

## FINANCIAL PROCEDURE RULES

### Introduction

- 1.1 Under The Local Government Act 2000 the Council has adopted the Mayor and Cabinet form of governance.
- 1.2 To conduct its business efficiently, the Council needs to ensure that it has sound financial management policies in place and that they are strictly adhered to. Part of this process is the establishment of Financial Procedure Rules that set out the financial policies of the Council. As a Council we are committed to innovation, within the regulatory framework, providing that the necessary risk assessment and approval safeguards are in place.
- 1.3 These Financial Procedure Rules provide clarity about the financial accountabilities of individuals – Executive members, the Head of Paid Service, the Monitoring Officer, the Chief Finance Officer and Chief Officers.
- 1.4 The Council's governance structure is laid down in its constitution, which sets out how the Council operates, how decisions are made and the procedures that are followed.

### Financial Procedure Rules

- 2.1 The following pages set out how we intend to interpret these Financial Procedure Rules. Both Members and Chief Officers may have delegated powers and functions mentioned in this document.
- 2.2 Each section of the financial procedures follows the format set out below:
  - **why is this important?**  
this sets the context for the financial procedures and accountability
  - **key controls**  
this explains the key internal controls that set the framework for ensuring Financial Procedure Rules are operating effectively
  - **responsibilities of the Chief Finance Officer**
  - **responsibilities of Chief Officers.**

### **Status of Financial Procedure Rules**

- 2.3** Financial Procedure Rules provide the framework for managing the Council's financial affairs. They apply to all services, every member and officer of the Council and anyone acting on its behalf.
- 2.4** The Rules identify the financial responsibilities of the Council, Executive, Neighbourhood Forums, Council Committees and Overview and Scrutiny members, Chief Officers, the Head of Paid Service (Managing Director), the Monitoring Officer (Head of Democracy and Governance) and the Chief Finance Officer (Shared Director of Finance). Executive members and Chief Officers 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 Chief Officer in the Rules should be read as referring to them.
- 2.5** 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.
- 2.6** The Council's detailed financial procedures, setting out how the Rules will be implemented, are contained in separate guidance and do not form part of the Constitution.
- 2.7** The Chief Finance Officer is responsible for issuing advice, guidance and accounting instructions to underpin the Financial Procedure Rules that members, officers and others acting on behalf of the Council are required to follow.

## **Financial Roles and Responsibilities**

### **Introduction**

- 3.1** The roles and responsibilities of Members and Officers are set out in the Council's Constitution. The purpose of Financial Procedure Rules is to provide an overview of the respective roles and responsibilities of Members and Officers within the Council. Specific financial responsibilities are set out in more detail throughout the subsequent sections.

### **The Council**

- 3.2** The Council is responsible for adopting the Council's Constitution and Members' Code of Conduct and for approving the policy framework and budget within which the Executive operates. It is also responsible for approving and monitoring compliance with the Council'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.
- 3.3** 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, the Mayor, the Executive and standing committees. These delegations and details of who has responsibility for which decisions are set out in the Constitution.

### **The Mayor and Executive**

- 3.4** The Executive 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.
- 3.5** Executive decisions can be delegated to a committee of the Executive, an individual Executive member, an officer or a joint committee.
- 3.6** The Executive is responsible for establishing protocols to ensure that individual Executive members 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.

## **Committees**

### **Overview and Scrutiny Committee**

- 3.7** Overview and Scrutiny Committees are responsible for scrutinising Executive decisions before or after they have been implemented and for holding the Executive to account. 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 Council. They have right of access to all the information they consider necessary and can consult directly with internal and external auditors.

### **Standards Committee**

- 3.8** 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.

### **Standing Committees**

- 3.9** All functions that are not Executive functions are exercised through relevant Standing Committees under powers delegated by the Council. The Council has appointed the following Committees: Audit, Functions, Development Control, Licensing.

### **Neighbourhood Forums**

- 3.10** Twelve Neighbourhood Forums have been established across the Borough. Their purpose is to consider issues of local concern and to report on them to the Executive.

## **The Statutory Officers**

### **Head of Paid Service (Managing Director)**

- 3.11** The Head of Paid Service is responsible for the corporate and overall strategic management of the Council as a whole. He/she must report to and provide information for the Executive, the Council, the Overview and Scrutiny Committee and other committees. He/she is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation. The Head of Paid Service 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 Democracy and Governance)**

- 3.12** The Monitoring Officer is responsible for promoting and maintaining high standards of 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

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maladministration to the Council and/or to the Executive, and for ensuring that procedures for recording and reporting key decisions are operating effectively.

- 3.13** The Monitoring Officer must ensure that Executive decisions and the reasons for them are made public. He/she must also ensure that Council members are aware of decisions made by the Executive and of those made by officers who have delegated Executive responsibility.
- 3.14** The Monitoring Officer is responsible for advising all Councillors and officers about who has authority to take a particular decision.
- 3.15** The Monitoring Officer is responsible for advising the Executive and Council about whether a decision is likely to be considered contrary or not wholly in accordance with the policy framework.
- 3.16** The Monitoring Officer (together with the Chief Finance Officer) is responsible for advising the Executive and 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.
- 3.17** The Monitoring Officer is responsible for maintaining an up-to-date constitution.

### **Chief Finance Officer (Shared Director of Finance)**

- 3.18** The Shared Director of Finance, as the Council's Chief Finance Officer, has statutory duties in relation to the financial administration and stewardship of the Council. 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 Accounts and Audit Regulations 1996 (as amended)
- 3.19** The Chief Finance Officer is responsible for:
- the proper administration of the Council'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.

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- 3.20** Section 114 of the Local Government Finance Act 1988 requires the Chief Finance Officer to report to the Council, Executive and external auditor if the Council 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 Council
  - is about to make an unlawful entry in the Council's accounts

Section 114 of the 1988 Act also requires:

- the Chief Finance Officer to nominate a properly qualified member of staff to deputise should he or she be unable to perform the duties under section 114 personally
- the Council 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.

### **Chief Officers**

- 3.21** Chief Officers are individually responsible for the proper financial management of resources allocated to their services through the budget process and for the identification of and accounting for income which falls due within their area. This includes control of staff and the security, custody and control of all other resources including plant, buildings, material, cash, stores and equipment.
- 3.22** Chief Officers shall ensure that their staff receive sufficient training to enable them to be aware of and comply with the requirements of these Financial Procedure Rules and The Constitution.
- 3.23** Chief Officers are responsible for ensuring that Executive members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Chief Finance Officer
- 3.24** It is the responsibility of Chief Officers to consult with the Chief Finance Officer and seek approval on any matter liable to affect the Council's finances materially, before any commitments are incurred.

## **Financial Regulations A**

### **Financial Planning and Financial Management**

- 4.1** The Council is responsible for agreeing the Council's policy framework and budget, which will be proposed by the Mayor and Executive. In terms of financial planning, the key elements are: · the corporate plan · the budget · the capital programme.
- 4.2** 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.
- 4.3** 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. Such decisions should be referred to the Council by the Monitoring Officer or Chief Finance Officer.
- 4.4** The Council is responsible for setting the level at which the Executive may reallocate budget funds from one service to another. The Executive 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.
- 4.5** The Head of Paid Service is responsible for proposing the corporate plan to the Executive for consideration before its submission to the Council for approval.

## **Financial Regulations B**

### **Risk Management and Control of Resources**

- 4.6** It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational risks to the Council. This should include the proactive participation of all those associated with planning and delivering services.
- 4.7** Internal control refers to the systems of control devised by the Council's Leadership Team to help ensure the Council's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Council's assets and interests are safeguarded.
- 4.8** The Council 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.
- 4.9** The Council is responsible for determining how officer support for Executive and non-Executive roles within the Council will be organised.

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**4.10** The Head of Paid Service 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.

**4.11** Chief Officers 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 Regulations C**

#### **Financial Systems and Procedures**

**4.12** Sound financial systems and procedures are essential to an effective framework of accountability and control.

### **Financial Regulations D**

#### **External Arrangements**

**4.13** The Council 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 and improvement of the economic, social or environmental well-being of its area.

## Financial Procedure Rules

### A: Financial Management and Planning

#### 1 Financial management standards

- (a) The Chief Finance Officer is responsible for maintaining a continuous review of the Financial Procedure Rules and submitting any additions or changes necessary to the Council for approval. The Chief Finance Officer is also responsible for reporting, where appropriate, breaches of the Financial Procedure Rules to the Executive and/or Council.
- (b) Chief Officers are responsible for ensuring that all staff in their departments are aware of the existence and content of the authority's Financial Procedure Rules and that they comply with them.

#### Context

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

The key control and control objective for financial management standards are that they are promoted throughout the Council

#### Responsibilities of the Chief Finance Officer

To ensure the proper administration of the financial affairs of the Council.

To set the financial management standards and to monitor compliance with them.

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 Council.

To advise on the key strategic controls necessary to secure sound financial management.

#### Responsibilities of Chief Officers

To promote the financial management standards in their services and to monitor adherence to the standards and practices, liaising as necessary with the Chief Finance Officer.

To promote sound financial practices in relation to the standards, performance and development of staff in their services.

## **2. Budgeting – Budget Format**

- (a) The Council's capital and revenue budgets shall be prepared in a form consistent with the requirements of Local Government Act 2003 and CIPFA's *Service Reporting – Code of Practice*. The budget should include allocation to different services and projects, proposed taxation levels, balances and reserves.

### **Context**

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, and sets the level at which funds may be reallocated within budgets.

### **Key controls**

The key controls for the budget format are:

- (a) the format complies with all legal requirements
- (b) the format complies with CIPFA's *Service Reporting – Code of Practice*
- (c) the format reflects the accountabilities of service delivery.

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

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

### **Responsibilities of Chief Officers**

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

### **3. Budgeting – resource allocation**

- (a) The Chief Finance Officer is responsible for developing and maintaining a resource allocation process that ensures due consideration of the Council's policy framework.

#### **Context**

A mismatch often exists between available resources and required resources. Available resources are not always 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**

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**

To advise on methods available for the funding of resources, such as grants from central government and borrowing requirements.

To assist in the allocation of resources to cost centre managers.

#### **Responsibilities of Chief Officers**

To work within budget limits and to utilise resources allocated in the most efficient, effective and economic way.

To identify opportunities to minimise or eliminate resource requirements or consumption without having a detrimental effect on service delivery.

#### **4. Budgeting – budget preparation – revenue budget**

The Executive 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 .

- (a) Reports to Members must include, where appropriate, any revenue and capital implications, including any longer term financial commitments at current prices, of the recommendation or options upon which decisions are sought.
- (b) Each Chief Officer shall consult the Chief Finance Officer with respect to any matter which is liable to materially affect the Council's finances before any provisional or other commitment is incurred or before reporting thereon to Members.
- (c) As near as possible to the 30 September each year the Chief Finance Officer shall submit to the Executive a financial review of the prospects for the ensuing year.
- (d) The Chief Finance Officer shall submit to the Executive before the end of December in each year an estimate of the Council's revenue budget for the ensuing financial year and a medium term (three year) financial plan. The Executive shall recommend to the Council its statutory 'Budget Requirement' having sought the views of the Budget Panel.

#### **Context**

The Council is 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 Council's plans and policies.

Any report on new proposals should explain the full financial implications. Unless the Council or Executive has agreed otherwise, Chief Officers must plan to contain the financial implications of such proposals within existing budgets.

The revenue budget must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of the Council. Budgets are needed so that the Council can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for a Council to budget for a deficit.

Medium-term planning (a four 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 Council is always preparing for events in advance.

## **Key Controls**

The key controls for budgets and medium-term planning are:

- (a) specific budget approval for all expenditure
- (b) cost centre managers are responsible for 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**

To prepare and submit reports on budget prospects for the Executive including resource constraints set by the Government. Reports should take account of medium-term prospects, where appropriate.

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 as part of the financial strategy for consideration by the Executive, before submission to the Council. The Council may amend the budget or ask the Executive to reconsider it before approving it

To prepare and submit reports to the Executive on the aggregate spending plans of departments and on the resources available to fund them, identifying, where appropriate, the implications for the level of Council tax to be levied.

To advise on the medium-term implications of spending decisions.

To encourage the best use of resources and value for money by working with Chief Officers 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.

## **Responsibilities of Chief Officers**

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

To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.

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 Executive and the Budget Panel.

It is the responsibility of Chief Officers to ensure that budget estimates reflecting agreed service plans are submitted to the Executive and to the relevant standing committee and that these estimates are prepared in line with guidance issued by the Executive.

When drawing up draft budget requirements, to have regard to:

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- (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.

**5. Budgeting - budget preparation – capital investment programme**

- (a) The officers shall submit to the Executive before the end of December in each year a prioritised programme of the Council's proposed capital investment for the ensuing four financial years.
- (b) The Executive, having sought the views of the Budget Panel shall recommend to the Council those schemes that should be included in the capital investment programme for the ensuing years at the meeting of the Council called for the consideration of the Council's Budget Requirement. The Executive shall also, at that time, recommend to the Council the method of financing the capital investment programme.

**Context**

Capital expenditure involves acquiring or enhancing fixed assets with a long-term value, 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.

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**

The key controls for capital programmes are:

- (a) specific approval by the Council for the programme of capital expenditure
- (b) a scheme and estimate, progress targets and associated revenue expenditure is prepared for each capital project, for approval by the Executive.
- (c) the development and implementation of an asset management plan
- (d) accountability for each proposal is accepted by a named manager
- (e) monitoring of progress in conjunction with expenditure and comparison with approved budget.

**Responsibilities of the Chief Finance Officer**

To prepare capital estimates jointly with Chief Officers and to report them to the Executive. The Executive will make recommendations on the capital estimates and on any associated financing requirements to the Council.

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

To issue guidance concerning capital schemes and controls, for example, on project appraisal techniques. The definition of 'capital' will be determined by the Chief

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Finance Officer, having regard to government regulations and accounting requirements.

### **Responsibilities of Chief Officers**

To ensure that all capital proposals have undergone a project appraisal.

To prepare regular reports reviewing the capital programme provisions for their services.

To ensure that adequate records are maintained for all capital contracts.

To proceed with projects only when there is adequate provision in the capital programme.

To prepare and submit reports, jointly with the Chief Finance Officer, to the Executive, of any variation in contract costs greater than the approved limits

To ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the Chief Finance Officer and, if applicable, approval of the scheme through the capital programme.

## **6. Managing expenditure - budget monitoring and control**

- (a) The Chief Finance Officer shall ensure that each Chief Officer has access to information showing, for the cost centres for which that officer is responsible, the sums specified in the approved budgets, the income receivable, and the payments actually made against those budgets.
- (b) Each Chief Officer shall make arrangements for regularly reviewing the progress of income and expenditure, including commitments, against the approved budgets/latest approved estimates and shall report thereon to the Executive, together with projections of the out-turn figures.

### **Context**

Budget management ensures that once the budget has been approved by the full Council, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the Council 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.

By continuously identifying and explaining variances against budgetary targets, the Council can identify changes in trends and resource requirements at the earliest opportunity. To ensure that the Council in total does not overspend, each service is required to manage its own expenditure within the budget allocated to it.

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 may take place at a more detailed level if this is required by the Chief Officer.

### **Key controls**

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 cost centre manager for each cost centre heading
- (c) cost centre managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities
- (d) cost centre managers follow an approved certification process for all expenditure
- (e) income and expenditure are 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**

To establish an appropriate framework of budgetary management and control that ensures that:

- (a) budget management is exercised within budgets unless the Council agrees otherwise
- (b) each Chief Officer 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 procedure rules
- (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 commits expenditure
- (f) significant variances from approved budgets are investigated and reported by budget managers regularly.

To submit reports to the Executive and to the Council, in consultation with the relevant Chief Officer, where a Chief Officer is unable to balance expenditure and resources within existing approved budgets under his or her control.

To prepare and submit reports on the authority's projected income and expenditure compared with the budget on a regular basis.

### **Responsibilities of Chief Officers**

To maintain budgetary control within their departments, in adherence to the principles above, and to ensure that all income and expenditure is properly recorded and accounted for.

To ensure that an accountable cost centre manager is identified for each item of income and expenditure under the control of the Chief Officer. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.

To ensure that spending remains within the service's overall budget, 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.

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.

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.

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To ensure prior approval by the Council or Executive (as appropriate) for new proposals, of whatever amount, that:

- (a) create financial commitments in future years
- (b) change existing policies, initiate new policies or cease existing policies
- (c) materially extend or reduce the Council's services.

To agree with the relevant Chief Officer where it appears that a budget proposal, including a virement proposal, may impact materially on another service area or Chief Officer's level of service activity.

**7. Managing expenditure – virement and carry forward of underspends**

- (a) The full Council is responsible for agreeing procedures for virement of expenditure between budget headings.
- (b) The Scheme of Virement is shown in Part 4 of the Constitution – Budget and Policy Procedure Rules.

**Context**

The scheme of virement is intended to enable the Executive, Chief Officers 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**

Key controls for the scheme of virement are:

- (a) it is administered within guidelines set by the Council in the Budget and Policy Procedure Rules. Any variation from this scheme requires the approval of the Council
- (d) The rules for carrying forward underspend are in Part 4 of the Constitution – Budget and Policy Procedure Rules..

**Responsibilities of the Chief Finance Officer**

See Part 4 of the Constitution – Budget and Policy Procedure Rules.

**Responsibilities of Chief Officers**

See Part 4 of the Constitution – Budget and Policy Procedure Rules.

**8. The annual statement of accounts**

- (a) The 'Annual Statement of Accounts' shall be prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom*
- (b) The Chief Finance Officer is responsible for selecting accounting policies and ensuring that they are applied consistently.
- (c) As soon as it is practicable after the end of the financial year, and before 1 July, the Chief Finance Officer shall prepare the 'Annual Statement of Accounts' for the preceding year.

**Context**

The Council has a statutory responsibility to prepare its own accounts to present fairly its operations during the year. The Audit Committee is responsible for approving the audited statutory annual statement of accounts.

**Key controls**

The key controls for the annual statement of accounts are:

the Council 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 Council, that officer is the Chief Finance Officer

the Council'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*.

The accounting policies are set out in the statement of accounts 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) work in progress
- (g) stocks and stores
- (h) government grants
- (i) leasing

**Responsibilities of the Chief Finance Officer**

To select suitable accounting policies and to apply them consistently.

To make judgements and estimates that are reasonable and prudent.

To comply with the *Code of Practice on Local Authority Accounting in the United Kingdom*.

To prepare and publish the audited accounts of the Council for each financial year, in accordance with the statutory timetable and with the requirement for the Audit Committee to approve the statement of accounts before 30 September.

To sign and date the statement of accounts, stating that it presents fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 20xx.

To draw up the timetable for final accounts preparation and to advise staff and external auditors accordingly.

**Responsibilities of Chief Officers**

To comply with accounting guidance provided by the Chief Finance Officer and to supply the Chief Finance Officer with information when required.

**9. Maintenance of reserves**

- (a) The Chief Finance Officer shall advise the Executive and the Council on prudent levels of reserves for the Council.

**Context**

The Council must decide the level of general reserves it wishes to maintain before it can decide the level of Council tax. Reserves are maintained as a matter of prudence. They enable the Council 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. The Use Earmarked Reserves is covered in Part 4 – Budget and Policy Rules

**Key controls**

To maintain reserves in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom* and agreed accounting policies.

For each reserve established, the purpose, usage and basis of transactions should be clearly identified.

Authorisation and expenditure from reserves by the Council.

**Responsibilities of the Chief Finance Officer**

To advise the Executive and the Council on prudent levels of reserves for the Council, and to take account of the advice of the external auditor in this matter.

**Responsibilities of Chief Officers**

To ensure that when reserves are likely to be required to meet unforeseen expenditure, decisions are taken in accordance with these Financial Procedure Rules.

**B: Risk Management and Control of Resources**

**10. Risk management**

- (a) The Head of Democracy and Governance is responsible for preparing the Council's risk management policy statement, for promoting it throughout the Council. The Chief Finance Officer is responsible for advising the Executive on proper insurance cover where appropriate.
- (b) The Chief Finance Officer shall negotiate and effect all insurances by the Council and he/she shall maintain a register of all insurances effected by the Council, showing the property and/or risks covered. Chief Officers shall notify the Chief Finance Officer of:-
  - (i) New risks which come to their knowledge with estimates of value in the case of property, vehicles, plant or other tangible assets.
  - (ii) Information coming to their knowledge which can have a bearing on existing risks.
- (c) Any accident or other incident which may result in a claim against the Council, or by the Council under a policy of insurance or otherwise shall be notified to the Chief Finance Officer.
- (d) All appropriate employees of the Council shall be included in a suitable fidelity guarantee insurance.
- (e) Chief Officers shall consult the Chief Finance Officer in respect of the terms of any indemnity which the Council is requested to give.
- (f) The Chief Finance Officer shall annually, or at such other period as he/she may consider necessary, review all insurances in consultation with other Chief Officers as appropriate.
- (g) If any question arises as to the operation of the Council's insurances or as to taking out a new or amended policy which requires a decision of the Council, it shall be reported to the Executive.
- (h) All officers who use private cars on the Council's business shall produce current Insurance Policies and/or renewal receipts as required by the Chief Finance Officer.

**Context**

All organisations 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

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recommending the action the organisation needs to take to control these risks effectively.

It is the overall responsibility of the Head of Democracy and Governance to approve the Council's risk management strategy, and to promote a culture of risk management awareness throughout the authority.

### **Key controls**

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 Council
- (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 Head of Democracy and Governance**

To prepare and promote the Council's risk management policy statement.

To develop risk management controls in conjunction with other Chief Officers.

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

To include all appropriate employees of the Council in a suitable fidelity guarantee insurance.

To effect corporate insurance cover, through external insurance and internal funding, and to negotiate all claims in consultation with other officers, where necessary.

### **Responsibilities of Chief Officers**

To notify the Chief Finance Officer immediately of any loss, liability or damage that may lead to a claim against the Council, together with any information or explanation required by the Chief Finance Officer or the Council's insurers.

To take responsibility for risk management, having regard to advice from the Head of Democracy and Governance and other specialist officers (eg crime prevention, fire prevention, health and safety).

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To ensure that there are regular reviews of risk within their departments.

To notify the Chief Finance Officer promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.

To consult the Chief Finance Officer and the Head of Democracy and Governance on the terms of any indemnity that the Council is requested to give.

To ensure that employees, or anyone covered by the Council'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.

## **11. Internal controls**

- (a) The Chief Finance Officer 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.
- (b) It is the responsibility of Chief Officers 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.

### **Context**

Internal control refers to the systems of control devised by management to help ensure the Council's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Council's assets and interests are safeguarded.

The Council is complex and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives.

The Council has statutory obligations, and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations.

The Council 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.

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**

The key controls and control objectives for internal control systems are:

- (a) key controls should be reviewed on a regular basis and the Council should make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively

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- (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 principles contained in the Public Sector Internal Audit Standards issued by CIPFA and with any other statutory obligations and regulations.

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

To assist the Council 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 Chief Officers**

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.

To review existing controls in the light of changes affecting the Council and to establish and implement new ones. Chief Officers should also be responsible for removing controls that are unnecessary or not cost or risk effective – for example, because of duplication.

To ensure staff have a clear understanding of the consequences of lack of control.

## **12. Audit requirements**

- (a) An adequate and effective internal audit, as specified by the Chief Finance Officer, shall be maintained to carry out an examination of accounting, financial and other operations of the Council.
- (b) The Chief Finance Officer or his/her authorised representative shall have authority to:-
  - (i) enter at all reasonable times on any Council premises or land;
  - (ii) have access to all records, documents, and correspondence relating to any financial and other transactions of the Council;
  - (iii) require and receive such explanations as are necessary concerning any matter under examination; and
  - (iv) require any employee of the Council to produce cash, stores, or any other Council property under his control.
- (c) The Chief Finance Officer shall make such arrangements as are necessary to enable the external auditors to carry out their responsibilities.

### **Context**

The Accounts and Audit Regulations 2011 issued by the Secretary of State for the Communities and Local Government require every local authority to undertake an adequate and effective internal audit of its accounting records and its systems of internal control.

Accordingly, internal audit is an independent and objective appraisal function established by the Council for reviewing the system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

Each local authority is required to appoint an External Auditor. The basic duties of the external auditor are governed by statute

### **Key controls**

The key controls for internal audit are:

- (a) that it is independent in its planning and operation
- (b) Internal audit has direct access to the Managing Director, all levels of management and directly to elected members
- (c) the internal auditors comply with the Public Sector Internal Audit Standards.

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

To manage the internal audit contract and ensure that the quality of the contractor's work is monitored.

To ensure that internal auditors have the authority to:

- (a) access Council premises at reasonable times
- (b) access all assets, records, documents, correspondence and control systems
- (c) receive any information and explanation considered necessary concerning any matter under consideration
- (d) require any employee of the Council to account for cash, stores or any other Council asset under his or her control
- (e) access records belonging to third parties, such as contractors, when required
- (f) directly access the Managing Director and, where appropriate, the Mayor and Executive.

To approve the strategic and annual audit plans prepared by Internal Audit, which take account of the characteristics and relative risks of the activities involved.

To make proper arrangements for the audit of the Council's accounts in accordance with the Accounts and Audit Regulations 2011.

### **Responsibilities of Chief Officers**

To ensure that 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.

To ensure that auditors are provided with any information and explanations that they seek in the course of their work.

To consider and respond promptly to recommendations in audit reports.

To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.

To notify the Chief Finance Officer immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Council'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.

### **13. Preventing and detecting fraud and corruption**

- (a) The Chief Finance Officer is responsible for the development and maintenance of an anti-fraud and anti-corruption and money laundering policies.
- (b) The Managing Director, the Head of Democracy and Governance or the Chief Finance Officer shall be informed immediately of any irregularity or suspected irregularity affecting cash, stores, or other property of the Council. The Managing Director, the Head of Democracy and Governance or the Chief Finance Officer shall determine who shall conduct the investigation and report on the matter to them. If sufficient evidence of fraud or irregularity has been obtained, the Managing Director, Head of Democracy and Governance or Chief Finance Officer shall, where necessary, inform the Police or if they have reasonable suspicion that Money Laundering the Chief Finance Officer (as Money Laundering Reporting Officer) will make a report as required under the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2003 has or could take place, the Money Laundering Reporting Officer.
- (c) The Chief Finance Officer is the appointed Money Laundering Reporting Officer pursuant to the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2003.

#### **Context**

The Council will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Council.

The Council'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.

The Council also expects that individuals and organisations (eg suppliers, contractors, service providers) with whom it comes into contact will act towards the Council with integrity and without thought or actions involving fraud and corruption.

#### **Key controls**

The key controls regarding the prevention of financial irregularities are that:

- (a) the Council has effective anti-fraud, anti-corruption and Money Laundering policies 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 Council 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

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- (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**

To develop and maintain an anti-fraud ,anti-corruption and Money Laundering policies.

To maintain adequate and effective internal control arrangements.

To ensure that all suspected irregularities are investigated.

To receive and consider any report that gives rise to reasonable grounds for knowledge or suspicion of Money Laundering and to determine whether a report needs to be made to the National Criminal Intelligence Service.

### **Responsibilities of Chief Officers**

To ensure that all suspected irregularities are reported to the Chief Finance Officer, Managing Director or Head of Democracy and Governance.

To instigate the Council's disciplinary procedures where the outcome of an investigation indicates improper behaviour.

#### **14. Assets - Security**

- (a) Each Chief Officer is responsible for maintaining proper security at all times for all buildings, stocks, stores, furniture, equipment, cash etc. under his/her control. He/she shall consult the Chief Finance Officer in any case where security is thought to be defective or where it is considered that special security arrangements may be needed. Chief Officers 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.
- (b) Maximum limits for cash holdings shall be agreed with the Chief Finance Officer and shall not be exceeded without his express permission.
- (c) Keys to safes and similar receptacles are to be stored securely: the loss of any such keys must be reported to the Chief Finance Officer.
- (d) The Head of Corporate Strategy and Client Services shall be responsible for maintaining proper security and privacy in respect of information held in computer installations, or for its use.

#### **Context**

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.

The Council holds assets in the form of property, vehicles, equipment, furniture and other items. 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**

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 Council 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 Council so as to maximise benefits
- (d) an asset register is maintained for the Council, assets are recorded when they are acquired by the Council 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 Council's assets and information, including the requirements of the Data

## Appendix 1

Protection Act, the Information Security Policy and software copyright legislation

- (f) all staff are aware of their responsibilities with regard to safeguarding the security of the Council's computer systems, including maintaining restricted access to the information held on them and compliance with the Council's computer and internet security policies.

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

To ensure that an asset register is maintained in accordance with good practice. The function of the asset register is to provide the Council with information about fixed assets so that they are:

safeguarded

used efficiently and effectively

adequately maintained.

To receive the information required for accounting, costing and financial records from each Chief Officer.

To ensure that assets are valued in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom*.

### **Responsibilities of Chief Officers**

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 Chief Officer in consultation with the Head of Democracy and Governance, has been established as appropriate.

To ensure the proper security of all buildings and other assets under their control.

Where land or buildings are surplus to requirements, a recommendation for sale should be the subject of a joint report by the Chief Officer and the Chief Finance Officer.

To pass title deeds to the Head of Democracy and Governance who is responsible for custody of all title deeds.

To ensure that no Council asset is subject to personal use by an employee without proper authority.

To ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the Council.

To ensure that the service maintains an inventory of moveable assets in accordance with arrangements defined by the Chief Finance Officer.

To ensure that assets are identified, their location recorded and that they are appropriately marked and insured.

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To consult the Chief Finance Officer in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.

To ensure cash holdings on premises are kept to a minimum.

To ensure that keys to safes and similar receptacles are stored securely; loss of any such keys must be reported to the Chief Finance Officer as soon as possible.

To record all disposal or part exchange of assets that should normally be by competitive tender or public auction, unless, following consultation with the Chief Finance Officer, the Executive agrees otherwise.

To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Chief Finance Officer.

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 Council in some way.

**15. Assets - inventories**

- (a) Chief Officers shall maintain an inventory in a form and to the extent agreed with the Chief Finance Officer wherein shall be recorded transport, moveable plant and machinery, furniture, office machinery and equipment and any other similar property belonging to the Council. The care and custody of such property shall be the responsibility of the Chief Officer concerned.

**Responsibilities of Chief Officers**

To maintain inventories that record an adequate description of furniture, fittings, equipment, plant and machinery and their estimated value.

To carry out an annual check of all items on the inventory in order to verify location, review, 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 Council.

To make sure that property is only used in the course of the Council's business, unless the Chief Officer concerned has given permission otherwise.

**16. Assets – stocks and stores**

- (a) Each Chief Officer shall be responsible for the proper care and custody of all stocks and stores, tools, plant and other equipment in his/her service.
- (b) Stocks shall not be in excess of normal requirements except in special circumstances with the approval of the Chief Finance Officer.
- (c) The Chief Finance Officer shall be responsible for stores accounting procedures.
- (d) At 31 March in each year, or as near to that date as is practicable, a complete stock-taking of all stores shall be carried out by the service concerned, in consultation with the Chief Finance Officer. A complete stock-taking may be waived or modified after consultation with the Chief Finance Officer where a system of continuous stock-taking is in full operation. Stock sheets shall be certified by the Chief Officer concerned as to quantities and by the Chief Finance Officer as to prices and values.

**Responsibilities of Chief Officers**

To make arrangements for the care and custody of stocks and stores in the service.

To ensure stocks are maintained at reasonable levels and are subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion.

To investigate and remove from the Council's records (ie write off) discrepancies as necessary, having obtained approval from the Chief Finance Officer.

To authorise the disposal of redundant stocks and equipment by competitive quotations or auction, unless, following consultation with the Chief Finance Officer, the Executive decides otherwise in a particular case.

To seek Executive approval to the write-off of redundant stocks and equipment.

**17. Assets – intellectual property**

- (a) Staff must not carry out private work in Council time. The Council will exercise its rights with regard to intellectual property.

**Context**

Intellectual property is a generic term that includes inventions and writing. 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.

Certain activities undertaken within the Council may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property.

**Responsibilities of the Chief Finance Officer**

To develop and disseminate good practice regarding establishing appropriate intellectual property procedures.

**Responsibilities of Chief Officers**

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.

## **18. Asset Disposal**

- (a) Each Chief Officer shall arrange that at 30 September each year, all items on their inventories are checked. Any surplus or deficiency, or items surplus to requirements or obsolete, shall be notified to the Chief Finance Officer who shall submit a co-ordinated list of such surpluses or deficiencies to the Executive.
- (b) The Head of Corporate Strategy and Client Services to have authority to dispose of vehicles which are obsolete and surplus to requirements obtaining the best possible terms for their disposal, following consultation with the Chief Finance Officer.
- (c) The Council's property shall not be removed otherwise than in accordance with the ordinary course of the Council's business or used otherwise than for the Council's purposes except in accordance with specific directions issued by the Chief Officer concerned.
- (d) Any surplus or deficiency revealed at the annual stock-take of stocks and stores or at any other time shall be reported by the Chief Finance Officer to the Executive. Stores deemed to be surplus to requirements or obsolete in the opinion of the Chief Officer responsible shall likewise be reported.

### **Context**

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 Council.

### **Key controls**

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 Council, 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.

Using such procedures protect staff involved in the disposal from accusations of personal gain.

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

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

### **Responsibilities of Chief Officers**

To seek advice on the disposal of surplus or obsolete materials, stores or equipment.

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

## **19. Treasury management**

- (a) The Council has adopted CIPFA's *Code of Practice for Treasury Management in Public Services 2011*.
- (b) The Council is responsible for approving the treasury management strategy and policy statement which shall be proposed to it by the Executive. The Chief Finance Officer has delegated responsibility for implementing and monitoring the statement.
- (c) All money in the hands of the Council is controlled by the officer designated for the purposes of section 151 of the Local Government Act 1972, referred to in the code as the Chief Finance Officer.
- (d) All Executive decisions on borrowing, investment or financing shall be delegated to the Chief Finance Officer, who is required to act in accordance with CIPFA's *Code of Practice for Treasury Management in Public Services*.
- (e) The Audit Committee is responsible for ensuring effective scrutiny of the treasury management strategy and policies

### **Context**

Many millions of pounds pass through the Council's books each year. Management of the Council's investments and cash flows, banking, money market and capital market transactions; the effective control of risks associated with those activities, and the pursuit of optimum performance consistent with those risks. The Code of Practice provides assurances that the Council'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 Council's capital sum.

### **Key controls**

Treasury management activities, borrowings and investments are performed in accordance with the treasury management strategy, policies and practices and comply with the CIPFA Code of Practice on Treasury Management.

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

Reporting to the Executive a proposed treasury management strategy for the coming financial year at or before the start of each financial year to include a policy statement on treasury management objectives, the approach to risk management of treasury management activities.

Reporting to the Executive and Council treasury management policies, practices and activities including a mid-year review and an annual report following the close of the year.

The selection of treasury management practices setting out the manner in which the Council will seek to achieve policies and objectives and prescribing how it will control and manage those activities.

### **Responsibilities of Chief Finance Officer – treasury management and banking**

To arrange the borrowing and investments of the Council in such a manner as to comply with the CIPFA Code of Practice on Treasury Management and the Council's treasury management policy statement and strategy.

To report annually on treasury management activities to the Executive and Audit Committee

To operate bank accounts as are considered necessary – including the opening or closing any bank account.

All arrangements with the Council's bankers concerning the Council's banking account shall be approved by the Executive and shall be managed by the Chief Finance Officer.

All computer – printed cheques shall bear the computer generated signature of the Chief Finance Officer.

Cheques for £50,000 and over require an additional signature

Cheques below £50,000 do not require any additional signature.

The approved signatories are: -

Managing Director  
Chief Finance Officer  
Head of Finance  
Head of Revenues and Benefits  
Benefits Manager  
Recovery Team Leader  
Revenues Manager  
Finance Managers  
Senior Accountants  
Head of Democracy and Governance  
Head of Regeneration and Development

### **Responsibilities of Chief Officers – treasury management and banking**

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

**Responsibilities of Chief Finance Officer – investments and borrowing**

To ensure that all securities that are the property of the Council or its nominees and the title deeds of all property in the Council's ownership are held in the custody of the appropriate Chief Officer.

To effect all borrowings in the name of the Council.

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

**Responsibilities of Chief Officers – investments and borrowing**

To ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the Executive, following consultation with the Chief Finance Officer.

**Responsibilities of Chief Officers – trust funds and funds held for third parties**

To arrange for all trust funds to be held, wherever possible, in the name of the Council. All officers acting as trustees by virtue of their official position shall deposit securities, etc relating to the trust with the Chief Finance Officer, unless the deed otherwise provides.

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.

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

## **C: Financial Systems and Procedures**

### **20. Systems and accounting records**

- (a) The Chief Finance Officer is responsible for the operation of the Council's accounting systems, the form of accounts and the supporting financial records. Any changes to the existing financial systems or the establishment of new systems must be approved by the Chief Finance Officer.
- (b) Chief Officers should ensure that their staff receive relevant financial training that has been approved by the Chief Finance Officer.
- (c) Chief Officers must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation. Chief Officers must ensure that staff are aware of their responsibilities under Freedom of Information, Data Protection and Environmental Information legislation.
- (d) The Chief Finance Officer shall ensure as far as practicable that:-
  - (i) The duty of calculating, checking and recording the monies due to or from the Council shall be separated from the duty of collecting or disbursing those monies; and;
  - (ii) Officers charged with the duty of examining or checking the accounts of cash transactions shall not themselves be engaged in any of those transactions.

### **Context**

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

Information must 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.

The Chief Finance Officer has a professional responsibility to ensure that the Council's financial systems are sound and should therefore be notified of any new developments or changes.

Maintaining proper accounting records is one of the ways in which the Council discharges its responsibility for stewardship of public resources.

### **Key controls**

The key controls for systems and accounting records are:

- (a) basic data exists to enable the Council's objectives, targets, budgets and plans to be formulated

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

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

To make arrangements for the proper administration of the Council's financial affairs, including to:

- (a) issue advice, guidance and procedures for officers and others acting on the Council's behalf
- (b) determine the accounting systems, form of accounts and supporting financial records
- (c) establish arrangements for audit of the Council's financial affairs
- (d) approve any new financial systems to be introduced
- (e) approve any changes to be made to existing financial systems.

To determine the accounting procedures and records for the Council.

To arrange for the compilation of all accounts and accounting records.

To comply with the following principles when allocating accounting duties:

- (a) separating the duties of providing information about sums due to or from the Council 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.

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

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To ensure the proper retention of financial documents and maintain a document retention schedule.

### **Responsibilities of Chief Officers**

To ensure that accounting records are properly maintained and held securely.

To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Chief Finance Officer.

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.

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.

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.

To ensure there is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption.

To ensure that systems are documented and staff trained in operations.

To consult with the Chief Finance Officer before changing any existing system or introducing new systems.

To establish a scheme of delegation identifying officers authorised to act upon the Chief Officer's behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority.

To supply lists of authorised officers, with specimen signatures and delegated limits, to the Chief Finance Officer, together with any subsequent variations.

To ensure 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.

To ensure that, where appropriate, computer systems are registered in accordance with data protection legislation and that staff are aware of their responsibilities under the legislation.

To ensure that relevant standards and guidelines for computer systems issued by the Chief Officer are observed.

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To ensure that computer equipment and software are protected from loss and damage through theft, vandalism, etc.

To comply with the copyright, designs and patents legislation and, in particular, to ensure that:

- (a) only software legally acquired and installed by the Council 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.

To supply information required to enable the statement of accounts to be completed in accordance with guidelines issued by the Chief Finance Officer.

## **21. Income**

- (a) Where any money is receivable on behalf of the Council by any Officer, he/she shall account to the Chief Finance Officer for the same in such manner as the Chief Finance Officer shall reasonably require; and all money received by any officer on behalf of the Council shall be passed to the Head of Revenues and Benefits to enable it to be paid into a bank account of the Council as soon as possible.
- (b) All accounts for debts due to the Council shall be rendered by the Head of Revenues and Benefits and for this purpose other Chief Officers shall furnish the Head of Revenues and Benefits with particulars of all charges that ought to be made for work done, services rendered, or goods supplied by or on behalf of the Council and as soon as possible after the amount of any such charge is ascertained. All individual debts due to the Council shall be only be written off if approved in accordance with the scheme for write off as approved from time to time by the Executive.
- (c) All forms of receipt and tickets shall be in a form approved by the Chief Finance Officer and shall be used and issued by employees of the Council in accordance with the Chief Finance Officer's reasonable requirements. A register shall be maintained for this purpose.
- (d) The Chief Officer who is responsible for the Council entering into any lease, tenancy, contract, or other instrument whereby any payment does or will become due to or from the Council shall as soon as possible after the execution thereof furnish the Head of Revenues and Benefits and the Chief Finance Officer with sufficient particulars of the contents of the document to enable the setting up of adequate financial records relating to such payment and when such document is determined or ceases to have effect in any other way (otherwise than by the passage of time) the Chief Officer in question shall notify the Head of Revenues and Benefits and the Chief Finance Officer as soon as possible.

### **Context**

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 Council's cashflow and also avoids the time and cost of administering debts.

### **Key controls**

The key controls for income are:

- (a) all income due to the Council 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

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- (c) all money received by an employee on behalf of the Council is paid without delay to the Council's bank account, and properly recorded. 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 by a person who is not involved in the collection or banking process.

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

To agree arrangements for the collection of all income due to the Council and to approve the procedures, systems and documentation for its collection.

To order and supply to services all receipt forms, books or tickets and similar items and to satisfy himself or herself regarding the arrangements for their control.

To ensure an appropriate write off policy is in place and reviewed from time to time

To ensure that appropriate accounting adjustments are made following write-off action.

### **Responsibilities of Chief Officers**

To levy charges for the supply of goods or services, including the appropriate charging of VAT, in accordance with the charging policy approved by the Executive.

To ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded.

To hold securely receipts, tickets and other records of income for the appropriate period.

To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling.

To ensure income is not used to cash personal cheques or other payments.

To supply the Head of Revenues and Benefits and the Chief Finance Officer with details relating to work done, goods supplied, services rendered or other amounts due, to enable the Head of Revenues and Benefits to record correctly the sums due to the Council and to ensure accounts are sent out promptly. To do this, Chief

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Officers should use established performance management systems to monitor recovery of income and flag up areas of concern to the Chief Finance Officer. Chief Officers have a responsibility to assist the Head of Revenues and Benefits in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf. Only up to approved levels of cash can be held on the premises.

### **Responsibility of the Head of Revenues and Benefits**

To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable.

To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.

To issue official receipts or to maintain other documentation for income collection.

To ensure that income is paid fully and promptly into the appropriate Council bank account in the form in which it is received. Appropriate details should be recorded on to paying-in slips to provide an audit trail. Money collected and deposited must be reconciled to the bank account on a regular basis.

To keep a record of every transfer of money between employees of the Council. The receiving officer must sign for the transfer and the transferor must retain a copy.

To comply with the Council's write off policy when writing off bad debts

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 the Chief Finance Officer.

**22. Expenditure – orders and payment for works, goods and services**

- (a) All official orders shall be issued in a manner approved by the Chief Finance Officer and the contract or agreed prices shall be specified on issued orders. Telephone or oral orders shall be confirmed by written order as soon as practicable. Orders should show the relevant expenditure code and the cost, or estimated cost, of the goods or works or services.
- (b) Invoices and accounts shall be sent direct to Accounts Payable. Invoices will be registered on the accounts payable system and certification by the spending department will be as regularly as practicable. The Chief Finance Officer shall examine such invoices and accounts and the certifying officer shall supply such further information or explanation as the Chief Finance Officer may reasonably require.
- (c) If upon examining any such invoices or accounts it appears to the Chief Finance Officer that the expenditure incurred is not authorised by or under Contracts Procedure Rules or Financial Procedure Rules or that these Rules have otherwise not been complied with, he shall inform the certifying officer of the fact and after giving the Chief Officer a reasonable opportunity to investigate and comment upon the defect and unless the defect can be and is remedied he shall report to the Executive.
- (d) The Chief Officer issuing the order for the purchase of goods, materials, works or services shall be responsible for examining, verifying, and certifying for payment the invoice for the goods, materials, works or services so ordered.

Certification for payment means that:-

- (i) the goods and materials have been received, examined and approved as to quality and quantity and entry has been made in the appropriate inventory, stores record, where applicable; or
- (ii) the work or services ordered have been done or rendered satisfactorily; and
- (iii) the payment certified is within the limitation in expenditure provided for and otherwise complies with the Contracts Procedures Rules and the Financial Procedure Rules; and
- (iv) prices, arithmetic and codings are correct; and
- (v) the items have not previously been paid for.

A Chief Officer may delegate any of the matters specified in items (i) to (v) above provided that invoices and accounts shall be finally certified by him/her personally or by his/her section heads or nominated managers.

- (e) Each Chief Officer shall, as soon as possible after 31 March and not later than 15 April year, notify the Chief Finance Officer of all outstanding expenditure relating to the previous year.
- (f) Where contracts provide for payment to be made by instalments, the Chief Officer concerned shall arrange for the keeping of a Contract Register or

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- Registers to show the state of account between the Council and the Contractor, together with any other payments and the related professional fees.
- (g) The Chief Finance Officer shall be informed of all contracts, agreements and instruments involving the payment or receipt of money on behalf of the Council.
  - (h) Payments to contractors on account of contracts shall be made only on a certificate signed by the Chief Officer or other authorised Officer of the appropriate service, or by any architect, engineer, surveyor or other consultant (not being an officer of the Council) who is responsible to the Council for the supervision of a contract on its behalf, showing the total value of the contract, the value of work executed to date, retention money, amount paid to date, and the amount now certified.
  - (i) Subject to the provisions of the contract every variation order or extra works order shall be authorised in writing and priced by the responsible Chief Officer. Every variation or extra works order necessitating an increase in the contract sum shall be reported to the Chief Finance Officer and to the Executive as provided for in the Contract Procedures Rules.
  - (j) The final certificate of completion of any contract shall not be issued by the responsible Chief Officer until satisfied on the accuracy of the detailed statement of account and the completeness of supporting vouchers and documents.
  - (k) The Chief Finance Officer shall to the extent he/she considers necessary, examine interim and final accounts for contracts and he/she shall be entitled to make all such enquiries and receive such information and explanations as he/she may require in order to satisfy him/herself as to the accuracy of the accounts.

### **Context**

Public money should be spent with demonstrable probity and in accordance with the Council's policies. Councils have a statutory duty to achieve best value in part through economy and efficiency. The Council'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 Council's Contracts Procedures Rules.

### **General**

Every officer and member of the Council 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 Council, in accordance with appropriate codes of conduct.

Official orders must be in a form approved by the Chief Finance Officer. Official orders must be issued for all work, goods or services to be supplied to the Council, except for exceptions specified by the Chief Finance Officer.

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Apart from petty cash, the normal method of payment from the Council shall be by cheque or BACS, drawn on the Council's bank account by the Chief Finance Officer. The use of direct debit shall require the prior agreement of the Chief Finance Officer.

Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of Council contracts unless the contract was expressly entered into for that purpose.

### **Key controls**

The key controls for ordering and paying for work, goods and services are:

- (a) all goods and services are ordered only by appropriate persons and are correctly recorded
- (b) all goods and services shall be ordered in accordance with the Council's Contracts Procedures Rules
- (c) goods and services received are checked to ensure they are in accordance with the order
- (d) payments are not made unless goods have been received by the Council 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**

To ensure that all the Council's financial systems and procedures are sound and properly administered.

To approve any changes to existing financial systems and to approve any new systems before they are introduced.

To approve the form of official orders and associated terms and conditions.

To make payments from the Council's funds on the Chief Officer's authorisation that the expenditure has been duly incurred in accordance with these Financial Procedure Rules.

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.

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To make payments to contractors on the certificate of the appropriate Chief Officer, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.

To provide advice and encouragement on making payments by the most economical means.

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 Chief Officers**

To ensure that unique pre-numbered official orders are used for all goods and services, other than the exceptions specified above.

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, unless specifically authorised by a Council policy e.g vouchers for eye tests.

To ensure that only those staff authorised by him/ 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. 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. Best value principles should underpin the Council's approach to procurement. Value for money should always be achieved.

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.

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 accord 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.

To ensure wherever possible that two authorised members of staff are involved in the ordering, receiving and payment process. If possible, a different officer from the

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person who signed the order, and in every case, a different officer from the person checking a written invoice, should authorise the invoice.

To ensure that the service 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.

To ensure that payments are not made on a photocopied or faxed invoice, statements or other document other than the formal invoice. Any instances of these being rendered should be reported to the Chief Finance Officer.

To encourage suppliers of goods and services to receive payment by the most economical means for the Council. It is essential, however, that payments made by direct debit have the prior approval of the Chief Finance Officer.

To ensure that the service 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, which are in line with best value principles and contained in the Council's Contracts Procedures Rules.

To utilise any central purchasing procedures established in putting purchases, where appropriate, out to competitive quotation or tender. These will comply with the 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 EC legislation 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.

To ensure that employees are aware of the national code of conduct for local government employees

To ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the Chief Finance Officer. This is because of the potential impact on the Council's borrowing powers, to protect the Council against entering into unapproved credit arrangements and to ensure that value for money is being obtained.

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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 the Chief Finance Officer.

With regard to contracts for construction and alterations to buildings and for civil engineering works, to document and agree with the Chief Finance Officer the systems and procedures to be adopted in relation to financial aspects, including certification of interim and final payments, checking, recording and authorising payments, the system for monitoring and controlling capital schemes and the procedures for validation of subcontractors' tax status.

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.

**23. Payments to employees and members**

- (a) The payment of all salaries, wages, pensions, compensation, and other emoluments to all employees of the Council shall be made by the Chief Finance Officer or under arrangements approved and controlled by him.
- (b) Appointments of all employees shall be made in accordance Council policies and procedures and in accordance with approved establishments, grades and rates of pay, and shall immediately be notified to Human Resources.
- (c) Each Chief Officer shall notify Human Resources as soon as possible and in the form prescribed of all matters affecting the payment of such salaries, wages, pensions, compensation, and other emoluments, and, in particular:-
  - (i) Appointments, resignations, dismissals, suspensions, secondments, and transfers.
  - (ii) Absences from duty for sickness or other reason, apart from approved leave.
  - (iii) Changes in remuneration other than normal increments and pay awards and agreements for general application.
  - (iv) Information necessary to maintain records of service for superannuation, income tax, national insurance and the like.
- (d) For weekly paid employees the Head of Human Resources shall approve the form of all timesheets and other relevant documents and shall prescribe detailed procedures for their completion, certification and submission, to enable proper payments to be made and an accurate charging of payments to the appropriate headings of expenditure.
- (e) If any payment is made before the normal time of payment a receipt shall be given by the recipient in the presence of the employing services representative, acknowledging that an equivalent deduction will be made from the next payment. If, for any reason, a pay slip is not handed to an employee at the normal time it must be returned as soon as possible to the Head of Human Resources.
- (f) All claims for payment of car allowances, subsistence allowances, travelling and incidental expenses shall be submitted, duly certified in a form approved by Human Resources, made up to a specified day of each month, within three days thereof. The names of officers authorised to sign such records shall be sent to the HR Manager by each Chief Officer and shall be amended on the occasion of any change.
- (g) Payments to Members, including co-opted Members of the Council who are entitled to claim travelling or other allowances shall be authorised by the Head of Democracy and Governance and will be made through the payroll system upon receipt of the prescribed form duly completed. All claims for allowances shall be made within two months of the date on which the relevant duty was carried out. Claims for allowances dated thereafter two months following the

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- date of the relevant duty will be paid with the approval of the Chief Finance Officer.
- (h) The certification by or on behalf of the Chief Officer shall be taken to mean that the certifying officer is satisfied that the journeys were authorised, the expenditure properly and necessarily incurred and that the allowances are properly payable by the Council.
  - (i) Officers' claims submitted more than 6 months after the expenses were incurred will be paid only with the approval of the Chief Finance Officer.

### **Context**

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

Staff costs are the largest item of expenditure for most Council services. It is therefore important that payments are accurate, timely, made only where they are due for services to the Council 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**

The key controls for staffing are:

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

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) all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule

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(d) that Inland Revenue regulations are complied with.

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

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

To act as an advisor to Chief Officers on areas such as National Insurance and pension contributions, as appropriate.

### **Responsibilities of the Head of Human Resources**

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/her, on the due date.

To record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions.

To make arrangements for payment of all travel and subsistence claims or financial loss allowance.

To make arrangements for paying members travel or other allowances upon receiving the prescribed form, duly completed and authorised.

To provide advice and encouragement to secure payment of salaries and wages by the most economical means.

To ensure that there are adequate arrangements for administering superannuation matters on a day-to-day basis.

### **Responsibilities of Chief Officers**

To produce an annual staffing budget.

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).

To monitor staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff.

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.

To ensure that the Chief Finance Officer is immediately informed if the staffing budget is likely to be materially over- or underspent.

To ensure appointments are made in accordance with the policies of the Council and within approved establishments, grades and scale of pay and that adequate budget provision is available.

To notify the Head of Human Resources of all appointments, terminations or variations 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.

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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.

To send an up-to-date list of the names of officers authorised to sign records to the Head of Human Resources, together with specimen signatures. The payroll provider should have signatures of personnel officers and officers authorised to sign timesheets and claims.

To ensure that payroll transactions are processed only through the payroll system. Chief Officers should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract 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.

To certify travel and subsistence claims and other allowances. Certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred, and that allowances are properly payable by the Council, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and that the Chief Finance Officer is informed where appropriate.

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.

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**

To submit claims for members' travel and subsistence allowances where claimable on a monthly basis.

**24. Petty cash and postages imprests**

- (a) A Central Petty Cash Account on an imprest basis shall be maintained by the Chief Finance Officer for the purpose of petty cash disbursements. Imprests or Floats to services or officers for defined purposes shall be subsidiary to the Central Imprest Account. Vouchers submitted for payment through this account (other than imprests and floats) shall be examined and certified in compliance with these Financial Procedure Rules.
- (b) The officers responsible for such imprests shall be responsible for the safe custody of imprest advances and shall ensure that:-
  - (i) Vouchers are obtained for each payment.
  - (ii) Individual payments of more than £50 are not made through imprests.
  - (iii) Income, except by way of an imprest reimbursement, is not brought into the imprest but paid into the Council's bank account.
- (c) All postages for outgoing mail shall be made through centralised franking machinery or the DX system as far as practicable. Packages containing documents or articles of value shall be registered or insured according to arrangements in force.

**Responsibilities of the Chief Finance Officer – petty cash accounts and imprests**

To provide employees of the Council with petty cash accounts to meet minor expenditure on behalf of the Council and to prescribe rules for operating these accounts. Minor items of expenditure should not exceed the prescribed amount.

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.

To reimburse petty cash holders as often as necessary to restore the imprests.

**Responsibilities of Chief Officers – petty cash accounts and imprests**

To ensure that employees operating a petty cash account:

- (a) obtain and retain vouchers to support each payment from the petty cash 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 cash and all vouchers to the total value of the petty cash amount
- (d) record transactions promptly

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- (e) reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the petty cash 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) on leaving the Council's employment or otherwise ceasing to be entitled to hold a petty cash advance, an employee shall account to the Chief Finance Officer for the amount advanced to him/her.

## **25. Taxation**

- (a) The Chief Finance Officer is responsible for advising Chief Officers, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the Council.
- (b) The Chief Finance Officer is responsible for maintaining the Council's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

### **Context**

Like all organisations, the Council 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**

The key controls for taxation are:

- (a) cost centre managers are provided with relevant information and kept up to date on tax issues
- (b) cost centre 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**

To complete a monthly return of VAT inputs and outputs to HM Customs and Excise.

To provide details to the Inland Revenue regarding the construction industry tax deduction scheme.

### **Responsibilities of Chief Officers**

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.

To complete all Inland Revenue returns regarding PAYE (Human Resources).

To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.

To ensure that all persons employed by the Council are added to the Council's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised employment agency.

To follow the guidance on taxation issued by the Chief Finance Officer.

**26. Trading accounts and business units**

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

**Context**

Trading accounts and business units have become more important as local authorities have developed a more commercial culture. Under the Service Reporting Code of Practice, Councils are required to keep trading accounts for services provided on a basis other than straightforward recharge of cost, such as a quoted price or a schedule of rates. There is a requirement to disclose the results of significant trading operations in competitive environments.

**Responsibilities of the Chief Finance Officer**

To advise on the establishment and operation of trading accounts and business units and reporting requirements.

**Responsibilities of Chief Officers**

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 Council. In general, such contracts should not be entered into unless they can be terminated within the main contract period without penalty.

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.

To ensure that the same accounting principles are applied in relation to trading accounts as for other services or business units.

To ensure that each business unit prepares an annual business plan.

## **D: External Arrangements**

### **27. Partnerships**

- (a) The Executive is responsible for approving delegations, including frameworks for partnerships. The Executive is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.
- (b) The Executive can delegate functions – including those relating to partnerships – to officers. These are set out in the scheme of delegation that forms part of the Council's constitution. Where functions are delegated, the Executive remains accountable for them to the Council.
- (c) Officers represent the Council on partnership and external bodies, in accordance with the scheme of delegation.
- (d) The Chief Finance Officer is responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the Council.
- (e) 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.
- (f) Chief Officers are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

### **Context**

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 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.

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.

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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.

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.

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.

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**

The key controls for Council partners are:

- (a) if appropriate, to be aware of their responsibilities under the Council's Finance Procedure Rules and the Contracts Procedures Rules
- (b) to ensure that risk management processes are in place to identify and assess all known risks

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- (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**

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

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.

To ensure that the accounting arrangements are satisfactory.

### **Responsibilities of Chief Officers**

To maintain a register of all contracts entered into with external bodies.

To ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared.

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

To ensure that all agreements and arrangements are properly documented.

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

## **28. External funding**

- (a) The Chief Finance Officer is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Council's accounts.

### **Context**

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 Local Enterprise Partnership provide additional resources to enable the Council 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 Council's overall plan.

### **Key controls**

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**

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

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

To ensure that audit requirements are met.

### **Responsibilities of Chief Officers**

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

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

**29. Work for third parties**

- (a) The Executive is responsible for approving the contractual arrangements for any work for third parties or external bodies.

**Context**

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

**Key controls**

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 Head of Democracy and Governance and that all formal approvals are obtained

**Responsibilities of Chief Finance Officer**

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

**Responsibilities of Chief Officers**

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

To maintain a register of all contracts entered into with third parties.

To ensure that appropriate insurance arrangements are made, to ensure that the Council is not put at risk from any bad debts and to ensure that no contract is subsidised by the Council.

To ensure that, wherever possible, payment is received in advance of the delivery of the service.

To ensure that the service has the appropriate expertise to undertake the contract and to ensure that such contracts do not impact adversely upon the services provided for the Council.

To ensure that all contracts are properly documented.

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.