

AMENDMENT TO THE FINANCIAL REGULATIONS

Report of the Director and Company Secretary

1. SUMMARY

This report explains why a minor amendment to Derby Homes Financial Regulations is necessary.

2. RECOMMENDATION

That the Board approves the proposed amendment to Derby Homes Financial Regulations.

3. MATTER FOR CONSIDERATION

- 3.1 A recent investigation into a possible financial irregularity was carried out by Internal Audit. Whilst Internal Audit was satisfied that no irregularity had taken place, they made a number of recommendations, one of which has implications for Derby Homes Financial Regulations.
- 3.2 Internal Audit identified a weakness that *'Derby Homes' Governance arrangements did not specify that Internal Audit be included automatically in cases where an investigation into financial irregularities is required'*. They recommended that *'the role of Internal Audit in the investigation of financial irregularities is defined and documented within the Derby Homes' Governance arrangements'*.
- 3.3 Derby Homes Financial Regulations form part of Derby Homes' Governance Arrangements. Section VII subsection H deals with Audit and Risk Management. It defines the responsibilities of the Director and Company Secretary and the Chief Executive where potential financial irregularities are identified. I have attached a copy of that section as an appendix showing the proposed tracked changes which will satisfy the recommendations of Internal Audit. The changes are made to lines H6 and H13.

4. LEGAL AND CONFIDENTIALITY IMPLICATIONS

Changing the Governance Arrangements is a matter reserved to the Board.

The areas listed below have no implications directly arising from this report:

Consultation
Financial and Business Plan
Council
Personnel
Environmental
Equalities Impact Assessment
Health & Safety
Risk
Policy Review

If Board Members or others would like to discuss this report ahead of the meeting please contact:

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Background Information: None

Supporting Information: None

H AUDIT AND RISK MANAGEMENT

Why is this important?

The Director & Company Secretary has the responsibility for the overall financial administration of the Company's affairs and is responsible for ensuring effective and proper use of all resources by working with an appropriate and suitably qualified and experienced Internal Audit provider.

Derby Homes' accounts are also scrutinised by external auditors who are appointed by the Board. They must be satisfied that the accounts represent a true and fair view and are prepared in accordance with proper accounting practices.

Responsibilities of the Director & Company Secretary

H1 The Director & Company Secretary has authority to:

- enter at all reasonable times on any Derby Homes premises or land, with the exception of Derby Homes' own residential properties when let to a tenant,
- have access to all records, documents and correspondence relating to any financial and other transactions of Derby Homes
- require and receive explanations as necessary about any matter under examination
- require any employee of Derby Homes to produce cash, stores or any other Derby Homes property under their control.

In relation to rights of access, the Director & Company Secretary is expected to have a personal responsibility to observe the highest standards of confidentiality and personal integrity.

H2 In consultation with the Chief Executive and Audit Committee, to maintain an adequate and effective internal audit plan in which audit cover has regard to the characteristics and relative risks of the activities involved. This takes into account the need to seek added value, effective use of resources, improved performance and cost effective controls.

H3 To maintain an adequate and effective internal audit of the financial and other records, systems and procedures for control of Derby Homes' resources.

H4 To report to the Audit Committee on:

- the planned programme of internal audit work for the year
- progress in implementing the planned audit programme including a report following the year end
- the findings of each audit to a degree of detail to be determined by Audit Committee
- progress made in implementing recommendations of internal audits

- other matters relating to audit policy, internal controls and risk management that are within the terms of reference of the Audit Committee.

- H5 To approve any new systems for maintaining financial records or records of assets or changes to such systems.
- H6 To investigate promptly any fraud or irregularity identified by or notified to the Director & Company Secretary by automatically including and notifying internal audit, and to report the issue immediately, and again together with the point of receiving a report into the outcome of any the internal investigation or investigation including internal audit findings and recommendations to the Chief Executive of Derby Homes who will consider any legal proceedings and disciplinary action in consultation with the appropriate legal advisers.
- H7 To make sure that issues raised by External Audit are brought to the attention of the Audit Committee and, if appropriate, the Chief Executive.

Responsibilities of the Chief Executive of Derby Homes

- H8 To maintain an effective corporate risk management strategy and policy and to prepare reports for the Board seeking approval of the strategy and policy.
- H9 To make sure that internal and external auditors are given access at all reasonable times to premises, personnel, documents and assets which the Auditors consider necessary for the purposes of their work.
- H10 To make sure that Auditors are provided with any information and explanations that they seek in the course of their work.
- H11 To consider and respond promptly to recommendations in audit reports.
- H12 To make sure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- H13 To notify the Director & Company Secretary immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of Derby Homes' property or resources and to automatically involve internal audit. Pending investigation and reporting, Senior Officers should take all necessary steps to prevent further loss and to secure records and documentation against removals or alteration.
- H14 To make sure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with the Internal Audit service provider prior to implementation.
- H15 To maintain a risk register for services and projects which is informed by regular review and assessment of risk and to identify and document actions to mitigate those risks.

H16 To take responsibility for risk management having regard to advice from the Director & Company Secretary and other specialist officers such as Crime Prevention, Fire Prevention, Health and Safety.

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