System provides up to date information for day-to-day management.

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3.3.5 The Treasurer shall attend, if appropriate, the meetings of the Finance and Resources Committee, as well as any key budget review meetings of the Management Team. He will be entitled to receive details relating to any aspect of the Budget at any time in the year.

3.3.6 If it appears that net expenditure will be in excess of the approved Revenue Budget and that excess cannot be financed by virement (see below) the CEO shall, at the earliest opportunity, and following consultation with the Treasurer, report the matter to the Authority. If expenditure in excess of the approved Budget is incurred due to an emergency, this expenditure must be reported to the Treasurer as soon as practicable and to the Authority as soon as possible thereafter.

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3.4 **Virement**

3.4.1 Virement is the transfer of budget provision between individually defined budget headings. It is a necessary facility to assist the effective management of budgets. When the Authority sets its overall Budget for a given financial year it will approve a series of specific functional budgets. The financial limits specified in this Regulation 3.4 are totals for each financial year in relation to virements from and to the same two budgets.

3.4.2 Virements must be contained within the overall totals of the Budget approved by the Authority.

3.4.3 The CEO shall ensure that virement is undertaken as necessary.

3.4.4 Where the CEO believes that the provision within any budget is not wholly required, he will in the first instance consider the virement of sums not required into the "Opportunities Fund" budget. Spending from within the Opportunities Fund budget may be approved by the Finance and Resources Committee.

3.4.5 Virements not exceeding £20,000 between approved budgets may be approved by the CEO or by the HOFR.

3.4.6 Virements exceeding £20,000 but less than £40,000 between approved budgets may be approved, following consultation with the Treasurer, by the CEO or by the HOFR.

3.4.7 Virements exceeding £40,000 between approved budgets shall be subject to approval by the Finance and Resources Committee.

3.4.8 The CEO or the HOFR may approve any virement where the additional expenditure is directly related to, and fully offset by, fees, income or other contributions from another authority or separate organisation. This applies equally to bids for grant funding (outwith the NPG), with the added proviso that all such funding bids be approved by the appropriate Head of Department.

3.4.9 Income received in excess of the budgeted amount may be spent by virement between income and expenditure budgets in accordance with the arrangements specified in Regulations 3.4.4 to 3.4.8 above.

3.4.10 Virements executed under delegated powers shall be reported to the next meeting of the Finance and Resources Committee. The prior approval of the Finance and Resources Committee or the Authority, as appropriate, shall be required if the proposed virement includes one or more of the following:

- (a) a change in policy
- (b) an addition to recurring commitments in future financial years
- (c) where the resources to be transferred were originally approved for financing charges derived from expenditure in the Capital Programme
- (d) if required by the Treasurer

3.4.11 No expenditure which is subject to grant aid or support from the Government or other external funding organisation shall, without specific prior approval of the Finance and Resources Committee, be incurred until written assurance is received that such funding is forthcoming.

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3.4.12 No expenditure which requires the approval of a Government Department shall be incurred until approval has been received or a written assurance that such approval will be given in due course.

4. **Outturn**

4.1 The CEO and Treasurer shall report to the Finance & Resources Committee on the out-turn of income and expenditure, as soon as practicable after the end of the financial year.

4.2 The CEO and Treasurer shall be responsible for the completion and submission of any claim forms to the relevant organisation and, if necessary, the External Auditor, in accordance with any guidelines applicable to the claim in question.

5. **Procurement of goods and services**

5.1 Goods and services may only be procured if there is approved budgetary provision to cover the costs and officers will at all times seek best value for money. All contracts for goods and services will be subject to the provisions of the Freedom of Information Act 2000 (see [Regulations 5.12.12 and 5.12.13](#)).

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[5.2](#) Decisions on purchasing may consider the environmental impact of purchasing. Where consideration of environmental impact in making a purchasing or contracting decision would result in an item costing 10% more than if another otherwise similar item were purchased, or more than £1,000 above the cost of an otherwise similar product, then the procedure in [Regulation 5.12.6](#) is to be followed. In any case, if a decision is made to accept a higher quote or tender than would otherwise be the case, a written note to this effect will be retained.

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[5.3](#) The CEO shall be responsible for:

- the procurement of all goods and services;
- ensuring that goods and services ordered are received and are of the correct quality.

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5.4 All orders must be raised on an official YDNPA sequentially numbered order form or through the authorised electronic accounting software. Officers need to be aware that the raising of such an order is likely to lead to the Authority being legally committed to the purchase.

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5.5 Orders may only be placed by those members of staff nominated so to do by their Departmental Heads, and thus recorded, with sample signatures, in the Authorised Signatory File. They will be allowed to place orders up to a maximum estimated value of £5,000 for areas of work specified in the Authorised Signatory File (identified by code/block of codes) without the prior agreement of their Head of Department. Orders with a maximum estimated value of greater than £5,000 must be agreed with the relevant Head of Department prior to being placed.

[5.6](#) Orders above £20,000 must be authorised **in writing** by either the CEO, the HOFR, or any member of the Senior Management Team with delegated authority to do so from the CEO.

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[5.7](#) Authorisation of orders may take the form of a physical signature or secure electronic validation.

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5.8 With the exception of the items referred to in Regulation 5.10 the following procedures shall be adhered to for the procurement of all goods and services:

- (i) for all items between £5,000 and £50,000 written price quotations shall be obtained (see Regulation 5.11 for detailed procedures.)
- (ii) all items exceeding £50,000 shall be obtained by tender (see Regulation 5.12 for detailed procedures).
- (iii) for all items up to £20,000 an official order signed by the CEO, or an officer approved by the CEO, shall be issued. (See order procedure detailed above.)
- (iv) for all items exceeding £20,000 a written contract with the supplier must be entered into (see Regulation 6 for detailed procedures)
- (v) in certain instances (for example, delivery of projects funded by certain grant agencies, including the European Structural Funds), separate quotation and tendering limits may operate which must be followed.
- (vi) Officers are required to ensure that the financial limits set out above are not breached through the cumulative effect of a number of small contracts being awarded (or variations being made) to the same contractor for the same programme or project. This does not restrict such considerations to any one financial year, but places the responsibility on officers for ensuring that the spirit of the regulation is applied.
- (vii) For any supplies or services exceeding £150,000 over the total contract period, the EU public procurement directives are likely to apply. Advice should be sought from the Contracts Manager or the Finance Section.

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5.9 Officers should be aware that it is illegal to benefit personally from purchases made on the Authority's behalf and that financial inducements to the personal benefit of the officer are illegal. The Authority's purchasing arrangements should not be used under any circumstances to obtain goods or Service for private or personal consumption; this includes purchases of goods made over the Internet through a connection provided by the Authority. A register is to be maintained by the Monitoring Officer, in which gifts, hospitality to staff and any interests which might be thought to bring a conflict with an aspect of the Authority's work are to be declared.

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5.10 Exceptions to Procurement Procedures

5.10.1 In the following circumstances quotations or tenders will NOT be required:

- (i) purchases through the Yorkshire Purchasing Organisation;
- (ii) purchases through The Stationery Office.
- (iii) purchases through a Government contract, or contract of a contributing Local Authority which has been negotiated in accordance with that organisation's own Standing Orders;
- (iv) purchases at public auction;
- (v) purchases of goods or services of a special nature that can only be obtained within the required timescale from one supplier;
- (vi) if the CEO after consultation with the Chairman of Finance and Resources Committee (or Deputy Chairman in his/her absence), considers that the work is of an emergency nature required to preserve the Authority's assets or to enable the Service to be maintained. In such circumstances the action taken will be reported to the Authority;
- (viii) purchase of goods or services from a supplier jointly agreed by the Association of National Park Authorities (ANPA);
- (ix) The instruction of Counsel by the Solicitor to the Authority, the barrister to be chosen in the light of known professional skills, relevant experience and likely charges.

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5.10.2 For the following items an order will NOT be issued;

- (i) public utility services, rents and rates;
- (ii) petty cash purchases (which must not exceed £25 per purchase);
- (iii) any other items agreed by the CEO or Treasurer.

5.11 Quotation Procedures

5.11.1 For those items for which quotations are required (see Regulation 5.8 (i)) a minimum of three written quotations should be obtained. Every invitation to quote should state that no quotation will be accepted except in a sealed envelope bearing the word 'quotation' followed by the subject to which it relates. In circumstances where 3 quotations have not been obtained, and the CEO has satisfied himself that proper steps have been taken to seek to secure at least 3 quotations, he/she may authorise the normal quotation process to continue.

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5.11.2 The quotations shall be opened at the same time by two officers authorised by the CEO, who shall maintain a permanent record of the quotations received.

5.11.3 If the lowest quotation for expenditure (or the highest quotation for income), is not recommended for acceptance, the CEO shall report this to the Chairman or Deputy Chairman of Finance and Resources Committee, prior to awarding the work.

5.12 Tender Procedures

(NOTE: THE TEXT FOR 5.12 SET OUT BELOW IS BASED ON THE EXISTING TEXT WITH ESSENTIAL AMENDMENTS ONLY. A COMPLETE REWRITE OF FR 5.12 IS INCLUDED, AS AN ALTERNATIVE, AT THE END OF THIS APPENDIX).

5.12.1 Subject to Regulation 5.12.3, for those items for which tenders are required (see Regulation 5.8 (ii)) a Notice shall be given in at least one newspaper circulating in the Authority's area or in technical journals circulating among such persons as undertake such contracts (and in the European Journal if required by European legislation), setting out brief details of the contract into which the Authority wishes to enter and inviting persons to apply for permission to tender by a specified date, which must be at least 14 days after the date of the first advertisement. Nothing in these rules prevent invitations to quote or tender being issued by use of the internet, and invitation to tender may be published on appropriate internet web sites in substitution for publication in newspapers or trade journals.

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(Note: paragraph moved from here and inserted instead at 6.3 below)

5.12.2 After the expiry of the period specified in the Public Notice invitations to tender shall be sent to:

- (i) not less than 4 suitable persons who applied to tender selected by the CEO after consultation with the Chairman or Deputy Chairman of the Finance and Resources Committee; or
- (ii) where fewer than four persons applied, or are considered suitable, those persons whom the CEO, after consultation with the Chairman or Deputy Chairman of Finance and Resources Committee considers suitable.

5.12.3 Where the CEO and the Treasurer agree that it is inadvisable or inexpedient to advertise, tenders may be invited from not less than three persons capable of fulfilling the contract, subject to such action being reported to the Authority (see also Regulation 5.12.11).

5.12.4 Where invitation to tender is required, every notice of such invitation shall state that no hard-copy tender will be received except in a sealed envelope which shall bear the word 'Tender', followed by the subject to which it relates, but shall not bear any identification of the tenderer.

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Such envelopes shall remain in the custody of the HOFR until the stated time for opening. The Authority may accept electronic tender bids, provided that both parties have agreed that suitable privacy and security mechanisms are in place for the receipt and opening of such submissions. Such bids may be accepted via e-mail, provided that this is done in such a way that they can remain unopened until the date and time for the opening of all tenders; and these should be forwarded to the HOFR attached to an e-mail headed 'Tender; confidential'. Any such e-mails will be treated as 'commercial in confidence', and will be recorded at the due date for receiving tenders (in whatever format) by the HOFR. They will not be opened before the due date.

- | 5.12.5 Tenders shall be opened at one time by a Member of the Authority in the presence of the HOFR or an officer designated by him/her, who shall maintain a record of such tenders. In the case of tenders submitted electronically, a hard copy will be recorded by the Member concerned, at the same time as those tenders submitted by other means.
- | 5.12.6 No tender other than the lowest in price (or the highest for income) shall be accepted until the Authority or one of its Committees with appropriate delegated powers has considered a report from the CEO outlining why the lowest price (or highest for income) should not be accepted. Express note that the tender accepted was not the lowest (or the highest for income) shall be recorded in the minutes.
- | 5.12.7 No tender shall be accepted unless three persons have tendered for the contract or the agreement of the CEO, after consultation with the Chairman or Deputy Chairman of Finance and Resources Committee, is first obtained.
- | 5.12.8 Any tenders not received on time shall be returned to the tenderer by the CEO unless he/she is satisfied there is adequate evidence of posting in time for delivery by the due date in the normal course of post delivery and the other tenders have not been opened. Notwithstanding the provisions of Regulations 5.12.4 and 5.12.5 the tender may be opened to ascertain the name and address of the tenderer but no details of the tender shall be disclosed.
- | 5.12.9 Persons tendering may only submit a revised offer when invited to do so following post-tender negotiation. Such post tender negotiation may only happen when permitted by law and where the CEO, after consultation with the Treasurer, considers added financial or other benefits may be obtained. The post tender negotiation shall only be conducted by a team of officers approved by the CEO and the Treasurer.
- | 5.12.10 Authority approval shall be required prior to the acceptance of any tender where the preferred tender price exceeds the original budget provision by 10% or £10,000 whichever is the greater.
- | 5.12.11 Where the CEO and the Treasurer agree that:
 - (i) market conditions make genuine competition impossible; or
 - (ii) the proposed contractor is on site, there is financial benefit in negotiating an extension for further work and subject to the cost of the further work not exceeding 10% of the value of the original work or £5,000 whichever is the greater; or
 - (iii) demonstrable benefits in service or value for money are likely to be obtainable; or
 - (iv) the expenditure is wholly to be reimbursed by a third party that is in agreement,

then a single tender may be sought for works, supplies or services, subject to such action being reported to the Finance and Resources Committee.

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5.12.12 Tenderers should be aware that information relating to the service they are quoting for will be subject to the provisions of the Freedom of Information Act 2000. The Act requires the Authority to provide copies of any non-exempt information to any third party who makes a request for it. The Authority cannot therefore guarantee that the information supplied by tenderers will remain confidential. Any information which is supplied by tenderers which is commercially sensitive and would genuinely fit within the exemptions set out in the Act should be marked as confidential information of this type and will not be disclosed to third parties without the consent of the tenderer.

5.12.13 Whilst information held by the Authority is subject to the above requirements, contractors will be required to keep confidential all information supplied to **them** by the Authority, where such information may be exempt or confidential under the Act. All employees of the contractor who are involved in the provision of the service contracted for and who have access to such information as a result of that contract will be required to sign a confidentiality agreement in a form to be agreed by the Authority. The contractor will also be required to ensure that the terms of any sub-contract reflect this requirement.

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6. **Contract procedures**

6.1 For all items over £20,000 a contract in writing is required. Such a contract should be signed on behalf of the Authority by an authorised representative and shall include details regarding:

- (i) the work to be done;
- (ii) the price to be paid, with a statement of discounts or other deductions;
- (iii) the period within which the contract is to be performed;
- (iv) liquidated damages on contracts that exceed £50,000 for all building works to be paid by the contractor where they fail to complete the contract on time;
- (v) a performance bond must be required for every contract exceeding £400,000 except where the CEO considers it unnecessary, after consultation with the Treasurer;
- (vi) recompense where the contractor fails to deliver goods or services specified in the contract for the Authority to make good the default or replace the purchase from another contractor and recover the cost from the contractor;
- (viii) insurance cover to the limit specified by the Treasurer for public liability purposes;
- (ix) the entitlement of the Authority to cancel the contract, and to recover any consequent costs from the contractor, should the contractor have offered any gift or consideration of any kind as an inducement or disincentive for doing anything in respect of the contract or any other contract with the Authority, or having committed an offence under the Prevention of Corruption Acts 1889 to 1916.

6.2 Every contract shall comply with relevant European legislation.

[Note: the paragraph below was originally part of 5.12.1]

6.3 For contracts covered by European public procurement Directives (i.e. above EC thresholds), a mandatory standstill period of 15 calendar days is required. This period is to allow EU national courts to be able to review and set aside contract award decisions before contract conclusion, with a mandatory standstill period between award decision and contract conclusion to allow unsuccessful bidders the opportunity to apply for interim measures during which the award decision could be reversed. The standstill period will commence from the date of the communication of the award decision in writing to all tenderers.

Deleted: <#>The Treasurer shall advise on the negotiation of terms for any assets which the Authority, or a Budget Holder within the context of their budgetary responsibility, has decided to acquire where the sole purpose of the designated lease is to finance the transaction, with the proviso that if the Treasurer is dissatisfied with the financial implications of the final terms agreed he will submit a report to the Authority.¶

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7. **Leasing Contracts**

7.1 The granting of a lease in relation to one or more of the Authority's assets shall require the approval of the Finance & Resources Committee, wherever such a lease is other than the renewal of a long-term arrangement under comparable terms and where the full value of the proposed lease, over time, exceeds £5,000.

8. **Authorisation of creditor invoices**

8.1

- (a) Departmental Heads or their nominated officers may authorise invoices up to a value of £5,000;
- (b) Invoices of a value between £5,000 and £20,000 will be authorised for payment by a member of the Senior Management Team other than the officer who authorised the order.
- (c) Invoices of a value greater than £20,000 shall be signed by the CEO, HOFR or any member of the Senior Management Team (other than the officer who authorised the order) with delegated authority to do so from the CEO.
- (d) Authorisation of invoices may take the form of a physical signature or secure electronic validation.

8.2 It is the duty of the officer authorising payment to ensure that:

- (a) Each account has been checked against an official order where appropriate.
- (b) The account has not previously been passed for payment.
- (c) The goods have been received, the work carried out or the service rendered satisfactorily.
- (d) Appropriate entries have been made in inventories and stock records as required.
- (e) The arithmetic is correct and appropriate discounts have been deducted.
- (f) Prices and charges are correct and have been checked to contracts or quotations.
- (g) If an account passed for payment is alleged not to have been paid, full enquiries are made prior to passing the copy invoice for payment to ensure the account has not already been paid or is not awaiting payment in the system.

8.3 Officers must ensure that all invoices are paid within 30 days of receipt to comply with the late payment of Commercial Debts (Interest) Act 1998.

9. **Salaries, wages and pensions**

9.1 The CEO shall be authorised to agree arrangements to pay all salaries, wages, superannuation benefits, compensation and other emoluments properly payable by the Authority.

9.2 The CEO shall have access to payroll systems capable of ensuring that any changes in pay details etc are properly recorded and implemented. Such changes would include:

- (i) Appointments, resignations, dismissals, suspensions, secondments and transfers.
- (ii) Absences from duty for sickness or other reasons apart from approved leave within normal entitlements.
- (iii) Changes in remuneration such as annual increments, pay awards, promotion etc.
- (iv) Changes in hours of work and/or duties or any other factors affecting rates of pay or total pay.
- (v) All information necessary to maintain records of service, superannuation, income tax, national insurance and other statutory or non-statutory obligations concerning employment.

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- 9.3 All records and documents shall be in a form approved by the Treasurer and shall be certified by or on behalf of the CEO.
- 9.4 The CEO shall ensure that proper controls are in place in the payment process to minimise the risk of fraudulent activity.
- 9.5 All staff will, save in exceptional circumstances, be paid by direct credit transfer into their personal bank accounts.
- 9.6 In the event of an employee receiving payment by cheque the distribution shall be in accordance with the following:
- (i) Where cheques are distributed by hand to members of staff, such distribution should be made personally to the employee concerned in order that security and confidentiality can be maintained.
 - (ii) Where a cheque cannot be handed over personally to the employee the cheque may be posted to the employee subject to the employee's agreement.
- 9.7 Advances of pay outside the provisions of the normal payroll may be actioned in the following circumstances:
- (i) Where an employee will be leaving the service of the Authority before the day on which remuneration would normally be paid.
 - (ii) Where an employee has commenced work but pay records cannot be processed in time for the pay run, and where delay until the following pay date may cause hardship.
 - (iii) Where there are exceptional circumstances justifying an advance to an individual employee.
 - (iv) To remedy an error or difficulty in processing the payroll.

There should be procedures to ensure that advances of pay are properly processed through the payroll, that no duplication of payment will occur and that no payment is in excess of the amount due to the employee at the time of payment.

- 9.8 The CEO is authorised to agree arrangements to pay all pension benefits. However Yorkshire Dales National Park Authority staff are admitted to the Local Government Pension Scheme which is administered by North Yorkshire County Council. It is necessary therefore that all relevant information relating to pension matters is passed promptly to the Pension Section of the Financial Services Department of that Council.

10. **Income**

- 10.1 The CEO shall agree with the Treasurer the arrangements for the collection of all money due to the Authority.
- 10.2 All money received on behalf of the Authority shall, as soon as practicable, be banked for the credit of the Authority's account. Income may not be used directly to offset payments due.
- 10.3 Fees and charges within the control of the Authority shall be subject to review at least bi-annually by the CEO and Treasurer except as provided in any specific agreements between the Authority and third parties.

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10.4 Proposals to write off individual debts exceeding £100 in value shall be agreed with the Treasurer up to a limit of £5,000, or by the Finance and Resources Committee in excess of that amount. Bad debts of £100 or less may be written off with the authority of the CEO.

11. **Petty cash**

11.1 To assist designated officers to make minor purchases when it is not always possible to submit orders the CEO may grant petty cash advances.

11.2 The CEO may make cash advances to designated officers to allow them to meet minor expenses, subject to such conditions as are deemed necessary.

11.3 All petty cash advances in excess of £100 shall have an Imprest Bank Account with the Authority's bank.

11.4 Petty Cash purchases must not exceed £25 per item and must be supported by authenticated receipts.

11.5 No income received, other than reimbursement of approved expenditure, may be paid into a petty cash imprest account.

12. **Banking arrangements**

12.1 The CEO is responsible for the daily management and operation of the bank accounts and should ensure that there are proper controls in the day to day running of the accounts.

12.2 Bank accounts shall stand in the name of Yorkshire Dales National Park Authority.

12.3 No bank account shall be opened until a memorandum of authorisation is jointly signed and agreed by the CEO and the Treasurer. The memorandum shall justify the purpose and identify the name of the bank and its head office. This memorandum shall thereafter be retained on an appropriate file by the Senior Finance Officer together with copies of the application to the bank.

12.4 No bank account can be closed until all liabilities have been honoured and any balances transferred to an active Authority account. Agreement to close any bank account must be obtained from the CEO and the Treasurer.

12.5 There should be safe and efficient arrangements for the control of access to blank cheques and the preparation, signing and despatch of cheques. There should also be at least a monthly reconciliation of cash books with bank statements.

12.6 Where appropriate cheques shall be signed manually by authorised officers, as specified on the bank mandate, with controls as to the number of signatories dependent on the amount of the transaction (to be specified in financial instructions).

13. **Treasury management**

13.1 The Authority adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code 2001 as described in Section 4 of that Code).

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- 13.2 Accordingly the Authority will create and maintain, as the cornerstones for effective treasury management:
- (a) a Treasury Management Policy Statement (TMPS) stating the policies and objectives of its treasury management activities
 - (b) suitable Treasury Management Practices (TMPs) setting out the manner in which the Authority will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- 13.3 The Authority will be responsible for the implementation and monitoring of its treasury management policies, but delegates the execution and administration of treasury management decisions to the CEO who will, under arrangements approved by the Treasurer, act in accordance with the authority's TMPS, associated TMPs as well as CIPFA's Standard of Professional Practice on Treasury Management. The CEO does not have the sole responsibility or authority in formulating a strategy for the control of the Authority's borrowing, capital expenditure or investments; any such strategy should be agreed with the Treasurer, and approved by the full Authority.
- 13.4 The Authority will receive reports on the treasury management policies, practices and activities including as a minimum, an annual strategy and plan in advance of the year, and an annual report after its close, in the form prescribed in the TMPs.
- 13.5 All money in the possession of the Authority shall be under the control of the CEO acting in accordance with procedures approved by the Treasurer.
- 13.6 The CEO shall, with advice from the Treasurer, periodically review the Treasury Management Policy Statement and associated documentation and shall make recommendations accordingly to the Authority.
- 13.7 Notwithstanding the other regulations relating to Treasury Management the specified named posts below shall carry out the following responsibilities:
- CEO: ensure that the Treasury Management System is documented and recorded; ensure that the Treasurer reports regularly to the Authority on treasury policy, activity and performance.
 - Monitoring Officer: ensure that the Treasury Management Policy Statement and any proposal to vary treasury policy or practice complies with the law; and, give legal advice to the Treasurer upon request.
- 13.8 The Treasurer (as S151 Officer) will be expected to give an opinion to the NPA and DEFRA regarding the adequacy of year-end balances, and may be asked to provide details and supporting information with regard to major commitments.

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14. **Assets of the Yorkshire Dales National Park Authority**

14.1 **Custody**

- 14.1.1 The CEO is responsible for the custody of all buildings, equipment and stores of the Authority. He/she shall ensure that there is proper security of all assets under his/her control, in accordance with the Authority's risk management policies.
- 14.1.2 The CEO shall maintain an asset register of all properties owned or rented by the Authority. The register should record all known details of the properties.
- 14.1.3 The CEO shall maintain inventories of furniture, fittings, equipment, plant and machinery owned or leased by the Authority.
- 14.1.4 The CEO shall be responsible for maintaining proper records and for the custody of the stocks and stores of the Authority.

14.2 **Disposal**

- 14.2.1 The CEO may authorise the disposal of unrequired stock or inventory items, up to a limit of estimated value of £5,000 in each case. Above that figure, disposals shall require the approval of the Finance and Resources Committee.
- 14.2.2 The CEO with the Treasurer's approval shall be authorised jointly to write off stock and inventory deficiencies up to a limit of £5,000. Above that figure, approval of the Finance and Resources Committee shall be required.
- 14.2.3 The financial limits and procedures specified in these Regulations for the procurement of goods and services shall also apply to the disposal of any assets of the service.
- 14.2.4 All disposals of buildings and material assets shall be agreed by the Authority. For this purpose a 'material asset' should be defined as any single asset that, at the time of its proposed disposal, has an estimated disposal value exceeding £5,000.
- 14.2.5 No quotations or tenders for other than the highest price shall be accepted without reference to the Chairman or Deputy Chairman of the Finance and Resources Committee and to the CEO.
- 14.2.6 The approval of DEFRA is required before the proceeds from any disposal of assets which exceed £1 million are used for any purpose.
- 14.2.7 Specific approval from DEFRA (paragraph 14.2.6) may not be required for any disposal of land where (1) the Authority considers it will help secure the promotion or improvement of the economic, social or environmental well-being of its area and (2) the difference ('the undervalue') between the unrestricted value of the interest to be disposed of (the market value) and of the consideration accepted is £2m or less. However, the approval of the full Authority is required for any such disposals.
Wherever a disposal at less than best consideration reasonably available is proposed, a realistic valuation of the difference must be obtained, and a report presented containing the detailed information prescribed by the permissive legislation. The intention of the permission is to allow local authorities to carry out their statutory duties and functions, but authorities should not divest themselves of valuable public assets unless they are fully satisfied that the circumstances warrant such action. There is a presumption that any undervalue disposal

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represents a financial contribution to the entity acquiring the asset, and it is therefore incumbent that the Authority takes due account of its current priorities in allocating such contributions. Any such disposal needs to take account of the European Commission's State Aid rules.

15. **Voluntary/unofficial funds**

- 15.1 A voluntary fund is one which, although not officially owned by the Authority, is controlled or administered either wholly or in part by employees of the Authority.
- 15.2 The Treasurer shall be informed of the purpose and name of all voluntary funds maintained by employees in the course of their duties with the Authority.
- 15.3 There is a responsibility on the part of the Authority to protect the interests of the donors and beneficiaries, and to safeguard the position of the members of staff concerned.
- 15.4 Appropriate financial controls, as determined by the Treasurer, shall be applied in the administration of these funds in order that all expenditure or income is properly accounted for.
- 15.5 An annual statement of the accounts for each Fund should be prepared each year. They should be audited by an independent person and a copy sent to the appropriate body.
- 15.6 The Treasurer shall be entitled to verify that the audit has been done and to carry out checks on the accounts as considered appropriate.

16. **Insurance and risk management**

- 16.1 The Treasurer will advise the CEO on appropriate arrangements for insurance cover and risk management.
- 16.2 The CEO shall notify the Treasurer of any relevant matter affecting insurance cover, including details of all new risks and any changes to existing risks as appropriate.
- 16.3 The CEO shall periodically review all insurances and risk in consultation with the Treasurer and seek the approval of the Authority to any changes.
- 16.4 Where a retro insurance arrangement is established the CEO shall as appropriate inform the Treasurer of all transactions in order to assess the level of provision appropriate.
- 16.5 The Solicitor in consultation with the CEO shall be authorised to defend, settle or compromise any uninsured claims against the Authority.
- 16.6 The Authority has an active approach to **risk assessment and management**, and seeks to identify all risks that have a potential impact on its business, and to prioritise the management of these risks. Those operations to which an unacceptable degree of risk attaches will not be pursued until such time as that risk can be managed within acceptable bounds: the Authority's policy is to manage risk, rather than become risk averse, to ensure that the business remains innovative but secure. The following considerations will be taken into account when implementing risk management approaches:
 - the need for pragmatism: the process is not intended to eliminate risk and it is recognised that not all identified risks can be addressed immediately. Furthermore, risks will still exist that have not been identified. What is important is a culture of

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continuous learning, with risk management processes being adapted according to lessons learned.

- avoiding overly complex processes: there is an important need to avoid risk overload. The risks that are identified should make common sense and should be linked to members' top priorities and concerns. The focus should be on those risks that are significant in the context of the Authority's objectives and reputation.
- ensuring that the process to be followed fits in with local circumstances and culture. Officers need to decide on practices that are appropriate to their circumstances.

17. **Audit**

17.1 The Financial Grant Memorandum states that:

- "(i) Schedule 7 of the Environment Act 1995 establishes the Audit Commission as responsible for the external auditing of the National Park Authorities. The Audit Commission Act 1998 lays down the responsibilities of the Audit Commission to appoint auditors to undertake the external audit of NPAs. The Commission is required under the ACA 1998 and the Local Government Act 1999 to prepare and keep under review a code of practice prescribing the way auditors must carry out their functions regarding the audit of accounts and of best value performance plans. Each NPA shall send its audited accounts and the auditor's Annual Audit Letter to the Department not later than 31 December following the end of the financial year.
- (ii) Under Section 7 of the 1999 Act, NPA's Best Value Performance Plans are also subject to external audit. An audit of a performance plan is an inspection for the purposes of establishing whether the plan was prepared and published in accordance with section 6 of the 1999 Act and any order or guidance under that section. The audit will be undertaken by external auditors appointed by the audit Commission and a report produced by 30 June each year (or another date set by the Secretary of state), or at a date set by the Audit Commission.
- (iii) Each NPA is required to prepare annually accounts for the main functional heads. These should be signed by the s151 Officer and submitted to the auditor appointed by the Audit commission not later than 30 September following the end of the financial year. It is expected that the requirement to submit accounts to the appointed auditors by 30 September will be met at the same time the accounts are sent to DEFRA.
- (iv) Under the Accounts and Audit Regulations (SI 1996 No. 590; now updated as SI 2003 No. 533) each NPA is required to maintain an adequate and effective internal audit of the accounts of the Authority. Internal audit should be carried out in accordance with the standards and guidance issued by CIPFA and the Auditing Practices Board. Each NPA's arrangements for internal audit are subject to scrutiny by the external auditors appointed by the Audit Commission."

17.2 CEO is responsible for the implementation and maintenance of all internal control procedures relating to financial systems and for achieving the economic, effective and efficient use of resources. Complementing the External Audit process (paragraph 17.1), the Chair and CEO are required to provide an annual "Corporate Governance Statement of Assurance", confirming that the Authority's management arrangements (including risk management and internal control systems) will, in their view, continue to deliver effective corporate governance.

17.3 The Treasurer shall ensure an adequate and effective internal audit of the activities of the Authority. The Internal Auditor or his/her representative, shall have authority to enter at all times on any premises or land used by the Authority and to have access to all

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correspondence, documents, books or other records of any officer of the Authority or the CEO and appertaining in anyway to the activities of the Authority. The Internal Auditor shall be entitled to require such explanation as s(he) considers necessary to establish the correctness of any matter under examination. The Internal Auditor shall have the authority to require any officer of the Authority including the CEO to produce cash, stores, or other Authority property under his/her control for inspection.

- 17.4 The Internal Auditor shall have regard to any relevant professional guidelines and any audit standards issued by the Auditing Practices Board of the Consultative Committee of Accountancy Bodies (or equivalent successor body).
- 17.5 The Internal Auditor shall be notified immediately by the CEO/Treasurer of all financial irregularities or suspected irregularities, or any circumstances which may suggest the possibility of irregularities in the exercise of any of the Authority's functions. Such communications may be oral initially but must be confirmed promptly in writing.
- 17.6 The Internal Auditor shall determine the scope of any internal enquiries or investigations, subject to consultation with the Solicitor to the Authority, the CEO and the Treasurer.
- 17.7 The Internal Auditor and the Solicitor to the Authority, in consultation with the CEO and Treasurer shall decide whether any matter under investigation should be referred for police investigation and take recovery action as appropriate on such matters.
- 17.8 The Internal Auditor or his/her representative, shall at all times preserve the confidentiality of information received in discharging tasks under this section of the Financial Regulations.

18. **Retention of financial records**

- 18.1 The CEO shall be responsible for ensuring that all financial records are retained for the required time period.
- 18.2 The time periods that records should be kept are as follows:
 - (i) Permanent - Financial Ledgers, Pension Records.
 - (ii) 7 Years - Payroll information including amendment sheets, timesheets and copies of P60's.
 - (iii) 6 Years - All other financial records including VAT records, insurance files and contracts.
 - (iv) 20 Years - All records in connection with European Union-funded grants. Other grants may, from time to time, stipulate different retention periods.
 - (v) 1 year: unsuccessful Quotations or Tenders for contracts
- 18.3 Financial records in storage must be properly and logically stored in order to protect them from deterioration and spoilage and easily facilitate their retrieval. The appropriate members of staff should be aware of where the documents are located and how they are referenced and stored.
- 18.4 Where financial records are due for disposal it is important that they are disposed of in a secure manner depending on the nature of the documents.

19. **Gifts, loans and sponsorship**

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- 19.1 Gifts of money and gifts or loans of other property may be accepted if they will enable the Authority either to enhance or extend the service which they would normally be expected to provide.
- 19.2 Gifts, loans and sponsorship can be accepted from any source which has genuine and well intentioned reasons for wishing to support specific projects.
- 19.3 The Authority should, however, take care in deciding whether or not to accept offers. There are some cases where the acceptance of gifts, loans or sponsorship would be inappropriate as follows:
- (i) Where the provider seeks endorsement of a product or service in order to gain preferential treatment in supplying or contracting goods and service to the Authority.
 - (ii) To influence the direction of a particular policy, decision or operation.
- 19.4 The Authority should not enter arrangements to support activities which cannot be readily discontinued since funding by the donor could be withdrawn at any time.
- 19.5 Where offers of gifts, loans or sponsorship are made from more than one company in a competing market care should be taken to demonstrate an even-handed approach in accepting and/or rejecting any offer.
- 19.6 The Authority should ensure that priority is given to meeting the needs of the Authority rather than those of the sponsor, and should be careful to avoid the following:
- (i) Association with companies already in a contractual arrangement to provide goods or service to the Authority, which could be construed by competitors as preferential treatment.
 - (ii) Projects of limited benefit in operational terms or which could distract effort from tackling agreed priorities.
 - (iii) Offers which could involve the Authority in additional costs.
 - (iv) Offers of gifts, loans or sponsorship with conditions attached.
 - (v) Offers of equipment which is incompatible with that in use by the Authority to the extent that its introduction could bring costs outweighing benefits.
- 19.7 A record of all gifts, loans and sponsorships received should be maintained by the CEO for inspection by the Treasurer and the Authority's auditors.
- 19.8 The CEO should periodically report details of gifts, loans and sponsorship to the Authority. Amounts above an agreed sum (£1,000) should be referred to the Authority for approval before they are accepted.

20. **Travelling and subsistence allowances**

- 20.1 Staff authorised to make journeys in the execution of their duties are eligible to claim travel and subsistence expenses in accordance with their Schemes of Conditions of Service.
- 20.2 Claims for travelling and subsistence should be made during the month after the expenditure is incurred and should be submitted on a form approved for the purpose by the Treasurer.
- 20.3 All staff are expected to travel in the most economical manner appropriate to the discharge of their duties, and to share transport wherever practicable.
- 20.4 The CEO or an officer delegated by him/her shall certify final approval for these allowances.

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- 20.5 The certifying officer shall satisfy himself that the journeys are reasonable and in accordance with the discharge of official duties. Also, that the distances, method of travel and other related expenses are reasonable in the circumstances.
- 20.6 Where an officer is likely to incur a substantial amount of expenditure on travelling and subsistence on an occasional basis, a temporary advance may be applied for. When the claim is made it will then be reduced by the amount of the temporary advance.

21. **Changes and suspension of financial standards**

- 21.1 Financial systems and accounting procedures will be subject to amendments over time. There may be changes in statutory requirements/accounting practice or the introduction of new technology which lead to standards becoming outdated.
- 21.2 In the event of such changes the Treasurer shall inform the CEO in writing of the required amendments to the financial systems and procedures.
- 21.3 Depending on the nature of the changes they could also affect the Financial Regulations of the Authority which are to be updated by the Treasurer. In this case the Treasurer should consult the HOFR and the Monitoring Officer and report to the Authority if the change is considered material.

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22. **Money Laundering**

- 22.1 The Authority will have in place systems that allow it to identify 'dirty money' within day-to-day transactions, and to investigate any such payments. Any duplicate payments or monies to which the Authority is not entitled will be returned, and reviewed in the context of possible money laundering activity.
- 22.2 The Authority's nominated Money Laundering Officer (MLO) will liaise with the National Criminal intelligence Service (NCIS) on all issues relating to Money Laundering.

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PROPOSED REWRITE OF REGULATION 5.12 (TENDER PROCEDURES)

- 5.12.1 Regulation 5.8(ii) sets out the circumstances in which tenders need to be sought, and Regulation 5.10 sets out some specific exceptions to that. Regulations 5.12.1 to 5.12.12 set out normal tender procedures, and Regulation 5.12.13 sets out certain exceptions to normal tender procedures. Subject to those exceptions, the tender procedure is to be begun by a notice being given in at least one newspaper which circulates in the Authority's area, and/or in relevant technical journals, and/or on appropriate internet websites, setting out brief details of the contract which the Authority wishes to let. The notice must invite persons to apply for permission to tender by a specified date, which must be at least 14 days after the date the first advertisement is published. Where required by law, this notice must be published in the European Journal, and in such cases, any local / trade journal / internet advertisements must not appear before the European Journal notice.
- 5.12.2 Once the period specified in the public notice has expired, applications to tender shall be assessed by the CEO or an officer with delegated authority from the CEO. The Chairman or Deputy Chairman of the Finance and Resources Committee shall be consulted following such an assessment, and the CEO or officer with delegated authority will then send invitations to tender to at least four suitable applicants (or to all suitable applicants, if there are less than four).
- 5.12.3 Every invitation to tender shall state that:
- all tenders submitted in the form of hard copy must be in a sealed envelope, which shall bear the word "Tender" followed by the subject to which it relates, but shall not bear any indication of the identity of the tenderer; and

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- tenders may be submitted electronically, provided that the Authority and the tenderer have agreed suitable privacy and security mechanisms for the receipt and opening of the tender; such bids may be accepted by email, provided that this is done in such a way that they can remain unopened until the date and time for the opening of all tenders.
- 5.12.4 All tenderers must be informed that information relating to the service for which they are tendering will be subject to the provisions of the Freedom of Information Act 2000, and that the Authority therefore cannot guarantee that the information supplied by tenderers will remain confidential. Tenderers should be asked to mark as confidential any information which they consider to be exempt from disclosure under the Act because of its commercial sensitivity. Tenderers should also be informed that the Authority may supply to them information which is confidential or exempt under the Freedom of Information Act, and may require employees of the tenderer, or of any subcontractor to the tenderer to sign a confidentiality agreement in relation to such information.
- 5.12.5 All tenders received in hard copy must remain in their unopened envelopes in the custody of the HOFR until the time stated for all tenders to be opened. All tenders received electronically should be forwarded to the HOFR attached to an email headed "Tender: Confidential", which email should remain unopened until the time stated for all tenders to be opened.
- 5.12.6 All tenders shall be assessed to determine which of them offers the lowest price to the Authority (or the highest price, if payment is to be received by the Authority).
- 5.12.7 At the time for opening of all tenders, all tenders received shall be opened one at a time by a Member of the Authority, in the presence of the HOFR or an officer designated by the HOFR, and the officer shall maintain a record of all tenders. Tenders received electronically shall be opened by opening the email and then printing a hard copy of the tender.
- 5.12.8 Any tenders not received on time shall be returned to the tenderer by the CEO, unless the CEO is satisfied that there is adequate evidence of posting in time for delivery by the due date in the normal course of post delivery, and the other tenders have not been opened. Tenders which are to be returned may be opened to ascertain the identity and address of the tenderer, but no details of the tender shall be disclosed.
- 5.12.9 Persons tendering may only submit a revised offer when invited to do so following post tender negotiation. Post tender negotiation may only take place where permitted by law and where the CEO, after consultation with the Treasurer, considers that added financial or other benefits may be obtained. Post tender negotiations may only be conducted by a team of officers approved by the CEO and the Treasurer.
- 5.12.10 No tender shall be accepted unless at least three persons have tendered for the contract, or the agreement of the CEO, after consultation with the Chairman or Deputy Chairman of the Finance and Resources Committee, is first obtained.
- 5.12.11 The approval of the Authority shall be required prior to the approval of any tender the price of which would exceed the original budget provision by 10% or £10,000, whichever is the greater.
- 5.12.12 The tender to be accepted will be that which offers the lowest price to the Authority (or the highest price, if payment is to be received by the Authority), unless the CEO considers this inappropriate, in which case the matter shall be referred by a report from the CEO to the Authority, or to one of its Committees with appropriate delegated powers. The Authority or Committee shall then consider the matter and decide which tender should be accepted, and a note of its decision and reasoning shall be included in the minutes of the meeting.
- 5.12.13 Exceptions to usual tender procedures are as follows:
- Where the CEO and the Treasurer agree that it is inadvisable or inexpedient to advertise, and where legal requirements allow, tenders may be invited from not less than three persons capable of fulfilling the contract, subject to such action being reported to the Authority;
 - A single tender may be sought, subject to such action being reported to the Finance and Resources Committee, in any case where the CEO and the Treasurer agree that:
 - Market conditions make genuine competition impossible; or
 - The proposed contractor is on site, there is financial benefit in negotiating an extension for further work, and the cost of the further work does not exceed 10% of the value of the original work or £5,000, whichever is the greater; or
 - Demonstrable benefits in service or value for money are likely to be obtainable; or
 - The expenditure is to be wholly reimbursed by a third party that is in agreement.

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