

**Financial Regulations**

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1. **STATUS OF FINANCIAL REGULATIONS**

- 1.1 Financial regulations provide the framework for managing the authority's financial affairs. They apply to every member and officer of the authority and anyone acting on its behalf.
- 1.2 The regulations identify the financial responsibilities of the Council, Cabinet and Overview and Scrutiny members, the Chief Executive, the Monitoring Officer, the Chief Finance Officer and other Heads of Service. Cabinet members and Heads of Service should maintain a written record where decision making has been delegated to members of their staff, including seconded staff. Where decisions have been delegated or devolved to other responsible officers references to the Heads of Service in the regulations should be read as referring to them.
- 1.3 All members and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, is properly authorised, provides value for money and achieves best value.
- 1.4 The Chief Finance Officer is responsible for maintaining a continuous review of the financial regulations and submitting any additions or changes necessary to the Licensing and Miscellaneous Committee for approval. The Chief Finance Officer is also responsible for reporting, where appropriate, breaches of the financial regulations.
- 1.5 The authority's detailed financial procedures, setting out how the regulations will be implemented, are contained in the appendices to the financial regulations.
- 1.6 Heads of Service are responsible for ensuring that all staff in their departments are aware of the existence and content of the authority's financial regulations and other internal regulatory documents and that they comply with them. They must also ensure that an adequate number of copies are available for reference within their departments.
- 1.7 The Chief Finance Officer is responsible for issuing advice and guidance to underpin the financial regulations that members, officers and others acting on behalf of the authority are required to follow.

## **FINANCIAL REGULATION ‘A’ FINANCIAL MANAGEMENT**

### **INTRODUCTION**

- A1 Financial management covers all financial accountabilities in relation to the running of the authority, including the policy framework and budget.

### **THE COUNCIL**

- A2 The Council is responsible for adopting the authority’s constitution and members’ code of conduct and for approving the policy framework and budget within which the Cabinet operates. It is also responsible for approving and monitoring compliance with the authority’s overall framework of accountability and control. The framework is set out in its constitution. The Council is also responsible for monitoring compliance with the agreed policy and related executive decisions.
- A3 The Council is responsible for approving procedures for recording and reporting decisions taken. This includes those key decisions delegated by and decisions taken by the Council, Cabinet and Committees. These delegations and details of who has responsibility for which decisions are set out in the constitution.

### **THE CABINET**

- A4 The Cabinet is responsible for proposing the policy framework and budget to the Council, and for discharging executive functions in accordance with the policy framework and budget.
- A5 Cabinet decisions can be delegated to a committee of the Cabinet, an individual Portfolio Holder, an officer or a joint committee.
- A6 The Cabinet is responsible for establishing protocols to ensure that individual Portfolio Holders consult with relevant officers before taking a decision within his or her delegated authority. In doing so, the individual member must take account of legal and financial liabilities and risk management issues that may arise from the decision.

### **SCRUTINY AND REGULATORY COMMITTEES**

#### **Overview and Scrutiny and Audit Committees**

- A7 The Overview and Scrutiny Committees are responsible for reviewing and scrutinising Cabinet decisions before or after they have been implemented and for holding the Cabinet to account. The Overview and Scrutiny Committees are also responsible for making recommendations on future policy options and for reviewing the general policy and service delivery of the authority. They have right of access to all the information they consider necessary. The Audit Committee will have responsibility for reviewing the external auditor’s reports and the annual audit letter and internal audit’s annual report and can consult directly with internal and external auditors.

#### **Standards Committee**

- A8 The Standards Committee is established by the Council and is responsible for promoting and maintaining high standards of conduct amongst councillors. In particular, it is responsible for advising the Council on the adoption and revision of the members’ code of conduct, and for monitoring the operation of the code.

### **Other Regulatory Committees**

A9 Planning, conservation, licensing and health and safety are not executive functions but are exercised through the relevant committees under powers delegated by the Council. These committees report to the Council.

## **THE STATUTORY OFFICERS**

### **Chief Executive**

A10 The Chief Executive is responsible for the corporate and overall strategic management of the authority as a whole. He or she must report to and provide information for the executive, the Council, the Overview and Scrutiny Committees and other committees. He or she is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation. The Chief Executive is also responsible, together with the Monitoring Officer, for the system of record keeping in relation to all the Council's decisions (see below).

### **Monitoring Officer (Head of Legal, Democratic and Regulatory Services)**

A11 The Monitoring Officer is responsible for promoting and maintaining high standards of financial conduct and therefore provides support to the Standards Committee. The Monitoring Officer is also responsible for reporting any actual or potential breaches of the law or maladministration to the Council and/or to the Cabinet, and for ensuring that procedures for recording and reporting key decisions are operating effectively.

A12 The Monitoring Officer must ensure that executive decisions and the reasons for them are made public. He or she must also ensure that members are aware of decisions made by the Cabinet and of those made by officers who have delegated executive responsibility.

A13 The Monitoring Officer is responsible for advising all councillors and officers about who has authority to take a particular decision.

A14 The Monitoring Officer is responsible for advising the Cabinet or Council about whether a decision is likely to be considered contrary or not wholly in accordance with the policy framework.

A15 The Monitoring Officer (together with the Chief Finance Officer) is responsible for advising the Cabinet or Council about whether a decision is likely to be considered contrary or not wholly in accordance with the budget. Actions that may be 'contrary to the budget' include:

- initiating a new policy
- committing expenditure in future years to above the budget level
- transfers above virement limits
- causing the total expenditure financed from council tax, grants and corporately held reserves to increase, or to increase by more than a specified amount.

A16 The Monitoring Officer is responsible for maintaining an up-to-date constitution.

### **Chief Finance Officer**

A17 The Chief Finance Officer has statutory duties in relation to the financial administration and stewardship of the authority. This statutory responsibility cannot be overridden.

The statutory duties arise from:

- Section 151 of the Local Government Act 1972
- The Local Government Finance Act 1988

- The Local Government and Housing Act 1989
- The Local Government Act 2003
- The Accounts and Audit Regulations 2003

A18 The Chief Finance Officer is responsible for:

- the proper administration of the authority's financial affairs
- setting and monitoring compliance with financial management standards
- advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
- providing financial information
- preparing the revenue budget and capital programme
- treasury management

A19 Section 114 of the Local Government Finance Act 1988 requires the Chief Finance Officer to report to the Council, Cabinet and external auditor if the authority or one of its officers:

- has made, or is about to make, a decision which involves incurring unlawful expenditure
- has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the authority
- is about to make an unlawful entry in the authority's accounts.

Section 114 of the 1988 Act also requires:

- the Chief Finance Officer to nominate a properly qualified member of staff (or if none is available, another appropriate officer) to deputise should he or she be unable to perform the duties under section 114 personally.
- the authority to provide the Chief Finance Officer with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under section 114.

## **HEADS OF SERVICE**

A20 Heads of Service are responsible for:

- ensuring that Cabinet members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Chief Finance Officer
- signing contracts on behalf of the authority.

A21 It is the responsibility of Heads of Service to consult with the Chief Finance Officer and seek approval on any matter liable to affect the authority's finances materially, before any commitments are incurred.

## **OTHER FINANCIAL ACCOUNTABILITIES**

### **Virement**

A22 The Council is responsible for agreeing procedures for virement of expenditure between budget headings.

A23 Cabinet and Portfolio Holders are responsible for agreeing in-year virement within delegated limits.

- A24 Heads of Service are responsible for agreeing in-year virements within delegated limits, in consultation with the Chief Finance Officer where required. They must notify the Chief Finance Officer of all virements and seek his/her agreement on all those over £1,000.

**Treatment of year-end balances**

- A25 The Council is responsible for agreeing procedures for carrying forward under spendings on budget headings. These procedures will be administered by the Chief Finance Officer.

**Accounting policies**

- A26 The Chief Finance Officer is responsible for selecting accounting policies and ensuring that they are applied consistently.

**Accounting records and returns**

- A27 The Chief Finance Officer is responsible for determining the accounting procedures and records for the authority.

**The annual statement of accounts**

- A28 The Chief Finance Officer is responsible for ensuring that the annual statement of accounts is prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom : A Statement of Recommended Practice* (CIPFA/LASAAC). The Council or an appropriate committee is responsible for approving the annual statement of accounts. This cannot be a function of the Cabinet.

## FINANCIAL REGULATION ‘B’ FINANCIAL PLANNING

### INTRODUCTION

- B1 The Council is responsible for agreeing the authority’s policy framework and budget, which will be proposed by the Cabinet. In terms of financial planning, the key elements are:
- The council’s corporate plan (objectives)
  - The revenue budget
  - The capital programme.

### POLICY FRAMEWORK

- B2 The Council is responsible for approving the policy framework and budget. The policy framework comprises those statutory plans and strategies set out in the Council’s constitution.
- B3 The Council is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework and for determining the circumstances in which a decision will be deemed to be contrary to the budget or policy framework. Decisions should be referred to the Council by the Monitoring Officer.
- B4 The Council is responsible for setting the level at which the Cabinet may reallocate budget funds from one service to another. The Cabinet is responsible for taking in-year decisions on resources and priorities in order to deliver the budget policy framework within the financial limits set by the council.

#### **Preparation of the corporate plan (objectives)**

- B5 The Chief Executive is responsible for developing the corporate plan, in consultation with the relevant Portfolio Holders, for consideration by Cabinet before its submission to the Council for approval.

### BUDGETING

#### **Budgeting Format**

- B6 The general format of the budget will be approved by the Council and proposed by the Cabinet on the advice of the Chief Finance Officer. The draft budget should **reflect the Council’s priorities and** include allocation to different services and projects, proposed taxation levels and contingency funds.

#### **Revenue Budget Preparation**

- B7 The Chief Finance Officer is responsible for ensuring that a revenue budget is prepared on an annual basis and a general revenue plan on a three-yearly basis for consideration by the Cabinet, before submission to the Council. The Council may amend the budget or ask the Cabinet to reconsider it before approving it.
- B8 The Cabinet is responsible for issuing guidance on the general content of the budget in consultation with the Chief Finance Officer as soon as possible following approval by the Council.
- B9 It is the responsibility of Heads of Service, in conjunction with the Chief Finance Officer, to ensure that budget estimates reflecting agreed service plans are submitted to the Cabinet and that these estimates are prepared in line with guidance issued by the Cabinet.

### **Preparation of the capital programme**

- B10 The Chief Finance Officer is responsible for ensuring that a capital programme is prepared on an annual basis for consideration by the Cabinet before submission to the Council.
- B11 It is the intention of the Council that its policy of being a ‘debt free’ Authority should not reduce the capital resources provided to support the annual Housing Investment Programme and that this programme be supported therefore at a level no lower than it would have been under the previous ‘ring fenced’ housing capital receipt arrangements.
- B12 In preparing the annual budget the Cabinet must give first consideration in the allocation of General Fund Capital receipts, particularly those derived from the sale of Council houses and housing land, to support the proposed Housing Investment Programme.
- B13 The basis of calculating the appropriate annual General Fund capital support for the Housing Investment Programme will be the HIP Capital Support Formula proposed and reviewed annually by the HIP Financing Committee and approved by the Council.

### **Budgetary Monitoring and Control**

- B14 The Chief Finance Officer is responsible for providing appropriate financial information to enable budgets to be monitored effectively. He or she must monitor and control expenditure against budget allocations and report to the Cabinet on the overall position on a regular basis.
- B15 It is the responsibility of Heads of Service to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Chief Finance Officer. In conjunction with the Chief Finance Officer, they should report on variances within their own areas. They should also take any action necessary to avoid exceeding their budget allocation and alert the Chief Finance Officer to any problems.

### **Capital Protocol**

- B16 The Capital Protocol, the conditions of which must be complied with where schemes include a works contract with a value in excess of £500,000, is attached at Enclosure A.

### **Guidelines**

- B17 Guidelines on budget preparation are issued to members by the Cabinet following agreement with the Chief Finance Officer who will disseminate them to Heads of Service. The guidelines will take account of:
- legal requirements
  - medium-term planning prospects
  - the corporate plan (objectives)
  - available resources
  - spending pressures
  - relevant government guidelines
  - other internal policy documents
  - cross-cutting issues (where relevant)
  - the HIP Capital Support Formula for the support of the Housing Investment Programme

### **MAINTENANCE OF RESERVES**

- B18 It is the responsibility of the Chief Finance Officer to advise the Cabinet and the Council on prudent levels of reserves for the authority.

## **FINANCIAL REGULATION ‘C’ RISK MANAGEMENT AND CONTROL OF RESOURCES**

### **INTRODUCTION**

- C1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational risks to the authority. This should include the proactive participation of all those associated with planning and delivering services.

### **RISK MANAGEMENT**

- C2 The Cabinet is responsible for approving the authority’s risk management policy statement and strategy and for reviewing the effectiveness of risk after consultation with the Audit Committee. The Cabinet is responsible for ensuring that proper insurance exists where appropriate.
- C3 The Chief Finance Officer is responsible for preparing the authority’s risk management policy statement, for promoting it throughout the authority and for advising the Cabinet on proper insurance cover where appropriate.

### **INTERNAL CONTROL**

- C4 Internal control refers to the systems of control devised by management to help ensure the authority’s objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the authority’s assets and interests are safeguarded.
- C5 The Chief Executive (Internal Audit) is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.
- C6 It is the responsibility of Heads of Service to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

### **AUDIT REQUIREMENTS**

- C7 The Accounts and Audit Regulations 2003 issued by the Secretary of State for the Environment require every local authority to maintain an adequate and effective internal audit.
- C8 The Audit Commission is responsible for appointing external auditors to each local authority. The basic duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by section 5 of the Audit Commission Act 1998.
- C9 The authority may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Customs and Excise and the Inland Revenue, who have statutory rights of access.

### **PREVENTING FRAUD AND CORRUPTION**

- C10 The Chief Finance Officer is responsible for the development and maintenance of an anti-fraud and anti-corruption policy.

## **ASSETS**

- C11 Heads of Service should ensure that records and assets are properly maintained and securely held. They should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

## **TREASURY MANAGEMENT**

- C12 The authority has adopted the key recommendations of CIPFA's Code of Practice for Treasury Management in the Public Services 2002, as described in Section 4 of that Code.
- C13 The Council will create and maintain, as the cornerstones for effective treasury management:
- a treasury management policy statement, stating the policies and objectives of its treasury management activities;
  - suitable Treasury Management Practices (TMP) setting out the manner in which the organisation will seek to achieve those policies and objectives and prescribing how it will manage and control those activities.
- C14 The Council will receive reports on its 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 financial year-end, in the form prescribed in its TMPs.
- C15 The annual Treasury Management Strategy, Investment Strategy and setting of Prudential Indicators remain a function of Council and are not delegated to Cabinet.
- C16 The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to Cabinet and for the execution and administration of treasury management decisions to the Chief Finance Officer, who will act in accordance with the organisation's policy statement and TMPs and CIPFA's Statement of Professional Practice on Treasury Management.
- C17 The Chief Finance Officer is responsible for reporting to the Cabinet on the activities of the treasury management operation and on the exercise of his or her delegated treasury management powers. This report will comprise an annual report on treasury management for presentation by 30 September of the succeeding financial year.

## **STAFFING**

- C18 The Council is responsible for determining how officer support for executive and non-executive roles within the authority will be organised.
- C19 The Chief Executive is responsible for providing overall management to staff. He or she is also responsible for ensuring that there are agreed systems for determining the remuneration of a job.
- C20 Heads of Service are responsible for controlling total staff numbers by:
- advising the executive on the budget necessary in any given year to cover estimated staffing levels
  - adjusting the staffing to a level that can be funded within approved budget provision, varying the provision as necessary within that constraint in order to meet changing operational needs
  - the proper use of appointment procedures.

## **FINANCIAL REGULATION ‘D’ SYSTEMS AND PROCEDURES**

### **INTRODUCTION**

- D1 Sound systems and procedures are essential to an effective framework of accountability and control.

### **GENERAL**

- D2 The Chief Finance Officer is responsible for the operation of the authority’s accounting systems, the form of accounts and the supporting financial records. Any changes made by Heads of Service to the existing financial systems or the establishment of new systems must be approved by the Chief Finance Officer. However, Heads of Service are responsible for the proper operation of financial processes in their own services.
- D3 Any changes to agreed procedures by Heads of Service to meet their own specific service needs should be agreed with the Chief Finance Officer.
- D4 Heads of Service should ensure that, where appropriate, their staff receive relevant financial training that has been approved by the Chief Finance Officer.
- D5 Heads of Service must ensure that, where appropriate, information and other systems are registered in accordance with data protection legislation. They must ensure that staff are aware of their responsibilities under freedom of information legislation.

### **INCOME AND EXPENDITURE**

- D6 It is the responsibility of Heads of Service to ensure that a proper scheme of delegation has been established within their area and is operating effectively. The scheme of delegation should identify staff authorised to act on the Head of Service’s behalf, or on behalf of the Cabinet, in respect of payments, income collection and placing orders, together with the limits of their authority. The Cabinet is responsible for approving procedures for writing off debts as part of the overall control framework of accountability and control.

### **PAYMENTS TO EMPLOYEES AND MEMBERS**

- D7 The Head of Human Resources, Customer Services and IT is responsible for all payments of salaries and wages to all staff, including payments for overtime, and for payment of allowances to members.

### **TAXATION**

- D8 The Chief Finance Officer is responsible for advising Heads of Service, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the authority.
- D9 The Chief Finance Officer is responsible for maintaining the authority’s tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

### **TRADING ACCOUNTS/BUSINESS UNITS**

- D10 It is the responsibility of the Chief Finance Officer to advise on the establishment and operation of trading accounts and business units.

## **FINANCIAL REGULATION ‘E’ EXTERNAL ARRANGEMENTS**

### **INTRODUCTION**

- E1 The local authority provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders. It must also act to achieve the promotion or improvement of the economic, social or environmental well-being of its area.

### **PARTNERSHIPS**

- E2 The Cabinet is responsible for approving delegations, including frameworks for partnerships. It is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.
- E3 The Cabinet can delegate functions – including those relating to partnerships – to officers. These are set out in the scheme of delegation that forms part of the authority’s constitution. Where functions are delegated, the Cabinet remains accountable for them to the Council.
- E4 The Chief Executive represents the authority on partnership and external bodies, in accordance with the scheme of delegation.
- E5 The Monitoring Officer is responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the authority.
- E6 The Chief Finance Officer must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. He or she must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. He or she must ensure that the risks have been fully appraised before agreements are entered into with external bodies.
- E7 Heads of Service are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

### **EXTERNAL FUNDING**

- E8 The Chief Finance Officer is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the authority’s accounts.

### **WORK FOR THIRD PARTIES**

- E9 The Cabinet is responsible for approving the contractual arrangements for any work for third parties or external bodies.

## APPENDIX A

### FINANCIAL MANAGEMENT

#### **FINANCIAL MANAGEMENT STANDARDS**

##### **Why is this important?**

- 1.1 All staff and members have a duty to abide by the highest standards of probity in dealing with financial issues. This is facilitated by ensuring everyone is clear about the standards to which they are working and the controls that are in place to ensure that these standards are met.

##### **Key Controls**

- 1.2 The key controls and control objectives for financial management standards are:
- a) their promotion throughout the authority
  - b) a monitoring system to review compliance with financial standards, and regular comparisons of performance indicators and benchmark standards that are reported to the Cabinet and Council.

##### **Responsibilities of the Chief Finance Officer**

- 1.3 To ensure the proper administration of the financial affairs of the authority.
- 1.4 To set the financial management standards and to monitor compliance with them.
- 1.5 To ensure proper professional practices are adhered to and to act as head of profession in relation to the standards, performance and development of finance staff throughout the authority.
- 1.6 To advise on the key strategic controls necessary to secure sound financial management.
- 1.7 To ensure that financial information is available to enable accurate and timely monitoring and reporting of comparisons of national and local financial performance indicators.

##### **Responsibilities of Heads of Service**

- 1.8 To promote the financial management standards set by the Chief Finance Officer in their departments and to monitor adherence to the standards and practices, liaising as necessary with the Chief Finance Officer.
- 1.9 To promote sound financial practices in relation to the standards, performance and development of staff in their departments.

#### **MANAGING EXPENDITURE**

##### **Scheme of Virement**

##### **Why is this important?**

- 1.10 The scheme of virement is intended to enable the Cabinet, Heads of Service and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by the Council, and therefore to optimise the use of resources.

##### **Key Controls**

- 1.11 Key controls for the scheme of virement are:
- a) it is administered by the Chief Finance Officer within guidelines set by Council. Any variation from this scheme requires the approval of the Council.

- b) the overall budget is agreed by the Cabinet and approved by Council. Heads of Service and budget managers are therefore authorised to incur expenditure in accordance with the estimates that make up the budget. The rules below cover virement; that is, switching resources between approved estimates or heads of expenditure.
- c) virement does not create additional overall budget liability. Heads of Service are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they should aim to avoid supporting recurring expenditure from one-off sources of savings or additional income, or creating future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. They must plan to fund such commitments from within their own budgets.

### **Responsibilities of the Chief Finance Officer**

- 1.12 To assist Heads of Service with reports to the Portfolio Holder/Cabinet where virements in excess of £25,000 are proposed.

### **Responsibilities of Heads of Service**

- 1.13 A Head of Service may exercise virement on budgets under his or her control for amounts up to £25,000 on any one service area during the year, following notification to the Chief Finance Officer and the appropriate Portfolio Holder where these exceed £1,000 under arrangements agreed by Council and subject to the conditions in paragraphs 1.15 to 1.16 below.
- 1.14 Amounts greater than £25,000 require the approval of the Portfolio Holder whilst those in excess of £50,000 require the approval of Cabinet, following a report by the Head of Service, which must specify the proposed expenditure and the source of funding, and must explain the implications in the current and future financial years. Amounts greater than £100,000 require the approval of Council.
- 1.15 Virement that is likely to impact on the level of service activity of another Head of Service should be implemented only after agreement with the relevant Head of Service.
- 1.16 No virement relating to a specific financial year should be made after 31 March in that year.

### **TREATMENT OF YEAR-END BALANCES**

#### **Why is this important?**

- 1.17 The authority's scheme of virement sets out the treatment of year-end balances. It is administered by the Chief Finance Officer within guidelines set by the Council.
- 1.18 Any variation from the scheme of virement (as set out above) requires the approval of Council.
- 1.19 The rules below cover arrangements for the transfer of resources between accounting years, i.e. a carry-forward.

#### **Key Controls**

- 1.20 Appropriate accounting procedures are in operation to ensure that carried-forward totals are correct.
- 1.21 The default position is that underspendings will be treated as savings and accrued with general balances.

### **Responsibilities of the Chief Financial Officer**

- 1.22 To administer the scheme of carry-forward within the guidelines approved by the Council.

- 1.23 To report all underspendings on service estimates carried forward to the Cabinet and to Council.
- 1.24 Underspendings will only be carried forward where funds were provided for a specific purpose and the relevant Head of Service can provide a good reason for the expenditure not having been incurred and a sound case for retention of the budget.

### **Responsibilities of Heads of Service**

- 1.25 At year end Heads of Service shall assess areas of budget underspending and consider whether there is a case for carry forward.
- 1.26 Where the Head of Service considers that such a case can be made he/she shall seek the approval of the Chief Finance Officer who will make the appropriate accounting arrangements.

## **ACCOUNTING POLICIES**

### **Why is this important?**

- 1.27 The Chief Finance Officer is responsible for the preparation of the authority's statement of accounts, in accordance with proper practices as set out in the format required by the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC), for each financial year ending 31 March.
- 1.28 The key controls for accounting policies are:
- a) systems of internal control are in place that ensure that financial transactions are lawful;
  - b) suitable accounting policies are selected and applied consistently;
  - c) proper accounting records are maintained;
  - d) financial statements are prepared which present fairly the financial position of the authority and its expenditure and income.

### **Responsibilities of the Chief Finance Officer**

- 1.29 To select suitable accounting policies and to ensure that they are applied consistently. The accounting policies are set out in the statement of accounts, which is prepared at 31 March each year, and cover such items as:
- (a) separate accounts for capital and revenue transactions;
  - (b) the basis on which debtors and creditors at year end are included in the accounts;
  - (c) details on substantial provisions and reserves;
  - (d) fixed assets;
  - (e) depreciation;
  - (f) capital charges;
  - (g) work in progress;
  - (h) stocks and stores;
  - (i) deferred charges;
  - (j) accounting for value added tax;
  - (k) government grants;
  - (l) leasing;
  - (m) pensions.

### **Responsibilities of Heads of Service**

- 1.30 To adhere to the accounting policies and guidelines approved by the Chief Finance Officer.

## **ACCOUNTING RECORDS AND RETURNS**

### **Why is this important?**

1.31 Maintaining proper accounting records is one of the ways in which the authority discharges its responsibility for stewardship of public resources. The authority has a statutory responsibility to prepare its annual accounts to present fairly its operations during the year. These are subject to external audit. This audit provides assurance that the accounts are prepared properly, that proper accounting practices have been followed and that quality arrangements have been made for securing economy, efficiency and effectiveness in the use of the authority's resources.

### **Key Controls**

1.32 The key controls for accounting records and returns are:

- (a) all members, finance staff and budget managers operate within the required accounting standards and timetables;
- (b) all the authority's transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis;
- (c) procedures are in place to enable accounting records to be reconstituted in the event of systems failure;
- (d) reconciliation procedures are carried out to ensure transactions are correctly recorded;
- (e) prime documents are retained in accordance with legislative and other requirements.

### **Responsibilities of the Chief Finance Officer**

1.33 To determine the accounting procedures and records for the authority. Where these are maintained outside the finance department, the Chief Finance Officer should consult the Head of Service concerned.

1.34 To arrange for the compilation of all accounts and accounting records under his or her direction.

1.35 Where practicable, comply with the following principles when allocating accounting duties:

- (a) separating the duties of providing information about sums due to, or from the authority, and calculating, checking and recording these sums from the duty of collecting or disbursing them
- (b) employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.

1.36 To make proper arrangements for the audit of the authority's accounts in accordance with the Accounts and Audit Regulations 2003.

1.37 To ensure that all claims for funds including grants are made by the due date.

1.38 To prepare and publish the audited accounts of the authority for each financial year, in accordance with the statutory timetable and with the requirement for formal approval of the statement of accounts before 30 September.

1.39 To administer the authority's arrangements for underspendings to be carried forward to the following financial year.

1.40 To ensure the proper retention of financial documents in accordance with the requirements set out in the authority's document retention schedule.

### **Responsibilities of Heads of Service**

- 1.41 To consult and obtain the approval of the Chief Finance Officer before making any changes to accounting records and procedures.
- 1.42 Where practicable to comply with the principles outlined in paragraph 1.35 when allocating accounting duties.
- 1.43 To maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements.
- 1.44 To supply information required to enable the statement of accounts to be completed in accordance with guidelines issued by the Chief Finance Officer.

### **THE ANNUAL STATEMENT OF ACCOUNTS**

#### **Why is this important?**

- 1.45 The authority has a statutory responsibility to prepare its own accounts to present fairly its operations during the year. The Council or an appropriate committee is responsible for approving the statutory annual statement of accounts.

#### **Key Controls**

- 1.46 The key controls for the annual statement of accounts are:
- the authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of these affairs. In this authority, that officer is the Chief Finance Officer
  - the authority's statement of accounts must be prepared in accordance with proper practices as set out in the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (the SORP) (CIPFA/LASAAC).

#### **Responsibilities of the Chief Finance Officer**

- 1.47 To select suitable accounting policies and to apply them consistently.
- 1.48 To make judgements and estimates that are reasonable and prudent.
- 1.49 To comply with the Statements of Recommended Practice (SORP).
- 1.50 To sign and date the statement of accounts, stating that it presents fairly the financial position of the authority at the accounting date and its income and expenditure for the relevant financial year.
- 1.51 To draw up the timetable for final accounts preparation and to advise staff and external auditors accordingly.

#### **Responsibilities of Heads of Service**

- 1.52 To comply with accounting guidance provided by the Chief Finance Officer and to supply him/her with appropriate information when required.

## APPENDIX B

### FINANCIAL PLANNING

#### **PERFORMANCE PLANS**

##### **Why is this important?**

2.1 Each local authority has a statutory responsibility to publish various performance plans, including crime reduction strategies etc. The purpose of performance plans is to explain overall priorities and objectives, current performance, and proposals for further improvement.

##### **Key Controls**

2.2 The key controls for performance plans are:

- (a) to ensure that all relevant plans are produced and that they are internally consistent;
- (b) to produce plans in accordance with statutory requirements;
- (c) to meet the timetables set;
- (d) to ensure that all performance information is accurate, complete and up to date to provide improvement targets which are meaningful, realistic and challenging.

##### **Responsibilities of the Chief Finance Officer**

2.3 To advise and supply the financial information that needs to be included in performance plans in accordance with statutory requirements and agreed timetables.

##### **Responsibilities of the Chief Executive**

- 1.4 To contribute to the development of corporate and service targets and objectives and performance information.
- 2.5 To ensure that systems are in place to measure activity and collect accurate information for use as performance indicators.
- 2.6 To ensure that performance information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met.

##### **Responsibilities of Heads of Service**

- 2.7 To contribute to the development of performance plans in line with statutory requirements.
- 2.8 To contribute to the development of corporate and service targets and objectives and performance information.

## **BUDGETING**

### **Format of the budget**

#### **Why is this important?**

2.9 The format of the budget determines the level of detail to which financial control and management will be exercised. The format shapes how the rules around virement operate, the operation of cash limits and sets the level at which funds may be reallocated within budgets.

#### **Key Controls**

2.10 The key controls for the budget format are:

- (a) the format complies with all legal requirements;
- (b) the format complies with CIPFA guidance;
- (c) the format reflects the accountabilities of service delivery.

#### **Responsibilities of the Chief Finance Officer**

2.11 To advise the Cabinet on the format of the budget that is approved by the Council.

#### **Responsibilities of the Heads of Service**

2.12 To comply with accounting guidance provided by the Chief Finance Officer.

### **Revenue budget preparation, monitoring and control**

#### **Why is this important?**

2.13 Budget management ensures that once the budget has been approved by the Council, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the authority to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.

2.14 By continuously identifying and explaining variances against budgetary targets, the authority can identify changes in trends and resource requirements at the earliest opportunity. The authority itself operates within an annual cash limit, approved when setting the overall budget. To ensure that the authority in total does not overspend, each service is required to manage its own expenditure within the cash-limited budget allocated to it.

2.15 For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure for a service area or cost centre. However, budgetary control will also take place at a more detailed level in order to construct the higher level position.

#### **Key Controls**

2.16 The key controls for managing and controlling the revenue budget are:

- (a) budget managers should be responsible only for income and expenditure that they can influence;
- (b) there is a nominated budget manager for each cost centre heading;
- (c) budget managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities;
- (d) budget managers follow an approved certification process for all expenditure;
- (e) income and expenditure is properly recorded and accounted for;
- (f) performance levels/levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget.

### **Responsibilities of the Chief Finance Officer**

- 2.17 To establish an appropriate framework of budgetary management and control that ensures that:
- (a) budget management is exercised within annual cash limits unless the Council agrees otherwise;
  - (b) each Head of Service has available timely information on receipts and payments on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities;
  - (c) expenditure is committed only against an approved budget head;
  - (d) all officers responsible for committing expenditure comply with relevant guidance and the financial regulations;
  - (e) each cost centre has a single named manager, determined by the relevant chief officer. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commit expenditure;
  - (f) significant variances from approved budgets are investigated and reported by budget managers regularly.
- 2.18 To administer the authority's scheme of virement.
- 2.19 To assist the relevant Head of Service in submitting reports to the Cabinet and to the Council where that Head of Service is unable to balance expenditure and resources within existing approved budgets under his or her control.
- 2.20 To prepare and submit reports on the authority's projected income and expenditure compared with the budget on a regular basis.

### **Responsibilities of Heads of Service**

- 2.21 To maintain budgetary control within their services, in adherence to the principles in 2.17, and to ensure that all income and expenditure is properly recorded and accounted for.
- 2.22 To ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the Head of Service (grouped together in a series of cost centres). As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.
- 2.23 To ensure that spending remains within the service's overall cash limit, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast.
- 2.24 To ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and is operating effectively.
- 2.25 To prepare and submit to the executive reports on the service's projected expenditure compared with its budget, in consultation with the Chief Finance Officer.
- 2.26 To ensure prior approval by the Council or Cabinet (as appropriate) for new proposals, that:
- (a) create material financial commitments in future years;
  - (b) materially change existing policies, initiate new policies or cease existing policies;
  - (c) materially extend or reduce the authority's services.

Such reports should explain the full financial implications, following consultation with the Chief Finance Officer. Unless the Council or Cabinet has agreed otherwise, Heads of Service must plan to contain the financial implications of such proposals within their cash limit.

- 2.27 To ensure compliance with the scheme of virement.
- 2.28 To agree with the relevant Head of Service where it appears that a budget proposal, including a virement proposal, may impact materially on another service area or Head of Service's level of service activity.

### **Budgets and medium-term planning**

#### **Why is this important?**

- 2.29 The authority is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with carefully weighed priorities. The budget is the financial expression of the authority's plans and policies.
- 2.30 The revenue budget must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of the Council. Budgets (spending plans) are needed so that the authority can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for an authority to budget for a deficit.
- 2.31 Medium-term planning (or a three- to five-year planning system) involves a planning cycle in which managers develop their own plans. As each year passes, another future year will be added to the medium-term plan. This ensures that the authority is always preparing for events in advance.

#### **Key Controls**

- 2.32 The key controls for budgets and medium-term planning are:
- (a) specific budget approval for all expenditure;
  - (b) budget managers are consulted in the preparation of the budgets for which they will be held responsible and accept accountability within delegations set by the executive for their budgets and the level of service to be delivered;
  - (c) a monitoring process is in place to review regularly the effectiveness and operation of budget preparation and to ensure that any corrective action is taken.

#### **Responsibilities of the Chief Finance Officer**

- 2.33 To prepare and submit reports on budget prospects for the Cabinet, including resource constraints set by the Government. Reports should take account of medium-term prospects, where appropriate.
- 2.34 To determine the detailed form of revenue estimates and the methods for their preparation, consistent with the budget approved by the Council, and after consultation with the Cabinet and Heads of Service.
- 2.35 To prepare and submit reports to the Cabinet on the aggregate spending plans of departments and on the resources available to fund them, identifying, where appropriate, the implications for the levels of Council Tax and Housing Rents to be levied.
- 2.36 To advise on the medium-term implications of spending decisions.
- 2.37 To encourage the best use of resources and value for money by working with Heads of Service to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.
- 2.38 To advise the Council on Cabinet proposals in accordance with his or her responsibilities under section 151 of the Local Government Act 1972.

#### **Responsibilities of Heads of Service**

- 2.39 To prepare estimates of income and expenditure, in consultation with the Chief Finance Officer, to be submitted to the Cabinet.

- 2.40 To prepare budgets that are consistent with any relevant cash limits, with the authority's annual budget cycle and with guidelines issued by the Cabinet. The format should be prescribed by the Chief Finance Officer in accordance with the Council's general directions.
- 2.41 To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.
- 2.42 In consultation with the Chief Finance Officer and in accordance with the laid-down guidance and timetable, to prepare detailed draft revenue and capital budgets for consideration by the appropriate committee.
- 2.43 When drawing up draft budget requirements, to have regard to:
- (a) spending patterns and pressures revealed through the budget monitoring process;
  - (b) legal requirements;
  - (c) policy requirements as defined by the Council in the approved policy framework;
  - (d) initiatives already under way.

### **Resource allocation**

#### **Why is this important?**

- 2.44 A mismatch often exists between available resources and required resources. A common scenario is that available resources are not adequate to fulfil need/desire. It is therefore imperative that needs/desires are carefully prioritised and that resources are fairly allocated, in order to fulfil all legal responsibilities. Resources may include staff, money, equipment, goods and materials.

#### **Key Controls**

- 2.45 The key controls for resource allocation are:
- (a) resources are acquired in accordance with the law and using an approved authorisation process;
  - (b) resources are used only for the purpose intended, to achieve the approved policies and objectives, and are properly accounted for;
  - (c) resources are securely held for use when required;
  - (d) resources are used with the minimum level of waste, inefficiency or loss for other reasons.

#### **Responsibilities of the Chief Finance Officer**

- 2.46 To advise on methods available for the funding of resources, such as grants from central government and borrowing requirements.
- 2.47 To assist in the allocation of resources to budget managers.

#### **Responsibilities of Heads of Service**

- 2.48 To work within budget limits and to utilise resources allocated, and further allocate resources, in the most efficient, effective and economic way.
- 2.49 To identify opportunities to minimise or eliminate resource requirements or consumption without having a detrimental effect on service delivery.

### **Capital Programmes**

#### **Why is this important?**

- 2.50 Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the authority, such as land, buildings, and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs.

2.51 The Government places strict controls on the financing capacity of the authority. This means that capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources.

### **Key Controls**

2.52 The key controls for capital programmes are:

- (a) specific approval by the Council for the programme of capital expenditure.
- (b) a scheme and estimate, including associated revenue expenditure is prepared for each significant capital project, for approval by the Cabinet.
- (c) Compliance with the Capital Protocol where schemes have, or are estimated to have, a works contract with a value of £500,000 or more.
- (d) proposals for improvements and alterations to buildings must be approved by the appropriate Head of Service.
- (e) schedules for individual schemes costing under £25,000 within the overall budget approved by the Council must be submitted to the Cabinet/Portfolio Holder for approval (for example, minor works), or under other arrangements approved by the Council.
- (f) the development and implementation of asset management plans.
- (g) accountability for each proposal is accepted by a named manager.
- (h) monitoring of progress in conjunction with expenditure and comparison with approved budget.

### **Responsibilities of the Chief Finance Officer**

2.53 To determine the detailed form of capital estimates, to prepare them jointly with Heads of Service and the Chief Executive and to report them to the Cabinet for approval. The Cabinet will make recommendations on the capital estimates and on any associated financing requirements to Council. Where a Head of Service has been successful in a bid for additional borrowing approval not anticipated in the capital programme the Chief Finance Officer shall ensure that appropriate approval in accordance with the scheme of delegation is obtained. This is because the extra borrowing may create future commitments to financing costs.

2.54 To prepare and submit reports to the Cabinet on the projected income, expenditure and resources compared with the approved estimates.

2.55 To issue guidance concerning capital schemes and controls. The definition of 'capital' will be determined by the Chief Finance Officer, having regard to government regulations and accounting requirements.

### **Responsibilities of Heads of Service**

2.56 To comply with guidance concerning capital schemes and controls issued by the Chief Finance Officer including, where schemes have or are estimated to have a works contract with a value in excess of £500,000, the requirements of the Capital Protocol.

2.57 To ensure that, where appropriate, capital proposals have undergone a project appraisal in accordance with the Capital Protocol.

- 2.58 To provide the Chief Finance Officer with sufficient information that will enable him/her to produce accurate monitoring reports.
- 2.59 To ensure that adequate records are maintained for all capital contracts.
- 2.60 To proceed with projects only when there is adequate provision in the capital programme.
- 2.61 To liaise with the Chief Finance Officer and to prepare and submit reports to the Cabinet, of any variation in contract costs greater than the approved virement limits. The Cabinet may meet cost increases by virement from savings elsewhere within their capital programme or contributions from revenue where revenue savings have been identified.
- 2.62 To obtain authorisation from the executive for individual schemes where the estimated expenditure exceeds the capital programme provision by more than a specified amount.
- 2.63 To liaise with the Chief Finance Officer and to prepare and submit reports to the executive, on completion of all contracts where the final expenditure exceeds the approved contract sum by more than the specified amount.
- 2.64 To ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the Chief Finance Officer.
- 2.65 To consult with the Chief Finance Officer where the Head of Service proposes to bid for supplementary credit approvals to be issued by government departments to support expenditure that has not been included in the current year's capital programme. Where such a bid is successful, to seek approval from the Chief Finance Officer/Portfolio Holder/Cabinet in respect of the cost of borrowing and other financial commitments.

## **MAINTENANCE OF RESERVES**

### **Why is this important?**

- 2.66 The local authority must decide the level of general reserves it wishes to maintain before it can decide the levels of Council Tax and Housing Rents. Reserves are maintained as a matter of prudence. They enable the authority to provide for unexpected events and thereby protect it from overspending, should such events occur. Reserves for specific purposes may also be maintained, such as the purchase or renewal of capital items.

### **Key Controls**

- 2.67 To maintain reserves in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC) and agreed accounting policies.
- 2.68 For each reserve established, the purpose, usage and basis of transactions should be clearly identified.
- 2.69 Authorisation of expenditure from reserves by the Chief Finance Officer.

### **Responsibilities of the Chief Finance Officer**

- 2.70 To advise the Cabinet and/or the Council on prudent levels of reserves for the authority, and to take account of the advice of the external auditor in this matter.

### **Responsibilities of Heads of Service**

- 2.71 To ensure that resources are used only for the purposes for which they were intended.

**APPENDIX C**

**RISK MANAGEMENT AND  
CONTROL OF RESOURCES**

**RISK MANAGEMENT**

**Why is this important?**

- 3.1 All organisations, whether private or public sector, face risks to people, property and continued operations. Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk management is the planned and systematic approach to the identification, evaluation and control of risk. Its objectives are to secure the assets of the organisation and to ensure the continued financial and organisational well-being of the organisation. In essence it is, therefore, an integral part of good business practice. Risk management is concerned with evaluating the measures an organisation already has in place to manage identified risks and then recommending the action the organisation needs to take to control these risks effectively.
- 3.2 It is the overall responsibility of the executive to approve the authority's risk management strategy, and to promote a culture of risk management awareness throughout the authority.

**Key Controls**

- 3.3 The key controls for risk management are:
- (a) procedures are in place to identify, assess, prevent or contain material known risks, and these procedures are operating effectively throughout the authority;
  - (b) a monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis;
  - (c) managers know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives;
  - (d) provision is made for losses that might result from the risks that remain;
  - (e) procedures are in place to investigate claims within required timescales;
  - (f) acceptable levels of risk are determined and insured against where appropriate;
  - (g) the authority has identified business continuity plans for implementation in the event of disaster that results in significant loss or damage to its resources.

**Responsibilities of the Chief Finance Officer**

- 3.4 To prepare and promote the authority's risk management policy statement.
- 3.5 To develop risk management controls in conjunction with other Heads of Service, this to include maintaining a corporate Risk Management Group.
- 3.6 To include all appropriate employees of the authority in a suitable fidelity guarantee insurance.
- 3.7 To effect corporate insurance cover, through external insurance and internal funding, to negotiate all claims in consultation with other officers, where necessary and to seek competitive tenders for insurance cover at least once every five years.

### **Responsibilities of Heads of Service**

- 3.8 To notify the Chief Finance Officer immediately of any loss, liability or damage that may lead to a claim against the authority, together with any information or explanation required by the Chief Finance Officer or the authority's insurers.
- 3.9 To take responsibility for risk management, having regard to advice from the Chief Finance Officer and other specialist officers (eg crime prevention, fire prevention, health and safety).
- 3.10 To ensure that there are regular reviews of risk within their departments.
- 3.11 To notify the Chief Finance Officer promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.
- 3.12 To consult the Chief Finance Officer and the Head of Legal, Democratic and Regulatory Services on the terms of any indemnity that the authority is requested to give.
- 3.13 To ensure that employees, or anyone covered by the authority's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

### **INTERNAL CONTROLS**

#### **Why is this important?**

- 3.14 The authority is complex and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives.
- 3.15 The authority has statutory obligations and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations.
- 3.16 The authority faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to manage these risks.
- 3.17 The system of internal controls is established in order to provide measurable achievement of:
  - (a) efficient and effective operations;
  - (b) reliable financial information and reporting;
  - (c) compliance with laws and regulations;
  - (d) risk management.

#### **Key Controls**

- 3.18 The key controls and control objectives for internal control systems are:
  - (a) key controls should be reviewed on a regular basis and the authority should make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively;
  - (b) managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities;
  - (c) financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems;

- (d) an effective internal audit function that is properly resourced. It should operate in accordance with the Standards for the Professional Practice of Internal Audit (issued by the Institute of Internal Auditors (UK and Ireland)), the principles contained in the Auditing Practices Board’s auditing guideline *Guidance for Internal Auditors*, CIPFA’s *Code of Practice for Internal Audit in Local Government in the United Kingdom* and with any other statutory obligations and regulations.

### **Responsibilities of the Chief Executive**

- 3.19 To provide an effective and adequately resourced internal audit service that is deemed acceptable by the Council’s external auditors.

### **Responsibilities of the Chief Finance Officer**

- 3.20 To assist the authority to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.

### **Responsibilities of Heads of Service**

- 3.21 To manage processes to check that established controls are being adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.
- 3.22 To review existing controls in the light of changes affecting the authority and to establish and implement new ones in line with guidance from the Chief Finance Officer. Heads of Service should also be responsible for removing controls that are unnecessary or not cost or risk effective – for example, because of duplication.
- 3.23 To ensure staff have a clear understanding of the consequences of lack of control.

## **AUDIT REQUIREMENTS**

### **Internal Audit**

#### **Why is this important?**

- 3.24 The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit Regulations 2003, regulation 5, more specifically requires that a “relevant body shall maintain an adequate and effective system of internal audit of their accounting records and control systems”.
- 3.25 Accordingly, internal audit is an independent and objective appraisal function established by the authority for reviewing the system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to risk management and the proper, economic, efficient and effective use of resources.

#### **Key Controls**

- 3.26 The key controls for internal audit are:
- (a) that it is independent in its planning and operation;
  - (b) the **Internal Audit Manager** has direct access to the Chief Executive, all levels of management and directly to elected members;
  - (c) the internal auditors comply with the Standards issued by the Institute of Internal Auditors (UK and Ireland) and Auditing Practices Board’s guideline *Guidance for Internal Auditors*, as interpreted by CIPFA’s *Code of Practice for Internal Audit in Local Government in the United Kingdom*.

### **Responsibilities of the Chief Executive**

- 3.27 To ensure that internal auditors have the authority to:
- (a) access authority premises at reasonable times;
  - (b) access all assets, records, documents, correspondence and control systems;
  - (c) receive from any employee of the Council any information and explanation considered necessary concerning any matter under consideration;
  - (d) require any employee of the authority to account for cash, stores or any other authority asset under his or her control;
  - (e) examine, evaluate and report upon:
    - (i) The adherence to management policies, directives and procedures which have been laid down in order to meet the Council's objectives.
    - (ii) The safeguarding of assets and interests.
    - (iii) The relevance, reliability and integrity of information and the completeness and accuracy of records.
    - (iv) Compliance with statutory requirements.
  - (f) access records belonging to third parties, such as contractors, when required;
  - (g) directly access the Chief Executive, the Cabinet and the Audit Committee.
- 3.28 To approve the strategic and annual audit plans prepared by the **Internal Audit Manager**, which take account of the characteristics and relative risks of the activities involved.
- 3.29 To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

### **Responsibilities of the Internal Audit Manager**

- 3.30 To manage the Internal Audit Section and undertake all duties vested in him/her by the Chief Executive and set out in Financial Regulations.
- 3.31 Should any matter arise which would appear to involve the Chief Executive or a member of his/her department to report to the Chief Finance Officer who shall ensure that any necessary action is taken.
- 3.32 To issue a report to the Audit Committee by 30 June each year on the work of the Internal Audit section during the financial year ended on the previous 31 March.

### **Responsibilities of Heads of Service**

- 3.33 To ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.
- 3.34 To ensure that auditors are provided with any information and explanations that they seek in the course of their work.
- 3.35 To consider and respond promptly to recommendations in audit reports.
- 3.36 To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.

- 3.37 To notify the Chief Executive immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the authority's property or resources. Pending investigation and reporting, the chief officer should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- 3.38 To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the **Internal Audit Manager** prior to implementation.

## **External Audit**

### **Why is this important?**

- 3.39 The Local Government Finance Act 1982 set up the Audit Commission, which is responsible for appointing external auditors to each local authority in England and Wales. The external auditor has rights of access to all documents and information necessary for audit purposes.
- 3.40 The basic duties of the external auditor are defined in the Audit Commission Act 1998 and the Local Government Act 1999. In particular, section 4 of the 1998 Act requires the Audit Commission to prepare a Code of Audit Practice, which external auditors follow when carrying out their duties. The Code of Audit Practice issued in March 2000 sets out the auditor's objectives to review and report upon:
- (a) the financial aspects of the audited body's corporate governance arrangements;
  - (b) the audited body's financial statements;
  - (c) aspects of the audited body's arrangements to manage its performance, including the preparation and publication of specified performance information and compliance in respect of the preparation and publication of the BVPP.
- 3.41 The authority's accounts are scrutinised by external auditors, who must be satisfied that the statement of accounts 'presents fairly' the financial position of the authority and its income and expenditure for the year in question and complies with the legal requirements.

### **Key Controls**

- 3.42 External auditors are appointed by the Audit Commission normally for a minimum period of five years. The Audit Commission prepares a Code of Audit Practice, which external auditors follow when carrying out their audits.

### **Responsibilities of the Chief Executive**

- 3.43 To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purposes of their work.
- 3.44 To ensure there is effective liaison between external and internal audit.
- 3.45 To work with the external auditor and advise the Council, Cabinet and Heads of Service on their responsibilities in relation to external audit.

### **Responsibilities of Heads of Service**

- 3.46 To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets which the external auditors consider necessary for the purposes of their work.
- 3.47 To ensure that all records and systems are up to date and available for inspection.

## **PREVENTING FRAUD AND CORRUPTION**

### **Why is this important?**

- 3.48 The authority will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the authority.
- 3.49 The authority's expectation of propriety and accountability is that Members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.
- 3.50 The authority also expects that individuals and organisations (eg suppliers, contractors, service providers) with whom it comes into contact will act towards the authority with integrity and without thought or actions involving fraud and corruption.

### **Key Controls**

- 3.51 The key controls regarding the prevention of financial irregularities are that:
- (a) the authority has an effective anti-fraud and anti-corruption policy and maintains a culture that will not tolerate fraud or corruption;
  - (b) all Members and staff act with integrity and lead by example;
  - (c) senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the authority or who are corrupt;
  - (d) high standards of conduct are promoted amongst members by the Standards Committee;
  - (e) the maintenance of a register of interests in which any hospitality or gifts accepted must be recorded;
  - (f) whistle blowing procedures are in place and operate effectively;
  - (g) legislation including the Public Interest Disclosure Act 1998 is adhered to.

### **Responsibilities of the Chief Finance Officer**

- 3.52 To develop and maintain an anti-fraud and anti-corruption policy.
- 3.53 To propose adequate and effective internal control arrangements.
- 3.54 To ensure that all suspected irregularities are reported to the **Internal Audit Manager**, the Chief Executive, the Cabinet and the Audit Committee.

### **Responsibilities of Heads of Service**

- 3.55 To ensure that all suspected irregularities are reported to the **Internal Audit Manager**.
- 3.56 To instigate the authority's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.
- 3.57 To ensure that where financial impropriety is discovered, the Chief Finance Officer and **Internal Audit Manager** are informed. Where sufficient evidence exists to believe that a criminal offence may have been committed, the **Internal Audit Manager** shall call in the police to determine with the Crown Prosecution Service whether any prosecution will take place.
- 3.58 To maintain adequate effective internal control arrangements.

## **ASSETS**

### **Security**

#### **Why is this important?**

3.59 The authority holds assets in the form of property, vehicles, equipment, furniture and other items worth many millions of pounds. It is important that assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations. An up-to-date asset register is a prerequisite for proper fixed asset accounting and sound asset management.

#### **Key Controls**

3.60 The key controls for the security of resources such as land, buildings, fixed plant machinery, equipment, software and information are:

- (a) resources are used only for the purposes of the authority and are properly accounted for;
- (b) resources are available for use when required;
- (c) resources no longer required are disposed of in accordance with the law and the regulations of the authority so as to maximise benefits;
- (d) an asset register is maintained for the authority, assets are recorded when they are acquired by the authority and this record is updated as changes occur with respect to the location and condition of the asset;
- (e) all staff are aware of their responsibilities with regard to safeguarding the authority's assets and information, including the requirements of the Data Protection Act and software copyright legislation;
- (f) all staff are aware of their responsibilities with regard to safeguarding the security of the authority's computer systems, including maintaining restricted access to the information held on them and compliance with the authority's computer and internet security policies.

#### **Responsibilities of the Chief Finance Officer**

3.61 To ensure that an asset register is maintained in accordance with good practice for all fixed assets with a value in excess of £10,000. The function of the asset register is to provide the authority with information about fixed assets so that they are:

- safeguarded
- used efficiently and effectively
- adequately maintained.

3.62 To ensure that assets included in the register are valued in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC).

(In respect of property these functions are delegated to the **Property and Asset Transition Manager – Community Services**.)

3.63 To receive the information required for accounting, costing and financial records from the **Head of Community Services** and from any other appropriate Head of Service.

#### **Responsibilities of the Head of Community Services**

3.64 To maintain a property database (preferably electronic) for all properties (except dwellings provided under the Housing Acts) recording the purpose for which held, location, extent and plan reference, purchase details, particulars of nature of interest including restrictive covenants and rents payable and particulars of tenancies grants.

- 3.65 To also record in the register all dwellings and garages provided under the Housing Acts including details of location, extent and plan reference and purchase or completion details.
- 3.66 To hold securely the title deeds of all property in the Council's ownership.
- 3.67 Following consultation with the relevant Head of Service, to produce a report where land or buildings are surplus to requirements and sale is recommended.

#### **Responsibilities of Heads of Service**

- 3.68 To maintain a database (preferably electronic) for plant, machinery and moveable assets currently owned or used by their departments. Any use of property by a department or establishment other than for direct service delivery should be supported by documentation identifying terms, responsibilities and duration of use.
- 3.69 To ensure that lessees and other prospective occupiers of Council land are not allowed to take possession or enter the land until a lease or agreement, in a form approved by the **Head of Community Services** in consultation with the Head of Service, has been established as appropriate.
- 3.70 To ensure the proper security of all buildings and other assets under their control.
- 3.71 To pass title deeds to the **Head of Community Services** who is responsible for custody of all title deeds.
- 3.72 To ensure that no authority asset is subject to personal use by an employee without proper authority.
- 3.73 To ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the authority.
- 3.74 To ensure that assets are identified, their location recorded and that they are appropriately marked and insured.
- 3.75 To consult the Chief Executive (Internal Audit) in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- 3.76 To ensure cash holdings on premises are kept to a minimum and comply with limits agreed with the Chief Finance Officer.
- 3.77 To ensure that keys to safes and similar receptacles are carried on the person of those responsible at all times; loss of any such keys must be reported to the Chief Finance Officer as soon as possible.
- 3.78 To authorise and record all disposals or part exchange of assets. These should normally be by competitive tender or public auction, unless the Chief Executive (Internal Audit) decides otherwise in a particular case.
- 3.79 To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Chief Finance Officer.
- 3.80 To ensure that all employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the authority in some way.

### **Inventories**

- 3.81 To maintain inventories and record an adequate description of all furniture, fittings, equipment, plant and machinery in a form determined by and subject to a de minimis limit approved by the **Internal Audit Manager**.
- 3.82 To carry out an annual check of all items on the inventory in order to verify location and condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the authority.
- 3.83 To make sure that property is only used in the course of the authority's business and is not removed from Council premises except where required by the nature of the work, unless the Head of Service concerned has given permission otherwise.

### **Stocks and Stores**

- 3.84 To make arrangements for the care and custody of stocks and stores in the department.
- 3.85 To ensure stocks are maintained at reasonable levels, are not in excess of normal requirements except in special circumstances and are subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion.
- 3.86 To investigate and remove from the authority's records (ie write off) discrepancies as necessary, or to obtain appropriate approval in accordance with the Scheme of Delegation if they are in excess of a predetermined limit.
- 3.87 To authorise disposal or write-off of redundant stocks and equipment. Disposal of such stocks and equipment should be by competitive quotations or auction, unless the Chief Executive (Internal Audit) decides otherwise in a particular case.
- 3.88 To arrange, on at least one occasion each year, for the periodic valuation of all stocks and stores under his or her control and to notify the Chief Finance Officer of their value.
- 3.89 To provide the Chief Finance Officer with such information as he/she requires in relation to stocks and stores for the accounting, costing and financial records.
- 3.90 In any instance where the value of stocks and stores to be written off in respect of any cost centre exceeds a predetermined sum in any one financial year the relevant Head of Service shall secure appropriate written approval from the Chief Executive (Internal Audit).

### **Intellectual Property**

#### **Why is this important?**

- 3.91 Intellectual property is a generic term that includes inventions and writing. Intellectual property can often have a monetary value. If these are created by the employee during the course of employment, then, as a general rule, they belong to the employer, not the employee. Various Acts of Parliament cover different types of intellectual property.
- 3.92 Certain activities undertaken within the authority may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property.

### **Key Controls**

3.93 In the event that the authority decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with the authority's approved intellectual property procedures.

### **Responsibilities of the Head of Legal, Democratic and Regulatory Services**

3.94 To develop and disseminate good practice through the authority's intellectual property procedures.

### **Responsibilities of Heads of Service**

3.95 To ensure that controls are in place to ensure that staff do not carry out private work in Council time and that staff are aware of an employer's rights with regard to intellectual property.

### **Asset Disposal (other than property)**

#### **Why is this important?**

3.96 It would be uneconomic and inefficient for the cost of assets to outweigh their benefits. Obsolete, non-repairable or unnecessary resources should be disposed of in accordance with the law and the regulations of the authority.

### **Key Controls**

3.97 Assets for disposal are identified and are disposed of at the most appropriate time, and only when it is in the best interests of the authority and best price is obtained, bearing in mind other factors, such as environmental issues. For items of significant value, disposal should be by competitive tender or public auction.

3.98 Procedures protect staff involved in the disposal from accusations of personal gain.

### **Responsibilities of the Head of Community Services**

3.99 To issue guidelines representing best practice for disposal of assets.

### **Responsibilities of the Chief Finance Officer**

3.100 To ensure appropriate accounting entries are made to remove the value of disposed assets from the authority's records and to include the sale proceeds if appropriate.

### **Responsibilities of Heads of Service**

3.101 To seek advice from purchasing advisors on the disposal of surplus or obsolete materials, stores or equipment.

3.102 To ensure that income received for the disposal of an asset is properly banked and coded.

## **TREASURY MANAGEMENT**

#### **Why is this important?**

3.103 Millions of pounds pass through local authorities' books each year. This led to the establishment of codes of practice. These aim to provide assurances that the authority's money is properly managed in a way that balances risk with return, but with the overriding consideration being given to the security of the authority's capital sum.

### **General**

3.104 All investments, borrowing and leasing arrangements shall be effected by the Chief Finance Officer.

### Key Controls

3.105 That the authority's borrowings and investments comply with the CIPFA *Code of Practice for Treasury Management in the Public Services 2009* and with the authority's Treasury Policy Statement, Investment Strategy and Prudential Indicators.

### Responsibilities of the Chief Finance Officer – Treasury Management and Banking

3.106 To arrange the borrowing and investments of the authority in such a manner as to comply with the CIPFA *Code of Practice on Treasury Management* and the authority's Treasury Management Policy Statement and Strategy, Investment Strategy and Prudential Indicators and adopt the following four clauses:

- i) The Council will create and maintain, as the cornerstones for effective treasury management:
  - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
  - Suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- ii) The Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
- iii) The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet and for the execution and administration of treasury management decisions to Chief Finance Officer, who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
- iv) The Council nominates the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

3.107 To aggregate all money in the hands of the Council for the purposes of treasury management.

3.108 To maintain a Treasury System Document detailing procedures and controls for all treasury management activities and determining the specific responsibilities of individual members of staff for such activities.

3.109 To present a Treasury Management Strategy, Investment Strategy and Prudential Indicators to Council in conjunction with budget setting and to report annually on treasury management activities to the executive.

3.110 To operate bank accounts as are considered necessary – opening or closing any bank account shall require the approval of the Chief Finance Officer. To this effect:

- (a) All cheques, including National Giro payment forms, but excluding cheques drawn on authorised imprest accounts, shall be ordered only on the authority of the Chief Finance Officer, who shall make proper arrangements for their safe custody.
- (b) Cheques on the Council's main banking accounts, including National Giro accounts, shall bear either the facsimile signature or the handwritten signature of the Chief Finance Officer or other officer authorised by him/her for that purpose.
- (c) The Chief Finance Officer shall set a limit above which facsimile signatures shall be countersigned manually by himself/herself or another officer authorised by him/her for that purpose.

- (d) The computer printed facsimile signature of the Chief Finance Officer shall be amended only on the personal instruction of the Chief Finance Officer.

**Responsibilities of Heads of Service – Treasury Management and Banking**

3.111 To follow the instructions on banking issued by the Chief Finance Officer.

**Responsibilities of the Chief Finance Officer – Investments, Borrowing and Leasing**

3.112 To ensure that all investments of money are made in the name of the authority or in the name of nominees approved by the Council.

3.113 To ensure that all securities that are the property of the authority or its nominees are held in the custody of the Head of Legal, Democratic and Regulatory Services. Bearer securities shall not be acquired.

3.114 To effect all borrowings and leasing in the name of the authority.

3.115 To act as the authority's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the authority.

3.116 To maintain a register of all leased equipment which shall include effective interest rates used.

**Responsibilities of Heads of Service – Investments and Borrowing**

3.117 To ensure that loans are not made to third parties, with the exception of hotels and boarding houses for the purposes of the Fire Precautions (Loans) Act 1973, and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the Council, following consultation with the Chief Finance Officer. The exception of loans to hotels and boarding houses is provided for in the Scheme of Delegation.

**Responsibilities of Heads of Service – Trust funds and funds held for third parties**

3.118 To arrange for all trust funds to be held, wherever possible, in the name of the authority. Should there be any exception this requirement may be waived only by the Head of Legal, Democratic and Regulatory Services who shall report to the Cabinet. All officers acting as trustees by virtue of their official position shall deposit securities, etc relating to the trust with the Head of Legal, Democratic and Regulatory Services, unless the deed otherwise provides. Head of Legal, Democratic and Regulatory Services shall, in turn, lodge such items with the Council's main banker.

3.119 To arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Chief Finance Officer, and to maintain written records of all transactions.

3.120 To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.

**Responsibilities of the Chief Finance Officer – Imprest Accounts**

3.121 To provide employees of the authority with such cash or bank imprest accounts as he/she considers appropriate to meet minor expenditure on behalf of the authority and to prescribe rules for operating these accounts. Minor items of expenditure should not exceed the prescribed amount approved from time to time by the Chief Finance Officer.

3.122 To determine the petty cash limit and to maintain a record of all transactions and petty cash advances made, and periodically to review the arrangements for the safe custody and control of these advances.

3.123 To reimburse imprest holders as often as necessary to restore the imprests.

3.124 Where he/she considers it appropriate, to open an account with the Council's bankers or National Giro for use by the imprest holder. It shall be a standing instruction to the Council's bankers that they must not honour any cheque or transfer that would cause such an account to become overdrawn.

### **Responsibilities of Heads of Service – Imprest Accounts**

3.125 To ensure that employees operating an imprest account:

- (a) obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained.
- (b) make adequate arrangements for the safe custody of the account.
- (c) produce upon demand by the Chief Finance Officer or the **Internal Audit Manager** cash and all vouchers to the total value of the imprest amount and a certificate as to the state of the account if required.
- (d) record transactions promptly.
- (e) reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder.
- (f) provide the Chief Finance Officer with a certificate of the value of the account held at 31 March each year.
- (g) ensure that the float is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made.
- (h) where such an account is held with a bank, to ensure that it does not become overdrawn. The imprest holder shall forward a copy of all bank statements to the Chief Finance Officer.
- (i) no income received on behalf of the Council may be paid into an imprest account unless specifically approved by the Chief Finance Officer.
- (j) on leaving the authority's employment or otherwise ceasing to be entitled to hold an imprest advance, an employee shall account to the Chief Finance Officer for the amount advanced to him or her.

## **STAFFING**

### **Why is this important?**

3.126 In order to provide the highest level of service, it is crucial that the authority recruits and retains high calibre, knowledgeable staff, qualified to an appropriate level.

### **Key Controls**

3.127 The key controls for staffing are:

- (a) an appropriate staffing strategy and policy exists, in which staffing requirements and budget allocation are matched.
- (b) procedures are in place for forecasting staffing requirements and cost.
- (c) controls are implemented which ensure that staff time is used efficiently and to the benefit of the authority.
- (d) checks are undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced and trustworthy.

### **Responsibilities of the Chief Finance Officer**

3.128 To ensure that budget provision exists for all existing and new employees.

3.129 To act as an advisor to Heads of Service on areas such as National Insurance and pension contributions, as appropriate.

**Responsibilities of Heads of Service**

- 3.130 To produce, in conjunction with the Chief Finance Officer, an annual staffing budget.
- 3.131 To ensure that the staffing budget is an accurate forecast of staffing levels and is equated to an appropriate revenue budget provision (including on-costs and overheads).
- 3.132 To monitor staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff.
- 3.133 To ensure that the staffing budget is not exceeded without due authority and that it is managed to enable the agreed level of service to be provided.
- 3.134 To ensure that the Chief Finance Officer is immediately informed if the staffing budget is likely to be materially over- or underspent.

**APPENDIX D**

**FINANCIAL SYSTEMS  
AND PROCEDURES**

**GENERAL**

**Why is this important?**

- 4.1 Departments have many systems and procedures relating to the control of the authority's assets, including purchasing, costing and management systems. Departments are increasingly reliant on computers for their financial management information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.
- 4.2 The Chief Finance Officer has a professional responsibility to ensure that the authority's financial systems are sound and should therefore be notified of any new developments or changes.

**Key Controls**

- 4.3 The key controls for systems and procedures are:
- (a) basic data exists to enable the authority's objectives, targets, budgets and plans to be formulated.
  - (b) performance is communicated to the appropriate managers on an accurate, complete and timely basis.
  - (c) early warning is provided of deviations from target, plans and budgets that require management attention.
  - (d) operating systems and procedures are secure.

**Responsibilities of the Chief Executive**

- 4.4 To establish arrangements for audit of the authority's financial affairs.

**Responsibilities of the Chief Finance Officer**

- 4.5 To make arrangements for the proper administration of the authority's financial affairs, including to:
- (a) issue advice, guidance and procedures for officers and others acting on the authority's behalf;
  - (b) determine the accounting systems, form of accounts and supporting financial records;
  - (c) approve any new financial systems to be introduced;
  - (d) approve any changes to be made to existing financial systems.

**Responsibilities of Heads of Service**

- 4.6 To ensure that accounting records are properly maintained and held securely.
- 4.7 To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Chief Finance Officer.
- 4.8 To ensure that a complete management trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained.
- 4.9 To incorporate appropriate controls to ensure that, where relevant:
- (a) all input is genuine, complete, accurate, timely and not previously processed;
  - (b) all processing is carried out in an accurate, complete and timely manner;
  - (c) output from the system is complete, accurate and timely.

- 4.10 To ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice.
- 4.11 To ensure there is a documented and tested Business Continuity disaster recovery plan to allow information system processing to resume quickly in the event of an interruption.
- 4.12 Heads of Service must ensure that effective Business Continuity Plans are in place and that these are reviewed each September.
- 4.13 To ensure that systems are documented and staff trained in operations.
- 4.14 To consult with the Chief Finance Officer before changing any existing system or introducing new systems.
- 4.15 To establish a scheme of delegation identifying officers authorised to act upon the Head of Service's behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority.
- 4.16 To supply lists of authorised officers, with specimen signatures and delegated limits, to the Chief Finance Officer, together with any subsequent variations.
- 4.17 To ensure, in conjunction with the Head of Human Resources, Customer Services and IT, that effective contingency arrangements, including back-up procedures, exist for computer systems. Wherever possible, back-up information should be securely retained in a fireproof location, preferably off site or at an alternative location within the building.
- 4.18 In conjunction with the Head of Human Resources, Customer Services and IT, to ensure that, where appropriate, information systems are registered in accordance with data protection legislation and that staff are aware of their responsibilities under the legislation.
- 4.19 To ensure that relevant standards and guidelines for computer systems issued by the Head of Service are observed.
- 4.20 To ensure that computer equipment and software are protected from loss and damage through theft, vandalism, etc.
- 4.21 In conjunction with the Head of Human Resources, Customer Services and IT, to comply with the copyright, designs and patents legislation and, in particular, to ensure that:
  - (a) only software legally acquired and installed by the authority is used on its computers;
  - (b) staff are aware of legislative provisions;
  - (c) in developing systems, due regard is given to the issue of intellectual property rights.

## **INCOME AND EXPENDITURE**

### **Income**

#### **Why is this important?**

- 4.22 Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly. It is preferable to obtain income in advance of supplying goods or services as this improves the authority's cashflow and also avoids the time and cost of administering debts.

## Key Controls

4.23 The key controls for income are:

- (a) all income due to the authority is identified and charged correctly, in accordance with an approved charging policy, which is regularly reviewed.
- (b) all income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery.
- (c) all money received by an employee on behalf of the authority is paid without delay to the Chief Finance Officer or, as he or she directs, to the authority's bank or National Giro account, and properly recorded. Where practicable the responsibility for cash collection should be separated from that:
  - for identifying the amount due;
  - for reconciling the amount due to the amount received.
- (d) effective action is taken to pursue non-payment within defined timescales.
- (e) formal approval for debt write-off is obtained.
- (f) appropriate write-off action is taken within defined timescales.
- (g) appropriate accounting adjustments are made following write-off action.
- (h) all appropriate income documents are retained and stored for the defined period in accordance with the document retention schedule.
- (i) money collected and deposited is reconciled to the bank account. Where practicable this should be carried out by a person who is not involved in the collection or banking process.

## Responsibilities of the Chief Finance Officer

- 4.24 To agree arrangements for the collection of all income due to the authority and to approve the procedures, systems and documentation for its collection.
- 4.25 Where debt is recovered centrally, to establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.
- 4.26 To agree the write-off of bad debts up to an approved limit in each case and to refer larger sums to the Cabinet.
- 4.27 To approve all debts to be written off in consultation with the relevant Head of Service and to keep a record of all sums written off up to the approved limit and to adhere to the requirements of the Accounts and Audit Regulations 2003.
- 4.28 To obtain the approval of the Cabinet/Portfolio Holder in consultation with the relevant Head of Service for writing off debts in excess of the approved limit as set out in the Scheme of Delegation.
- 4.29 To ensure that appropriate accounting adjustments are made following write-off action.

## Responsibilities of Heads of Service

- 4.30 In consultation with the relevant Portfolio Holder, to establish or operate a charging policy for the supply of goods or services, including the appropriate charging of VAT, and to review it regularly, in line with corporate policies.
- 4.31 To order and supply all receipt forms, books or tickets and similar items and to satisfy himself or herself regarding the arrangements for their control which shall be in a form approved by the **Internal Audit Manager**.
- 4.32 To separate the responsibility for identifying amounts due, and the responsibility for collection, as far as is practicable.

- 4.33 To establish and initiate appropriate recovery procedures in accordance with guidelines issued by the, including legal action where necessary, for debts that are not paid promptly.
- 4.34 To issue official receipts or to maintain other documentation for income collection.
- 4.35 To ensure that, where practicable, at least two employees are present when post is opened so that money received by post is properly identified and recorded.
- 4.36 To hold securely receipts, tickets and other records of income for the appropriate period as advised by the Chief Finance Officer.
- 4.37 To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling.
- 4.38 To ensure that income is paid fully and promptly into the appropriate authority bank account in the form in which it is received. Appropriate details should be recorded on paying-in slips to provide an audit trail. Money collected and deposited must be reconciled to the bank account on a regular basis.
- 4.39 To ensure income is not used to cash personal cheques or other payments and that no deduction shall be made from monies collected save to the extent that the Chief Finance Officer may specifically authorise.
- 4.40 Where debts are to be raised by the Chief Finance Officer, to supply the Chief Finance Officer with details relating to work done, goods supplied, services rendered or other amounts due, to enable him or her to record correctly the sums due to the authority and to ensure accounts are sent out promptly.
- 4.41 Where debts are to be raised directly by a Head of Service, to maintain details relating to work done, goods supplied, services rendered or other amounts due and to ensure that accounts are sent out promptly.
- 4.42 To promptly notify the Chief Finance Officer of all money due to the Council and of contracts, leases and other agreements and arrangements entered into which involve the receipt of money by the Council. The Chief Finance Officer shall have the right to inspect any documents or other evidence in this connection as he or she may decide.
- 4.43 To assist the Chief Finance Officer in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the authority's behalf. Only up to approved levels of cash, determined by the Chief Finance Officer, can be held on the premises.
- 4.44 To keep a record of every transfer of money between employees of the authority. The receiving officer must sign for the transfer and the transferor must retain a copy.
- 4.45 To recommend to the Chief Finance Officer or the Cabinet/Portfolio Holder as appropriate all debts to be written off and to keep a record of all sums written off up to the approved limit. Cancellation may only occur where it is necessary to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt.
- 4.46 To write off minor debts in accordance with the Scheme of Delegation and to obtain appropriate approval for the writing off of debts in excess of the approved limit.

- 4.47 To notify the Chief Finance Officer of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by him or her and not later than 30 April.

### **Ordering and paying for work, goods and services**

#### **Why is this important?**

- 4.48 Public money should be spent in a transparent way and in accordance with the authority's policies. Authorities have a statutory duty to achieve best value in part through economy and efficiency. The authority's procedures should help to ensure that services obtain value for money from their purchasing arrangements. These procedures should be read in conjunction with the Contracts Procedure Rules.

#### **General**

- 4.49 Every officer and Member of the authority has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the authority, in accordance with appropriate codes of conduct.
- 4.50 Official orders must be in a form approved by the Chief Finance Officer, Head of Legal, Democratic and Regulatory Services, the Head of Community Services (Buyer) and the Head of Service to whom the Buyer will report. Official orders must be issued for all work, goods or services to be supplied to the authority, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions specified by the Chief Finance Officer.
- 4.51 Each order must conform to any guidelines on procurement and if central contracts exist for supplies and/or services then these should be adhered to. Standard terms and conditions must not be varied without the prior approval of the Head of Community Services (Buyer).
- 4.52 Apart from petty cash and other payments from advance accounts, the normal method of payment from the authority shall be by cheque or other instrument or approved method, drawn on the authority's bank account or National Giro account by the Chief Finance Officer. The use of direct debit shall require the prior agreement of the Chief Finance Officer. The use of procurement cards shall require the prior agreement of the Chief Finance Officer and Head of Community Services (Buyer).
- 4.53 Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of authority contracts.

#### **Key Controls**

- 4.54 The key controls for ordering and paying for work, goods and services are:
- (a) all goods and services are ordered only by appropriate persons included in the list of authorised officers and are correctly recorded.
  - (b) all goods and services shall be ordered in accordance with the authority's standing orders/Contract Procedure Rules and Procurement User Guide (due April 2005).
  - (c) goods and services received are checked to ensure they are in accordance with the order. Other than in exceptional circumstances goods should not be received by the person who authorised the order.
  - (d) Payments are not made unless goods have been received by the authority to the correct price, quantity and quality standards.
  - (e) All payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method.

- (f) All appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the document retention schedule.
- (g) All expenditure, including VAT, is accurately recorded against the right budget and any exceptions are corrected.
- (h) In addition, the effect of e-business/e-commerce and electronic purchasing requires that processes are in place to maintain the security and integrity of data for transacting business electronically.

#### **Responsibilities of the Chief Finance Officer**

- 4.55 To ensure that all the authority's financial systems and procedures are sound and properly administered.
- 4.56 To approve any changes to existing financial systems and to approve any new systems before they are introduced.
- 4.57 In conjunction with the Head of Legal, Democratic and Regulatory Services and Head of Community Services (Buyer), to approve the form of official orders and associated terms and conditions.
- 4.58 Following appropriate input by a Head of Service to the computerised payments system, to make payments from the authority's funds on the authorisation of a Head of Service that the expenditure has been duly incurred in accordance with financial regulations.
- 4.59 To make payments, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a court order.
- 4.60 Following appropriate input by a Head of Service to the computerised payments system, to make payments to contractors on the certificate of the appropriate Head of Service, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.
- 4.61 To provide advice and encouragement on making payments by the most economical means and within payment terms.
- 4.62 To ensure that a budgetary control system is established that enables commitments incurred by placing orders to be shown against the appropriate budget allocation so that they can be taken into account in budget monitoring reports.

#### **Responsibilities of Heads of Service**

- 4.63 To ensure that unique sequentially numbered official orders are used for all goods and services, other than the exceptions specified in 4.50.
- 4.64 To ensure that orders are only used for goods and services provided to the Service. Individuals must not use official orders to obtain goods or services for their private use.
- 4.65 To ensure that only those staff authorised by him or her sign orders and to maintain an up-to-date list of such authorised staff, including specimen signatures identifying in each case the limits of their authority. A copy of these lists must be forwarded to the Chief Finance Officer who shall be notified of all alterations as they arise. The authoriser of the order should be satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary. Value for money should always be achieved. No Head of Service shall commit expenditure against any budget for which he/she does not have direct responsibility except with the specific agreement of the Head of Service responsible for that budget.

- 4.66 To ensure that goods and services are checked on receipt to verify that they are in accordance with the order. This check should, where possible, be carried out by a different officer from the person who authorised the order. Appropriate entries should then be made in inventories or stores records.
- 4.67 To ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment, confirming:
- (a) receipt of goods or services;
  - (b) that the invoice has not previously been paid;
  - (c) that expenditure has been properly incurred and is within budget provision;
  - (d) that prices and arithmetic are correct and agrees with quotations, tenders, contracts or catalogue prices;
  - (e) correct accounting treatment of tax;
  - (f) that the invoice is correctly coded;
  - (g) that discounts have been taken where available;
  - (h) that appropriate entries will be made in accounting records.
- 4.68 To ensure that, wherever possible, two authorised members of staff are involved in the ordering, receiving and payment process. If possible, a different officer from the person who signed the order, and in every case, a different officer from the person checking a written invoice, should authorise the invoice.
- 4.69 To ensure that the department maintains and reviews periodically a list of staff approved to authorise invoices. Names of authorising officers together with specimen signatures and details of the limits of their authority shall be forwarded to the Chief Finance Officer.
- 4.70 To ensure that, except where authorised by the Chief Finance Officer or his/her nominee, payments are not made on a photocopied or faxed invoice, statement or other document other than the formal invoice. Any instances of these being rendered should be reported to the **Internal Audit Manager**.
- 4.71 To ensure that supplier's invoices are not amended manually. In any instance where a Head of Service is not satisfied that the invoice amount is correct the invoice shall be referred back to the supplier for amendment unless a credit note for the relevant amount is to be issued. In this latter case the invoice shall not be processed for payment until the credit note is received (except where adjusting net amount to take account of early payment discount).
- 4.72 To encourage suppliers of goods and services to receive payment by the most economical means for the authority. It is essential, however, that payments made by direct debit have the prior approval of the Chief Finance Officer. The use of procurement cards shall require the prior agreement of the Chief Finance Officer and the Head of Community Services (Buyer).
- 4.73 To ensure that the department obtains best value from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality, with regard to the best practice guidelines contained in the Council's Procurement Strategy, set out at Enclosure B to these Regulations and the National Procurement Strategy.
- 4.74 To utilise the central purchasing procedures in putting purchases, where appropriate, out to competitive quotation or tender. These will comply with the standing orders/Contracts Procedures Rules and will cover:
- (a) authorised officers and the extent of their authority;
  - (b) advertisement for tenders;
  - (c) procedure for creating, maintaining and revising a standard list of contractors;

- (d) selection of tenderers;
  - (e) compliance with UK and EU Procurement rules and regulations;
  - (f) procedures for the submission, receipt, opening and recording of tenders;
  - (g) the circumstances where financial or technical evaluation is necessary;
  - (h) procedures for negotiation;
  - (i) acceptance of tenders;
  - (j) the form of contract documentation;
  - (k) cancellation clauses in the event of corruption or bribery;
  - (l) contract records.
- 4.75 To ensure that employees are aware of the National Code of Conduct for Local Government Employees (summarised in the procedures and conditions of employment manual).
- 4.76 To ensure that rental or lease arrangements are not entered into without prior agreement from the Chief Finance Officer. This is because of the potential impact on the authority's borrowing powers, to protect the authority against entering into unapproved credit arrangements and to ensure that value for money is being obtained. Loans and leasing arrangements will only be entered into by the Chief Finance Officer.
- 4.77 To notify the Chief Finance Officer of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by him/her.
- 4.78 To notify the Chief Finance Officer immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.
- 4.79 To input data on the computerised payments system for the purposes of generating payments to suppliers. This input shall be in a form determined by the Chief Finance Officer.
- 4.80 To ensure that all appropriate payment records are retained and stored for the defined period, in accordance with the document retention schedule as determined by the Chief Finance Officer.

#### **Contracts for Building, Constructional or Engineering Works**

- 4.81 A Contract Manager shall be nominated for each individual scheme in the approved capital programme.
- 4.82 Where contracts provide for payment to be made by instalments, the relevant Head of Service shall maintain a contract register showing the state of accounts on each contract between the Council and the contractor, together with any other payments and related professional fees. Such registers shall be in a form approved by the Chief Finance Officer.
- 4.83 No contract shall be entered into without the relevant Head of Service first satisfying himself or herself that adequate uncommitted budgetary provision exists.
- 4.84 Payments to contractors on account of contracts shall be made only on a certificate issued by the relevant Head of Service or other officers nominated by him or her in writing for the purpose. Heads of Service shall notify Internal Audit of all contracts entered into.
- 4.85 Subject to the provisions of the contract in each case, every extra or variation, unless otherwise evidenced to his or her satisfaction, shall be authorised in writing by the relevant Head of Service or other officers (whether Council staff or external consultants) nominated by him or her in writing for the purpose.

- 4.86 Where any such extra or variation or any other instance is likely to cause an estimated additional cost of £50,000 or more, it shall be promptly reported by the relevant Head of Service to the **Internal Audit Manager** and the relevant Cabinet Portfolio Holder.
- 4.87 The final certificate of completion of any contract shall not be issued until the appropriate officer has produced to the **Internal Audit Manager** a detailed statement of account and all relevant documents if required.
- 4.88 The **Internal Audit Manager** shall, to the extent he or she considers necessary, examine final accounts for contracts and he shall be entitled to make all such enquiries and receive such information and explanations as he may require in order to satisfy himself/herself as to the accuracy of the accounts.
- 4.89 Claims from contractors in respect of matters not clearly within the terms of any existing contract shall be referred to the Head of Legal, Democratic and Regulatory Services for consideration of the authority's legal liability and, where necessary, to the Chief Finance Officer for financial consideration before settlement is reached.
- 4.90 Where completion of a contract is delayed by more than two-twelfths of the contract period, it shall be the duty of the Contract Manager concerned to take appropriate action in respect of any claim for liquidated damages and to report his action to the Audit Committee.
- 4.91 In any case where the total cost of any work carried out under a contract exceeds the approved contract sum by £50,000 or more, a report of the cost shall, after agreement of the final account, be submitted to the appropriate Cabinet Portfolio Holder unless sufficient reports have already been provided in accordance with Regulation 4.85.
- 4.92 In any case where the value of a works contract exceeds £500,000 or is estimated to exceed £500,000 the provisions of the Capital Protocol shall be complied with.
- 4.93 A Head of Service regularly undertaking, by direct labour, work which contractors are able and willing to undertake but which is not statutorily subject to competition shall periodically compare the cost of a representative selection of such work with the cost of the same work performed by contractors.

## **Payments to Employees and Members**

### **Why is this important?**

- 4.94 Staff costs are the largest item of expenditure for many local authority services. It is therefore important that payments are accurate, timely, made only where they are due for services to the authority and that payments accord with individuals' conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for and that Members' allowances are authorised in accordance with the scheme adopted by the Council.

### **Key Controls**

- 4.95 The key controls for payments to employees and Members are:
- (a) proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to:
- starters
  - leavers
  - variations
  - enhancements
- and that payments are made on the basis of timesheets or claims.

- (b) frequent reconciliation of payroll expenditure against approved budget and bank account.
- (c) that all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule.
- (d) that Inland Revenue regulations are complied with.

#### **Responsibilities of the Chief Finance Officer**

- 4.96 In conjunction with the Head of Human Resources, Customer Services and IT to arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees, in accordance with procedures prescribed by him or her, on the due date.
- 4.97 To record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions.
- 4.98 To make arrangements for payment of all travel and subsistence claims or financial loss allowance.
- 4.99 To make arrangements for paying Members' travel or other allowances upon receiving the prescribed form, duly completed and authorised.
- 4.100 To provide advice and encouragement to secure payment of salaries and wages by the most economical means.

#### **Responsibilities of Heads of Service**

- 4.101 To ensure appointments are made in accordance with the regulations of the authority and approved establishments, grades and scale of pay and that adequate budget provision is available.
- 4.102 To notify the Head of Human Resources, Customer Services and IT of all proposed appointments, terminations or variations (including absences due to sickness and changes in remuneration other than normal increments and pay awards) which may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Head of Human Resources, Customer Services and IT. All such appointments, terminations, etc shall only be formally effected by the Head of Human Resources, Customer Services and IT.
- 4.103 To ensure that adequate and effective systems and procedures are operated, so that:
  - payments are only authorised to bona fide employees;
  - payments are only made where there is a valid entitlement;
  - conditions and contracts of employment are correctly applied;
  - employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.
- 4.104 To send an up-to-date list of the names of officers authorised to sign records to the Head of Human Resources, Customer Services and IT and the Chief Finance Officer, together with specimen signatures and to provide amendments on the occasion of any change. The payroll provider should have signatures of personnel officers and officers authorised to sign timesheets and claims.
- 4.105 To ensure that payroll transactions are processed only through the payroll system. Heads of Service should give careful consideration to the employment status of individuals employed on a self-employed consultant or sub-contract basis. The Inland Revenue applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Head of Human Resources, Customer Services and IT.

- 4.106 To ensure that all time records or other pay documents are in a form prescribed or approved by the Chief Finance Officer or the Head of Human Resources, Customer Services and IT and are certified by or on behalf of the Head of Service or his/her nominee.
- 4.107 To certify travel and subsistence claims and other allowances which shall be submitted in a form approved by the Chief Finance Officer. Certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred, and that allowances are properly payable by the authority, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and the Chief Finance Officer informed where appropriate.
- 4.108 Officers' claims submitted more than six months after the expenses were incurred will be paid only with the express approval of the Chief Finance Officer or his nominee subject to satisfactory explanation for late submission from the appropriate Head of Service.
- 4.109 To ensure that the Chief Finance Officer is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.
- 4.110 To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule.

### **Responsibilities of Members**

- 4.111 To submit claims for Members' travel and subsistence allowances on prescribed forms on a monthly basis and, in any event, within one month of the year-end. These must be accompanied by a statement signed by the claimant to the effect that he/she has not made and will not make any other claim in respect of the matter to which the claim relates.

## **TAXATION**

### **Why is this important?**

- 4.112 Like all organisations, the authority is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is therefore very important for all officers to be aware of their role.

### **Key Controls**

- 4.113 The key controls for taxation are:
- (a) budget managers are provided with relevant information and kept up to date on tax issues;
  - (b) budget managers are instructed on required record keeping;
  - (c) all taxable transactions are identified, properly carried out and accounted for within stipulated timescales;
  - (d) records are maintained in accordance with instructions;
  - (e) returns are made to the appropriate authorities within the stipulated timescale.

### **Responsibilities of the Chief Finance Officer**

- 4.114 To complete all Inland Revenue returns regarding PAYE.
- 4.115 To complete a monthly return of VAT inputs and outputs to HM Customs and Excise.
- 4.116 To provide details to the Inland Revenue regarding the construction industry tax deduction scheme.
- 4.117 To maintain up-to-date guidance for authority employees on taxation issues.

### **Responsibilities of Heads of Service**

- 4.118 To ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Customs and Excise regulations.
- 4.119 To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements in accordance with guidance given by the Chief Finance Officer.
- 4.120 To ensure that all persons employed by the authority are added to the authority's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency.
- 4.121 To follow the guidance on taxation issued by the Chief Finance Officer.

### **TRADING ACCOUNTS AND BUSINESS UNITS**

#### **Why is this important?**

- 4.122 Trading accounts and business units have become more important as local authorities have developed a more commercial culture.

#### **Responsibilities of the Chief Finance Officer**

- 4.123 To advise on the establishment and operation of trading accounts and business units.

#### **Responsibilities of Heads of Service**

- 4.124 To consult with the Chief Finance Officer where a business unit wishes to enter into a contract with a third party where the contract expiry date exceeds the remaining life of their main contract with the authority. In general, such contracts should not be entered into unless they can be terminated within the main contract period without penalty.
- 4.125 To observe all statutory requirements in relation to business units, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs, is charged, and to produce an annual report in support of the final accounts.
- 4.126 To ensure that the same accounting principles are applied in relation to trading accounts as for other services or business units.
- 4.127 To ensure that each business unit prepares an annual business plan.

## APPENDIX E

### EXTERNAL ARRANGEMENTS

#### **PARTNERSHIPS**

##### **Why is this important?**

- 5.1 Partnerships are likely to play a key role in delivering community strategies and in helping to promote and improve the well-being of the area. Local authorities are working in partnership with others – public agencies, private companies, community groups and voluntary organisations. Local authorities still deliver some services, but their distinctive leadership role is to bring together the contributions of the various stakeholders. They therefore need to deliver a shared vision of services based on user wishes.
- 5.2 Local authorities will mobilise investment, bid for funds, champion the needs of their areas and harness the energies of local people and community organisations. Local authorities will be measured by what they achieve in partnership with others.

##### **General**

- 5.3 The main reasons for entering into a partnership are:
- (a) the desire to find new ways to share risk;
  - (b) the ability to access new resources;
  - (c) to provide new and better ways of delivering services;
  - (d) to forge new relationships.
- 5.4 A partner is defined as either:
- (a) an organisation (private or public) undertaking, part funding or participating as a beneficiary in a project; or
  - (b) a body whose nature or status give it a right or obligation to support the project.
- 5.5 Partners participate in projects by:
- (a) acting as a project deliverer or sponsor, solely or in concert with others;
  - (b) acting as a project funder or part funder;
  - (c) being the beneficiary group of the activity undertaken in a project.
- 5.6 Partners have common responsibilities:
- (a) to be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation;
  - (b) to act in good faith at all times and in the best interests of the partnership's aims and objectives;
  - (c) be open about any conflict of interests that might arise;
  - (d) to encourage joint working and promote the sharing of information, resources and skills between public, private and community sectors;
  - (e) to hold confidentially any information received as a result of partnership activities or duties that is of a confidential or commercially sensitive nature;
  - (f) to act wherever possible as ambassadors for the project.

##### **Key Controls**

- 5.7 All contracts with a value or amount in excess of £250,000 shall be entered into under the Council's seal.

5.7.1 The key controls for authority partners are:

- (a) if appropriate, to be aware of their responsibilities under the authority's financial regulations and the code of practice on tenders and contracts;
- (b) to ensure that risk management processes are in place to identify and assess all known risks;
- (c) to ensure that project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise;
- (d) to agree and accept formally the roles and responsibilities of each of the partners involved in the project before the project commences;
- (e) to communicate regularly with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution.

### **Responsibilities of the Chief Finance Officer**

5.8 To advise on effective controls that will ensure that resources are not wasted.

5.9 To advise on the key elements of funding a project. They include:

- (a) a scheme appraisal for financial viability in both the current and future years;
- (b) risk appraisal and management;
- (c) resourcing, including taxation issues;
- (d) audit, security and control requirements;
- (e) carry-forward arrangements.

5.10 To ensure that the accounting arrangements are satisfactory.

### **Responsibilities of Heads of Service**

5.11 To maintain a register of all contracts entered into with external bodies in accordance with procedures specified by the Chief Finance Officer.

5.12 To ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared for the Chief Finance Officer.

5.13 To ensure that such agreements and arrangements do not impact adversely upon the services provided by the authority.

5.14 To ensure that all agreements and arrangements are properly documented.

5.15 To provide appropriate information to the Chief Finance Officer to enable a note to be entered into the authority's statement of accounts concerning material items.

## **EXTERNAL FUNDING**

### **Why is this important?**

5.16 External funding is potentially a very important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the authority. Local authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers. Funds from external agencies such as the National Lottery and the Single Regeneration Budget provide additional resources to enable the authority to deliver services to the local community. However, in some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the authority's overall plan.

### **Key Controls**

5.17 The key controls for external funding are:

- (a) to ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood;
- (b) to ensure that funds are acquired only to meet the priorities approved in the policy framework by the Council;
- (c) to ensure that any match-funding requirements are given due consideration prior to entering into long-term agreements and that future revenue budgets reflect these requirements.

### **Responsibilities of the Chief Finance Officer**

5.18 To ensure that all funding notified by external bodies is received and properly recorded in the authority's accounts.

5.19 To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.

5.20 To ensure that audit requirements are met.

### **Responsibilities of Heads of Service**

5.21 To ensure that all claims for funds are made by the due date.

5.22 To ensure that the project progresses in accordance with the agreed programme and that all expenditure is properly incurred and recorded.

## **WORK FOR THIRD PARTIES**

### **Why is this important?**

5.23 Current legislation enables the authority to provide a range of services to other bodies. Such work may enable a unit to maintain economies of scale and existing expertise. Arrangements should be in place to ensure that any risks associated with this work are minimised and that such work is intra vires.

### **Key Controls**

5.24 The key controls for working with third parties are:

- (a) to ensure that proposals are costed properly in accordance with guidance provided by the Chief Finance Officer;
- (b) to ensure that contracts are drawn up using guidance provided by the Chief Finance Officer and the Head of Legal, Democratic and Regulatory Services and that the formal approvals process is adhered to;
- (c) to issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register.

### **Responsibilities of the Chief Finance Officer**

5.25 To issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register.

### **Responsibilities of Heads of Service**

5.26 To ensure that the approval of the Cabinet is obtained before any negotiations are concluded to work for third parties.

5.27 In conjunction with the Chief Finance Officer, to ensure that appropriate insurance arrangements are made.

- 5.28 To ensure that the authority is not put at risk from any bad debts.
- 5.29 To ensure that no contract is subsidised by the authority.
- 5.30 To ensure that, wherever possible, payment is received in advance of the delivery of the service.
- 5.31 To ensure that the department/unit has the appropriate expertise to undertake the contract.
- 5.32 To ensure that such contracts do not impact adversely upon the services provided for the authority.
- 5.33 To ensure that all contracts are properly documented.
- 5.34 To provide appropriate information to the Chief Finance Officer to enable a note to be entered into the statement of accounts.

**ENCLOSURE A**

**PROTOCOL FOR CAPITAL PROJECTS**

**1. SCOPE OF PROTOCOL**

This protocol is to be applied in all instances where a works contract has, or is estimated to have, a value in excess of £500,000.

**2. INITIAL CONSIDERATION OF SCHEME**

- 2.1 Where officers carry out initial investigations, feasibility studies, etc, either on their own initiative or at the request of Members, the outcome of this work should be reported to the Cabinet which will consider whether or not it wishes the scheme to proceed.
- 2.2 Any such report should include both an initial estimate of the likely cost of the scheme and a more detailed estimate of the cost of any design work, etc required prior to further consideration by the Cabinet. It should also include a realistic timetable for both the remainder of the planning/design stage and delivery of the scheme itself.
- 2.3 If the Cabinet is in favour either of further investigation or of the scheme as a whole, it will, if the scheme is in accordance with the policy framework and budget, allocate the necessary resources or, if not, make an appropriate request to the Council.

**3. DETAILED PLANNING/DESIGN STAGE**

- 3.1 The Head of Service sponsoring the scheme must ensure that all design work, specifications, etc are prepared by suitably qualified and experienced personnel. In pursuit of this end he/she shall, subject to the nature of the contract, 'appoint' a responsible officer to manage the scheme on his/her behalf.
- 3.2 The responsible officer for the scheme will be determined as the Head of Service sponsoring the scheme.
- 3.3 The Head of Service will appoint as necessary, in conjunction with Council staff, under appropriate forms of agreement, such professionals (Architect, CDM Co-ordinator, Structural Engineer, Mechanical and Electrical Engineer, Quantity Surveyor, etc) as he /she considers appropriate to work up the particular scheme. These measures should cover all risks within the scheme.

The Head of Service will ensure that all professionals appointed have suitable professional indemnity insurance cover in place and that copies of their policies be supplied to the Council on request.

- 3.4 Sufficient time should be allowed for appropriate consultation and design work. This should ensure that undefined provisional sums/contingencies should be kept to a reasonable level (Audit Commission guidance - 10%).
- 3.5 A design option evaluation shall be carried out where it is considered appropriate. This should include an assessment of whole-life costs for each different option.
- 3.6 A full site or external services survey and any other specialist survey shall be carried out where it is considered appropriate.

3.7 The Head of Service shall assess the merits of appointing an independent professional Project Manager who will be responsible for co-ordinating the scheme and monitoring expenditure.

3.8 The Head of Service shall consider procurement routes and undertake a risk assessment which will assess the advantages/disadvantages of different forms of contract/procurement. He/she may require external advice for this purpose.

#### 4. **APPROVAL PROCESS**

4.1 Once detailed design/planning work is completed a report setting out full details of professional resources used, processes applied, option evaluation where appropriate, procurement route (including risk assessment analysis) and detailed costing covering each component will be submitted to the Audit Committee for information.

4.2 When the proposed scheme is of a new build nature all such risk analyses and costings shall be reported by an officer/consultant independent of the Head of Service.

4.3 If further resources are required a report shall be submitted to the Cabinet which shall, if appropriate, seek approval from the Council.

#### 5. **PROCUREMENT STAGE**

5.1 Once all necessary approvals have been received the Project Manager will be appointed. This may be either an officer of the Council or an independent professional. He/she will be accountable for financial performance and monitoring against the budget allocated.

5.2 The tender documentation will be prepared in conjunction with the Head of Legal, Democratic and Regulatory Services and tendering will proceed in accordance with the Contract Procedure Rules (4-8) and all relevant procurement legislation (e.g. use of OJEC, etc).

5.3 Other than in exceptional circumstances tenderers should be allowed at least 28 days to compile their bids.

5.4 Opening, recording, examination and acceptance of tenders shall be carried out in accordance with the Contract Procedure Rules (9-12). This includes consultation with the appropriate Portfolio Holder and Chair of the Audit Committee where the tender is more than 10% of the estimate or the tender recommended for acceptance is not the lowest.

5.5 If, on assessing tenders, the overall cost of the scheme looks likely to exceed the amount approved by the Cabinet or the Council then further approval shall be sought via the Audit Committee and Cabinet. If deadlines preclude this process then the urgency procedure shall be invoked. If the urgency powers have to be invoked, the Chief Executive will consult with the Chairman of the Audit Committee in addition to the relevant Portfolio holder.

5.6 No scheme should commence until full funding has been identified. Once all necessary approvals have been sought the scheme may proceed.

#### 6. **MONITORING**

6.1 A project team will be set up by the Head of Service, except where considered inappropriate (e.g. for routine major repair contracts such as window replacement). This team will meet on a regular basis (intervals no greater than four weeks) and will include, depending on the nature of the contract, the Project Manager, all relevant external professionals and officers from the sponsoring department and the Finance Department.

- 6.2 The Head of Service shall maintain a monitoring record on which shall be recorded all payments (including fees and ancillary costs) and retentions.
- 6.3 During the currency of the scheme a report shall be submitted to each meeting of the Audit Committee. This will include details of progress including measurement against key milestones, any delays or exceptional circumstances and a financial appraisal including the cost of variations. Projected costs will be measured against the amount approved for each component of the scheme.
- 6.4 If, at any time, the cost of the scheme looks likely to exceed the approved amount by more than £50,000 a report shall be submitted to Cabinet.

7. **POST-COMPLETION**

- 7.1 The final payment certificate should not be issued until the **Internal Audit Manager** has been presented with all documentation he/she considers necessary, has examined the accounts and has satisfied him/herself as to the accuracy of the accounts.
- 7.2 The Head of Service shall carry out a post project review to ensure that experience learned from each project can be documented and made freely available to all departments.