

Financial Procedure Rules

Updated: July 2024

Approved by Audit Committee: 18 July 2024

Approved by Council: 15 October 2024

Owner: Senior Business Advisor (Deputy Section 151)

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STATUS OF FINANCIAL PROCEDURE RULES

- 1.1 Financial procedure rules provide the framework for managing the authority's financial affairs. They apply to every member and officer of the Council and anyone acting on its behalf. This includes Lichfield West Midlands Traded Services (LWMTS) Ltd employees acting on behalf of the Council.
- 1.2 They form an integral part of the regulations and procedures used within the Council and should not be considered in isolation to other parts of the Constitution particularly Contract Procedure Rules and other financial policies and procedures. Any supplementary or additional guidance issued under Financial Procedure Rules such as credit card guidance etc. has the same standing and requirements as Financial Procedure Rules.
- 1.3 The procedure rules identify the financial responsibilities of the Council, Cabinet and scrutiny members, the Head of Paid Service, the Chief Finance Officer and Monitoring Officer.
- 1.4 All members and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, is properly authorised, provides value for money, and achieves best value.
- 1.5 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. Reviews of the rules take place periodically based on changes within the Council and the wider financial environment. All changes to the Constitution are documented within the minutes. The Chief Finance Officer is also responsible for reporting, where appropriate, breaches of the financial procedure rules to the Council and/or to the Cabinet members.
- 1.6 The authority's detailed financial procedures, setting out how the procedure rules will be implemented, are contained in the appendices to the financial procedure rules.
- 1.7 Members of Leadership Team are responsible for ensuring that all staff in their service areas are aware of the existence and content of the authority's financial procedure rules and other internal regulatory documents and that they comply with them. They must also ensure there is a reference to access them on the internet/intranet via Mod Gov as appropriate.
- 1.8 The Chief Finance Officer is responsible for issuing advice and guidance to underpin the financial procedure rules that members, officers and others acting on behalf of the authority are required to follow.
- 1.9 Reference to Head of Paid Service, Monitoring Officer, Chief Finance Officer, Members of Leadership Team should be construed with reference to article 12 of this Constitution.
- 1.10 The Council's Leadership Team comprises the Chief Executive, the Chief Operating Officer, Directors and the Monitoring Officer.
- 1.11 The Council's Wider Leadership Team also includes Service Managers from all service areas across the Council.

Financial Regulation A: Financial Management

INTRODUCTION

- A.1 Financial management covers all financial accountabilities in relation to the running of the authority, including the policy framework and budget.

THE COUNCIL

- A.2 The Council is responsible for adopting the authority's constitution and members' code of conduct and for approving the policy framework and budget within which the Cabinet operates. It is also responsible for approving and monitoring compliance with the authority's overall framework of accountability and control. The framework is set out in its constitution. The Council is also responsible for monitoring compliance with the agreed policy and related Cabinet decisions.
- A.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 and its committees. These delegations and details of who has responsibility for which decisions are set out in the Constitution.
- A.4 A key decision is legally defined as: a decision likely to result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates or to be significant in terms of its effects on communities living or working in an area comprising two or more wards in the Council's area.
- A.5 Any decision involving **additional expenditure or savings over £150,000** will be a key decision (excluding any decision relating to investment of council monies as part of treasury management procedures).
- A.6 In addition, acceptance of **additional income over £150,000** will be a key decision where there are significant resource implications/obligations for the council (as determined by the Section 151 Officer).

THE CABINET

- A.7 The Cabinet is responsible for proposing the policy framework and budget to the Council, and for discharging Cabinet functions in accordance with the policy framework and budget.
- A.8 Cabinet decisions can be delegated to an individual Cabinet member, an officer, or a joint committee.
- A.9 The Cabinet is responsible for establishing protocols to ensure that individual Cabinet 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 OF THE COUNCIL

A.10 The Council has established the following committees:

Council

Cabinet

Statutory Committees

- Audit Committee
- Assessment Sub-Committee
- Review Sub Committee
- Planning Committee
- Regulatory and Licensing Committee
- Licensing and Consents Appeals Committee
- Member Standards Committee
- Overview and Scrutiny Committees

Staffing Committees

- Employment Committee
- Appointments Committee
- Disciplinary and Grievance Appeals Committee
- Investigatory and Disciplinary Committee

Other Meetings

- Tamworth and Lichfield Joint Waste Committee

A.11 The functions of these Committees can be found at Part 3 of the Constitution.

THE STATUTORY OFFICERS

THROUGHOUT THESE PROCEDURE RULES REFERENCES TO THE HEAD OF PAID SERVICE, CHIEF FINANCE OFFICER, MONITORING OFFICER AND LEADERSHIP TEAM SHOULD BE CONSTRUED WITH REFERENCE TO DEFINITIONS IN ARTICLE 12 OF THE CONSTITUTION.

Head of Paid Service

- A.12 The Head of Paid Service is responsible for the corporate and overall strategic management of the authority as a whole. He or she must report to and provide information for the Cabinet, the Council, the Overview and Scrutiny Committee and other committees. He or she is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation. The 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

- A.13 The Monitoring Officer is responsible for promoting and maintaining high standards of conduct and therefore provides support to the Audit Committee. The Monitoring Officer is also responsible for reporting any actual or potential breaches of the law or maladministration to the Council and/or to the Cabinet, and for ensuring that procedures for recording and reporting key decisions are operating effectively.
- A.14 The Monitoring Officer must ensure that Cabinet decisions and the reasons for them are made public. He or she must also ensure that council members are aware of decisions made by the Cabinet.
- A.15 The Monitoring Officer is responsible for advising all councillors and officers about who has authority to take a particular decision.
- A.16 The Monitoring Officer is responsible for advising the Cabinet or Council about whether a decision is likely to be considered contrary to or not wholly in accordance with the policy framework.
- A.17 The Monitoring Officer (together with the Chief Finance Officer) is responsible for advising the Cabinet or Council about whether a decision is likely to be considered contrary or not wholly in accordance with the budget. Actions that may be 'contrary to the budget' include:
- initiating a new policy
 - committing expenditure in future years to above the budget level
 - incurring inter-service transfers above virement limits
 - causing the total expenditure financed from council tax, grants and corporately held reserves to increase, or to increase by more than a specified amount.
- A.18 The Monitoring Officer is responsible for maintaining an up-to-date Constitution.

Chief Finance Officer

A.19 The Chief Finance Officer has statutory duties in relation to the financial administration and stewardship of the authority. This statutory responsibility cannot be overridden.

The statutory duties arise from:

- Section 151 of the Local Government Act 1972
- The Local Government Finance Act 1988
- The Local Government and Housing Act 1989
- The Accounts and Audit Regulations 2015.

A.20 The Chief Finance Officer is responsible for:

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

A.21 Section 114 of the Local Government Finance Act 1988 requires the Chief Finance Officer to report to the Council, Cabinet and external auditor if the authority or one of its officers:

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

A.22 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 authority to provide the Chief Finance Officer with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under section 114.

MEMBERS OF LEADERSHIP TEAM

A.23 Members of Leadership Team are responsible for:

- ensuring that Cabinet members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Chief Finance Officer

A.24 It is the responsibility of members of Leadership Team to consult with the Chief Finance Officer and seek approval on any matter liable to affect the authority's finances materially, before any commitments are incurred.

OTHER FINANCIAL ACCOUNTABILITIES

Virement

A.25 The Council is responsible for agreeing procedures for virement of expenditure between budget headings.

A.26 Members of Leadership Team are responsible for agreeing in-year virements within delegated limits, in consultation with the Chief Finance Officer where required. They must notify the Chief Finance Officer of all virements.

Accounting policies

A.27 The Chief Finance Officer is responsible for selecting accounting policies, ensuring that they are applied consistently and seeking their approval from the Audit Committee.

Accounting records and returns

A.28 The Chief Finance Officer is responsible for determining the accounting procedures and records for the authority.

The annual statement of accounts

A.29 The Chief Finance Officer is responsible for ensuring that the annual statement of accounts is prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom* (CIPFA/LASAAC). The Audit Committee is responsible for approving the annual statement of accounts.

FINANCIAL REGULATION B: FINANCIAL PLANNING

INTRODUCTION

- B.1 The Council is responsible for agreeing the authority's policy framework and budget, which will be proposed by the Cabinet. In terms of financial planning, the key elements are:
- the medium term financial strategy
 - the budget
 - the capital programme

POLICY FRAMEWORK

- B.2 The policy framework means the following plans and strategies, all of which are to be adopted by the Council:
- Development Plan documents that comprise the Council's Local Development Framework and the revocation or revision of such documents (including any joint documents) often referred to as The Local Plan
 - Council's Strategic Plan
 - Licensing Policy
 - Gambling Policy
 - Any other plans required by law to have the approval of Council and any other plans and strategies which the Council may decide should be adopted by the Council meeting as a matter of local choice
- B.4 The Council is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework and for determining the circumstances in which a decision will be deemed to be contrary to the budget or policy framework. Decisions should be referred to the Council by the Monitoring Officer.
- B.5 The Council is responsible for setting the level at which the Cabinet may vire budget funds from one service to another. The Cabinet is responsible for taking in-year decisions on resources and priorities in order to deliver the budget policy framework within the financial limits set by the Council.

Preparation of the Strategic Plan

- B.6 The Chief Executive is responsible for proposing the Strategic Plan to the Cabinet for consideration before its submission to the Council for approval.

CABINET BUDGETING

Budget format

- B.7 The general format of the budget will be approved by the Council and proposed by the Cabinet on the advice of the Chief Finance Officer. The draft budget should include allocation to different services and projects, proposed taxation levels and contingency funds where necessary.

Budget preparation

- B.8 The Chief Finance Officer is responsible for ensuring that a revenue budget is prepared on an annual basis and a medium term financial strategy on a rolling five- yearly basis for consideration by the Cabinet, before submission to the Council. The Council may amend the budget or ask the Cabinet to reconsider it before approving it.
- B.9 The Cabinet is responsible for issuing guidance on the general content of the budget in consultation with the Chief Finance Officer as soon as possible following approval by the Council.
- B.10 It is the responsibility of members of Leadership Team to ensure that budget estimates reflecting agreed service plans are submitted to the Cabinet and that these estimates are prepared in line with guidance issued by the Cabinet.

Budget monitoring and control

- B.11 The Chief Finance Officer is responsible for providing appropriate financial information to enable budgets to be monitored effectively. He or she must monitor and control expenditure against budget allocations and report to the Cabinet on the overall position on a regular basis.
- B.12 It is the responsibility of members of Leadership Team to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Chief Finance Officer. They should report on variances within their own areas. They should also take any action necessary to avoid exceeding their budget allocation and alert the Chief Finance Officer to any problems.

Resource allocation

- B.13 The Chief Finance Officer is responsible for developing and maintaining a resource allocation process that ensures due consideration of the Council's policy framework.

Preparation of the capital programme

- B.14 The Chief Finance Officer is responsible for ensuring that a capital programme is prepared on an annual basis for consideration by the Cabinet before submission to the Council.

Guidelines

B.15 Guidelines on budget preparation are issued to members and members of Leadership Team by the Cabinet following agreement with the Chief Finance Officer. The guidelines will take account of:

- legal requirements
- medium-term planning prospects
- the Strategic plan
- available resources
- spending pressures
- best value and other relevant government guidelines
- other internal policy documents
- cross-cutting issues (where relevant)

MAINTENANCE OF RESERVES

B.16 It is the responsibility of the Chief Finance Officer to advise the Cabinet and/or the Council on prudent levels of reserves for the authority.

FINANCIAL REGULATION C: RISK MANAGEMENT AND CONTROL OF RESOURCES

INTRODUCTION

- C.1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational risks to the authority. This should include the proactive participation of all those associated with planning and delivering services.

RISK MANAGEMENT

- C.2 The Audit Committee is responsible for approving the authority's risk management policy statement and strategy and for reviewing the effectiveness of risk management. The Chief Finance Officer is responsible for ensuring that proper insurance exists where appropriate.
- C.3 The Chief Finance Officer is responsible for preparing the authority's risk management policy statement, for promoting it throughout the authority and for advising the Cabinet on proper insurance cover where appropriate.

INTERNAL CONTROL

- C.4 Internal control refers to the systems of control devised by management to help ensure the authority's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the authority's assets and interests are safeguarded.
- C.5 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.
- C.6 It is the responsibility of members of Leadership Team to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

AUDIT REQUIREMENTS

- C.7 The Accounts and Audit Regulations 2015 issued by the Secretary of State for Communities and Local Government require every local authority to maintain an adequate and effective internal audit.
- C.8 The Public Sector Audit Appointments Ltd is responsible for appointing external auditors to each local authority. The basic duties of the external auditor are governed by part 5 of the Local Audit and Accountability Act 2014.
- C.9 The authority may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs, who have statutory rights of access.

PREVENTING FRAUD AND CORRUPTION

- C.10 The Chief Finance Officer is responsible for the development and maintenance of an anti-fraud and anti-corruption policy.

ASSETS

- C.11 Members of Leadership Team should ensure that records and assets are properly maintained and securely held. They should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

TREASURY MANAGEMENT

- C.12 The authority has adopted CIPFA's Code of Practice for Treasury Management in the Public Services.
- C.13 The Council is responsible for approving the treasury management policy statement setting out the matters detailed in chapter 6 of CIPFA's Code of Practice for Treasury Management in the Public Services. The policy statement is proposed to the Council by the Chief Finance Officer. The Chief Finance Officer has delegated responsibility for implementing and monitoring the statement.
- C.14 All money in the hands of the authority is controlled by the officer designated for the purposes of section 151 of the Local Government Act 1972, the Chief Finance Officer.
- C.15 The Chief Finance Officer is responsible for reporting to the Audit Committee a proposed treasury management strategy for the coming financial year at or before the start of each financial year.
- C.16 All Cabinet 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 the Public Services*.
- C.17 The Chief Finance Officer is responsible for reporting to the Audit ~~and member Standards~~ Committee each financial year on the activities of the treasury management operation and on the exercise of his or her delegated treasury management powers. The reports are the Treasury Management Strategy, followed by a mid-year review report and an annual report. Treasury Management performance is also reported to Cabinet in Money Matters at Quarter 1, Quarter 2, Period 8 (Revised Estimate) and year end outturn in which the required treasury management prudential indicators are included.

STAFFING

- C.18 The Council is responsible for determining how officer support for Cabinet and non- Cabinet roles within the authority will be organised.
- C.19 The Head of Paid Service is responsible for providing overall management to staff. He or she is also responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job.

FINANCIAL REGULATION D: SYSTEMS AND PROCEDURES

INTRODUCTION

- D.1 Sound systems and procedures are essential to an effective framework of accountability and control.

GENERAL

- D.2 The Chief Finance Officer is responsible for the operation of the authority's accounting systems, the form of accounts and the supporting financial records. Any changes made by members of the Leadership Team to the existing financial systems or the establishment of new systems must be approved by the Chief Finance Officer. However, members of the Leadership Team are responsible for the proper operation of financial processes in their own service areas.
- D.3 Any changes to agreed procedures by members of the Leadership Team to meet their own specific service needs should be agreed with the Chief Finance Officer.
- D.4 Members of Leadership Team should ensure that their staff receive relevant financial training that has been approved by the Chief Finance Officer.
- D.5 Members of the Leadership Team must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation. Members of the Leadership Team must ensure that staff are aware of their responsibilities under freedom of information legislation.

INCOME AND EXPENDITURE

- D.6 It is the responsibility of members of the Leadership Team to ensure that a proper scheme of delegation has been established within their area and is operating effectively. The scheme of delegation should identify staff authorised to act on the member of the Leadership Team's behalf, or on behalf of the Cabinet, in respect of payments, income collection and placing orders, together with the limits of their authority. The Cabinet is responsible for approving procedures for writing off debts as part of the overall control framework of accountability and control.

PAYMENTS TO EMPLOYEES AND MEMBERS

- D.7 The Chief Finance Officer is responsible for all payments of salaries and wages to all staff, including payments for overtime, and for payment of allowances to members.

TAXATION

- D.8 The Chief Finance Officer is responsible for advising members of Leadership Team, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the authority.
- D.9 The Chief Finance Officer is responsible for maintaining the authority's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

TRADING ACCOUNTS/BUSINESS UNITS

- D.10 It is the responsibility of the Chief Finance Officer to advise on the establishment and operation of trading accounts and business units.

FINANCIAL REGULATION E: EXTERNAL ARRANGEMENTS

INTRODUCTION

- E.1 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

- E.2 The Cabinet is responsible for approving frameworks for partnerships. The Cabinet is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.
- E.3 The Cabinet can delegate its functions - including those relating to partnerships - to officers. The functions of the Cabinet, including a scheme of delegation, are approved by the Council and form Part 3 of this Constitution. Where functions are further delegated, the Cabinet remains accountable for them to the Council.
- E.4 The Authority is represented on partnership and external bodies at member and officer levels as appropriate.
- E.5 The Monitoring Officer is responsible for promoting and maintaining the same high standards of conduct with regard to administration in partnerships that apply throughout the authority.
- E.6 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.
- E.7 Members of Leadership Team are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

EXTERNAL FUNDING

- E.8 The Chief Finance Officer is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the authority's accounts.
- E.9 Approval to accept external funding (including grants) must be in compliance with the Key Decision process. Below the prevailing key decision value, and following consultation with the Chief Finance Officer, managers can approve the acceptance of external funding as long as any financial implications can be managed within the approved budget framework (if they cannot, then Cabinet and Council Approval will be required). Approval to accept can be applied for at application stage on the basis of being successful or once the award has been confirmed.

WORK FOR THIRD PARTIES

- E.10 The Cabinet is responsible for approving the contractual arrangements for any work for third parties or external bodies.

Appendix A Financial Management

FINANCIAL MANAGEMENT STANDARDS

Why is this important?

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

Key controls

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

Responsibilities of the Chief Finance Officer

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

Responsibilities of members of the Leadership Team

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

MANAGING EXPENDITURE

Scheme of virement

Why is this important?

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

Key controls

- 1.11 Key controls for the scheme of virement are:
- (a) it is administered by the Chief Finance Officer within guidelines set by the Council. Any variation from this scheme requires the approval of the Council.
 - (b) the overall budget is agreed by the Cabinet and approved by the Council. Members of the Leadership Team and budget managers are therefore authorised to incur expenditure in accordance with the estimates that make up the budget. The rules below cover virement; that is, switching resources between approved estimates or heads of expenditure. For the purposes of this scheme, a budget head is considered to be a line in the approved estimates report, for example the “Supplies and Services” line within a service’s budget.
 - (c) virement does not create additional overall budget liability. Members of the Leadership Team are expected to exercise their discretion in managing their budgets responsibly and prudently. Any virement that would result in a change of policy or a new policy, or that would result in an increased ongoing commitment for the Council will require the approval of the Council.
 - (d) a proposed virement in excess of the prevailing key decision level must be the subject of a joint report by the Chief Finance Officer and the proposing member of the Leadership Team or include in a scheduled Money Matters or MTFS Report to the Cabinet.

Responsibilities of the Chief Finance Officer

- 1.12 To prepare jointly with the member of the Leadership Team a report or include in a scheduled Money Matters or MTFS Report to the Cabinet where virements in excess of the prevailing key decision level are proposed.

Responsibilities of members of Leadership Team and

- 1.13 A member of the Leadership Team may exercise virement on budgets under his or her control on any one budget head during the year, following notification to the Chief Finance Officer.
- 1.14 The prior approval of the relevant member of the Cabinet is required for any virement, of whatever amount, where it is proposed to:
- vire between budget heads within a single service budget
 - vire between two or more service budgets
- 1.15 The prior approval of the Cabinet is required for any virement, of whatever amount, where it is proposed to:
- vire between budgets of different Cabinet members
 - vire between budgets managed by different members of the Leadership Team
- 1.16 Virement that is likely to impact on the level of service activity of another member of the Leadership Team should be implemented only after agreement with the relevant member of the Leadership Team.
- 1.17 No virement relating to a specific financial year should be made after 31 March in that year.

- 1.18 Where an approved budget is a lump-sum budget or contingency intended for allocation during the year, its allocation will not be treated as a virement, provided that:
- (a) the amount is used in accordance with the purposes for which it has been established.
 - (b) the Cabinet has approved the basis and the terms, including financial limits, on which it will be allocated. Individual allocations in excess of the financial limits should be reported to the Cabinet.

ACCOUNTING POLICIES

Why is this important?

- 1.19 The Chief Finance Officer is responsible for the preparation of the authority's statement of accounts, in accordance with proper practices as set out in the format required by the *Code of Practice on Local Authority Accounting in the United Kingdom* (CIPFA/LASAAC), for each financial year ending 31 March.

Key controls

- 1.20 The key controls for accounting policies are:
- (a) systems of internal control are in place that ensure that financial transactions are lawful
 - (b) suitable accounting policies are selected and applied consistently
 - (c) proper accounting records are maintained
 - (d) financial statements are prepared which present fairly the financial position of the authority and its expenditure and income.

Responsibilities of the Chief Finance Officer

- 1.21 To select suitable accounting policies and to ensure that they are applied consistently. The accounting policies are set out in the statement of accounts, which is prepared at 31 March each year, and covers 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) non current assets
 - (e) depreciation
 - (f) capital charges
 - (g) work in progress
 - (h) stocks and stores
 - (i) Revenue Expenditure funded from Capital under Statute (REFCUS)
 - (j) accounting for value added tax
 - (k) government grants
 - (l) leasing
 - (m) pensions

Responsibilities of members of Leadership Team

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

ACCOUNTING RECORDS AND RETURNS

Why is this important?

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

Key controls

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

Responsibilities of the Chief Finance Officer

- 1.25 To determine the accounting procedures and records for the authority. Where these are maintained outside the finance service area, the Chief Finance Officer should consult the member of the Leadership Team concerned.
- 1.26 To arrange for the compilation of all accounts and accounting records under his or her direction.
- 1.27 To comply with the following principles when allocating accounting duties:
- (a) separating the duties of providing information about sums due to or from the authority and calculating, checking and recording these sums from the duty of collecting or disbursing them
 - (b) employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
- 1.28 To make proper arrangements for the audit of the authority's accounts in accordance with the Accounts and Audit Regulations 2015.
- 1.29 To ensure that all claims for funds including grants are made by the due date.
- 1.30 To prepare and publish the audited accounts of the authority for each financial year, in accordance with the statutory timetable.
- 1.31 To ensure the proper retention of financial documents in accordance with the requirements set out in the authority's document retention schedule.

Responsibilities of members of the Leadership Team

- 1.32 To consult and obtain the approval of the Chief Finance Officer before making any changes to accounting records and procedures.
- 1.33 To comply with the policies referred to in paragraph 1.21 when allocating accounting duties.
- 1.34 To maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements.
- 1.35 To supply information required to enable the statement of accounts to be completed in accordance with guidelines issued by the Chief Finance Officer.

THE ANNUAL STATEMENT OF ACCOUNTS

Why is this important?

- 1.36 The authority 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 statutory annual statement of accounts.

Key controls

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

Responsibilities of the Chief Finance Officer

- 1.38 To select suitable accounting policies and to apply them consistently.
- 1.39 To make judgments and estimates that are reasonable and prudent.
- 1.40 To comply with the Code of Practice on Local Authority Accounting in the United Kingdom.
- 1.41 To sign and date the statement of accounts, stating that it gives a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 20xx.
- 1.42 To draw up the timetable for final accounts preparation and to advise staff and external auditors accordingly.

Responsibilities of members of the Leadership Team

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

Appendix B Financial Planning

STRATEGIES AND DELIVERY PLANS

Why is this important?

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

Key controls

- 2.2 The key controls for performance plans are:
- (a) to produce plans in accordance with organisational and statutory requirements
 - (b) to meet the timetables set
 - (c) to ensure that all performance information is accurate, complete and up to date
 - (d) to provide improvement targets which are meaningful, realistic and challenging.

Responsibilities of the Chief Finance Officer

- 2.3 To advise and supply the financial information that needs to be included in performance plans in accordance with statutory requirements and agreed timetables.
- 2.4 To contribute to the development of corporate and service targets and objectives and performance information.
- 2.5 To ensure that systems are in place to measure activity and collect accurate information for use as performance indicators.
- 2.6 To ensure that performance information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met.

Responsibilities of members of the Leadership Team

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

BUDGETING

Format of the budget

Why is this important?

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

Key controls

- 2.10 The key controls for the budget format are:
- (a) the format complies with all legal requirements
 - (b) the format complies with the Council's Strategic Priority/Service Area profile
 - (c) the format reflects the accountabilities of service delivery.

Responsibilities of the Chief Finance Officer

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

Responsibilities of members of the Leadership Team

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

Revenue budget preparation, monitoring and control

Why is this important?

- 2.13 Budget management ensures that once the budget has been approved by the Council, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the authority to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.
- 2.14 By continuously identifying and explaining variances against budgetary targets, the authority can identify changes in trends and resource requirements at the earliest opportunity. The authority itself operates within an annual cash limit, approved when setting the overall budget. To ensure that the authority in total does not overspend, each service is required to manage its own expenditure within the cash- limited budget allocated to it.
- 2.15 For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure for a service area or cost centre. However, budgetary control may take place at a more detailed level if this is required by the member of the Leadership Team.

Key controls

- 2.16 The key controls for managing and controlling the revenue budget are:
- (a) budget managers should be responsible only for income and expenditure that they can influence
 - (b) there is a nominated budget manager for each cost centre heading
 - (c) budget managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities
 - (d) budget managers follow an approved certification process for all expenditure
 - (e) income and expenditure 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 budgets.

Responsibilities of the Chief Finance Officer

- 2.17 To establish an appropriate framework of budgetary management and control that ensures that:
- (a) budget management is exercised within annual cash limits unless the Council agrees otherwise.
 - (b) each member of the Leadership Team 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 member of the Leadership Team. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commit expenditure.
 - (f) significant variances from approved budgets are investigated and reported by budget managers regularly.
- 2.18 To administer the authority's scheme of virement.
- 2.19 To submit reports to the Cabinet and to the Council, in consultation with the relevant member of the Leadership Team, where a member of the Leadership Team is unable to balance expenditure and resources within existing approved budgets under his or her control.
- 2.20 To prepare and submit reports on the authority's projected income and expenditure compared with the budget on a regular basis.

Responsibilities of members of the Leadership Team

- 2.21 To maintain budgetary control within their service areas, in adherence to the principles in 2.17, and to ensure that all income and expenditure is properly recorded and accounted for.
- 2.22 To ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the member of the Leadership Team (grouped together in a series of cost centres). As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.
- 2.23 To ensure that spending remains within the service's overall cash limit, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast.
- 2.24 To ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and is operating effectively.
- 2.25 To prepare and submit to the Cabinet reports on the service's projected expenditure compared with its budget, in consultation with the Chief Finance Officer.

- 2.26 To ensure prior approval by the Council or Cabinet (as appropriate) for new proposals, 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 authority's services.
- 2.27 To ensure compliance with the scheme of virement.
- 2.28 To agree with the relevant member of the Leadership Team where it appears that a budget proposal, including a virement proposal, may impact materially on another service area or member of Leadership Team level of service activity.

Budgets and medium-term planning

Why is this important?

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

Key controls

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

Responsibilities of the Chief Finance Officer

- 2.33 To prepare and submit reports on budget prospects for the Cabinet, including resource constraints set by the Government. Reports should take account of medium-term prospects, where appropriate.
- 2.34 To determine the detailed form of revenue estimates and the methods for their preparation, consistent with the budget approved by the Council, and after consultation with the Cabinet and members of the Leadership Team.

- 2.35 To prepare and submit reports to the Cabinet on the aggregate spending plans of service areas and on the resources available to fund them, identifying, where appropriate, the implications for the level of council tax to be levied.
- 2.36 To advise on the medium-term implications of spending decisions.
- 2.37 To encourage the best use of resources and value for money by working with members of the Leadership Team to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.
- 2.38 To advise the Council on Cabinet proposals in accordance with his or her responsibilities under section 151 of the Local Government Act 1972.

Responsibilities of members of the Leadership Team

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

Resource allocation

Why is this important?

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

Key controls

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

Responsibilities of the Chief Finance Officer

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

Responsibilities of members of the Leadership Team

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

Capital programmes

Why is this important?

- 2.50 Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the authority, such as land, buildings, and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs.
- 2.51 The Prudential Code places controls on the financing capacity of the authority. This means that capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources.

Key controls

- 2.52 The key controls for capital programmes are:
- (a) specific approval by the Council for the programme of capital expenditure
 - (b) expenditure on capital schemes is subject to the approval of the Chief Finance Officer a scheme and estimate, including project plan, progress targets and associated revenue expenditure is prepared for each capital project, for approval by the Cabinet and if the Budget does not form part of the MTFs, Council approval will also be required.
 - (c) proposals for improvements and alterations to buildings must be approved by the Property Services and Estates Team and appropriate member of the Leadership Team

- (d) the development and implementation of asset management plans
- (e) accountability for each proposal is accepted by a named manager
- (f) monitoring of progress in conjunction with expenditure and comparison with approved budget.

Responsibilities of the Chief Finance Officer

- 2.53 To prepare capital estimates jointly with members of the Leadership Team and to report them to the Cabinet for approval. The Cabinet will make recommendations on the capital estimates and on any associated financing requirements to the Council.
- 2.54 To issue guidance concerning capital schemes and controls, for example, on project appraisal techniques. The definition of 'capital' will be determined by the Chief Finance Officer, having regard to government regulations and accounting requirements.
- 2.55 To obtain authorisation from the Cabinet for individual schemes where the estimated expenditure exceeds the capital programme provision and cannot be accommodated in the MTFs through the virement process.

Responsibilities of members of the Leadership Team

- 2.56 To comply with guidance concerning capital schemes and controls issued by the Chief Finance Officer.
- 2.57 To ensure that all capital proposals have undergone a project appraisal in accordance with guidance issued by the Chief Finance Officer.
- 2.58 To ensure that adequate records are maintained for all capital contracts.
- 2.59 To proceed with projects only when there is adequate provision in the capital programme and with the agreement of the Chief Finance Officer, where required.
- 2.60 To prepare and submit reports, jointly with the Chief Finance Officer, to the Cabinet, of any variation in contract costs greater than the approved limits. The Cabinet may meet cost increases of up to 10% by virement from savings elsewhere within their capital programme.
- 2.61 To prepare and submit reports, jointly with the Chief Finance Officer, to the Cabinet, on completion of all contracts where the final expenditure exceeds the approved contract sum by more than 10% of the original sum.
- 2.62 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.

MAINTENANCE OF RESERVES

Why is this important?

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

Key controls

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

Responsibilities of the Chief Finance Officer

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

Responsibilities of members of the Leadership Team

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

Appendix C Risk Management and Control of Resources

RISK MANAGEMENT

Why is this important?

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

Key controls

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

Responsibilities of the Chief Finance Officer

- 3.4 To prepare and promote the authority's risk management policy statement.
- 3.5 To develop risk management controls in conjunction with other members of Leadership Team.
- 3.6 To include all appropriate employees of the authority in a suitable fidelity guarantee insurance.
- 3.7 To ensure with the Chief Operating Officer adequate corporate insurance cover, through external insurance and internal funding, and to negotiate all claims in consultation with other officers, where necessary.

Responsibilities of members of the Leadership Team

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

INTERNAL CONTROLS

Why is this important?

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

Key controls

- 3.18 The key controls and control objectives for internal control systems are:
 - (a) key controls should be reviewed on a regular basis and the authority should make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively
 - (b) managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance, and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the

control environment by defining roles and responsibilities

- (c) financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems
- (d) an effective internal audit function that is properly resourced. It should operate in accordance with the principles contained in the UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN) and with any other statutory obligations and regulations.

Responsibilities of the Chief Finance Officer

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

Responsibilities of members of Leadership Team

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

AUDIT REQUIREMENTS

Internal audit

Why is this important?

- 3.23 The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit Regulations 2015 (SI 2015/234), regulation 6, more specifically require that a “relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control”.
- 3.24 Accordingly, internal audit is an independent and objective appraisal function established by the authority for reviewing the system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources. In order to maintain its independence the service is managed by the Chief Executive.

Key controls

- 3.25 The key controls for internal audit are:
- (a) that it is independent in its planning and operation
 - (b) the head of internal audit has direct access to the Head of Paid Service, Chief Finance Officer, all levels of management and directly to elected members
 - (c) the internal auditors comply with the UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN).

Responsibilities of the Chief Finance Officer

- 3.26 To ensure that internal auditors have the authority to:
- (a) access authority premises at reasonable times
 - (b) access all assets, records, documents, correspondence and control systems
 - (c) receive any information and explanation considered necessary concerning any matter under consideration
 - (d) require any employee of the authority to account for cash, stores or any other authority asset under his or her control
 - (e) access records belonging to third parties, such as contractors, when required
 - (f) directly access the Head of Paid Service, the Cabinet and Audit Committee.
- 3.27 To review the strategic and annual audit plans prepared by the head of internal audit, which take account of the characteristics and relative risks of the activities involved.
- 3.28 To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

Responsibilities of members of the Leadership Team

- 3.29 To ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.
- 3.30 To ensure that auditors are provided with any information and explanations that they seek in the course of their work.
- 3.31 To consider and respond promptly to recommendations in audit reports.
- 3.32 To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- 3.33 To notify the Chief Finance Officer immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the authority's property or resources. Pending investigation and reporting, the member of the Leadership Team should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- 3.34 To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the head of internal audit prior to implementation.

External audit

Why is this important?

- 3.35 The Public Sector Audit Appointments Ltd is responsible for appointing external auditors to each local authority. The external auditor has rights of access to all documents and information necessary for audit purposes.
- 3.36 The basic duties of the external auditor are defined in the Local Audit and Accountability Act 2014. In particular, part 5 of the 2014 Act requires the Comptroller and Auditor General to prepare a code of audit practice, which external auditors follow when carrying out their duties. The code of audit practice issued in April 2015 sets out the auditor's principal objectives which are to review and report upon, to the extent required by the relevant legislation and the requirements of the Code, the audited body's:
- (a) financial statements
 - (b) arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 3.37 The authority's accounts are scrutinised by external auditors, who must be satisfied that the statement of accounts gives a 'true and fair view' the financial position of the authority and its income and expenditure for the year in question and complies with the legal requirements.

Key controls

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

Responsibilities of the Chief Finance Officer

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

Responsibilities of members of Leadership Team

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

PREVENTING FRAUD AND CORRUPTION

Why is it this important?

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

Key controls

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

Responsibilities of the Chief Finance Officer

- 3.48 To develop and maintain an anti-fraud and anti-corruption policy.
- 3.49 To maintain adequate and effective internal control arrangements.
- 3.50 To ensure that all suspected irregularities are reported to the chief internal auditor, the Head of Paid Service, the Cabinet and the Audit Committee.

Responsibilities of members of the Leadership Team

- 3.51 To ensure that all suspected irregularities are reported to the chief internal auditor.
- 3.52 To instigate the authority's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.
- 3.53 To ensure that where financial impropriety is discovered, the Chief Finance Officer is informed, and where sufficient evidence exists to believe that a criminal offence may have been committed, the police are called in to determine with the Crown Prosecution Service whether any prosecution will take place.
- 3.54 To ensure that any interests are entered into the Council's register of interests, and gifts and hospitality in the register of gifts and hospitality.

ASSETS

Security

Why is this important?

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

Key controls

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

Responsibilities of the Chief Finance Officer

- 3.57 To ensure that an asset register is maintained in accordance with good practice for all fixed assets with a value in excess of £10,000. The function of the asset register is to provide the authority with information about fixed assets so that they are:
- safeguarded
 - used efficiently and effectively
 - adequately maintained.
- 3.58 To receive the information required for accounting, costing and financial records from each member of the Leadership Team.
- 3.59 To ensure that assets are valued in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom* (CIPFA/LASAAC).

Responsibilities of members of the Leadership Team

- 3.60 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 member of the Leadership Team in consultation with the Chief Finance Officer, has been established as appropriate.
- 3.61 To ensure the proper security of all buildings and other assets under their control.
- 3.62 Where land or buildings are surplus to requirements, a recommendation for sale should be the subject of a joint report by the member of the Leadership Team and the Chief Finance Officer to the Monitoring Officer. If the sale is above the key decision limit, then Cabinet approval is required.
- 3.63 To pass title deeds to the Property Services Team who are responsible for custody of all title deeds.
- 3.64 To ensure that no authority asset is subject to personal use by an employee without proper authority.
- 3.65 To ensure the safe custody of vehicles, equipment, furniture, stock, stores, and other property belonging to the authority. To ensure that the service area maintains a register of moveable assets in accordance with arrangements defined by the Chief Finance Officer.
- 3.66 To ensure that assets are identified, their location recorded and that they are appropriately marked and insured.
- 3.67 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.
- 3.68 To ensure cash holdings on premises are kept to a minimum.
- 3.69 To ensure that keys to safes and similar receptacles are carried on the person of those responsible at all times; loss of any such keys must be reported to the Chief Finance Officer as soon as possible.
- 3.70 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 Cabinet agrees otherwise.
- 3.71 To ensure that all employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the authority in some way.

Inventories

- 3.72 To maintain inventories and record an adequate description of furniture, fittings, equipment, plant and machinery above £1,000 in value.
- 3.73 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, 'phones, cameras and video recorders should be identified with security markings as belonging to the authority.
- 3.74 To make sure that property is only used in the course of the authority's business, unless the member of the Leadership Team concerned has given permission otherwise.

Stocks and stores

- 3.75 To make arrangements for the care and custody of stocks and stores in the service area.
- 3.76 To ensure stocks are maintained at reasonable levels and are subject to a regular independent physical check. All significant discrepancies should be investigated and pursued to a satisfactory conclusion.
- 3.77 To investigate and remove from the authority's records (i.e. write off) discrepancies as necessary, or to obtain Cabinet approval if they are in excess of a predetermined limit.
- 3.78 To authorise or write off disposal of redundant stocks and equipment. Procedures for disposal of such stocks and equipment should be by competitive quotations or auction, unless, following consultation with the Chief Finance Officer, the Cabinet decides otherwise in a particular case.
- 3.79 To seek Cabinet approval to the write-off of redundant stocks and equipment in excess of a predetermined sum.

Asset disposal

Why is this important?

- 3.80 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 procedure rules of the authority. The Council's Disposal Policy was approved by Cabinet in 2021.

Key controls

- 3.81 Assets for disposal are identified and are disposed of at the most appropriate time, and only when it is in the best interests of the authority, and best price is obtained, bearing in mind other factors, such as environmental issues. For items of significant value, disposal should be by competitive tender or public auction.
- 3.82 Procedures protect staff involved in the disposal from accusations of personal gain.

Responsibilities of the Chief Finance Officer

- 3.83 To issue guidelines representing best practice for disposal of assets.
- 3.84 To ensure appropriate accounting entries are made to remove the value of disposed assets from the authority's records and to include the sale proceeds if appropriate.

Responsibilities of members of the Leadership Team

- 3.85 To seek advice from the procurement team on the disposal of surplus or obsolete materials, stores or equipment.
- 3.86 To ensure that income received for the disposal of an asset is properly banked and coded.

TREASURY MANAGEMENT

Why is this important?

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

Key controls

- 3.88 That the authority's borrowings and investments comply with the CIPFA *Code of Practice on Treasury Management* and with the authority's treasury policy statement.

Responsibilities of Chief Finance Officer – treasury management and banking

- 3.89 To arrange the borrowing and investments of the authority in such a manner as to comply with the CIPFA *Code of Practice on Treasury Management* and the authority's treasury management policy statement and strategy.
- 3.90 To report four times a year on treasury management activities to the Audit Committee.
- 3.91 To operate bank accounts as are considered necessary – opening or closing any bank account shall require the approval of the Chief Finance Officer.

Responsibilities of members of the Leadership Team – treasury management and banking

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

Responsibilities of Chief Finance Officer – investments and borrowing

- 3.93 To ensure that all investments of money are made in the name of the authority or in the name of nominees approved by the Council.
- 3.94 To ensure that all securities that are the property of the authority or its nominees and the title deeds of all property in the authority's ownership are held in the custody of the appropriate member of the Leadership Team.
- 3.95 To instigate all borrowings in the name of the authority.
- 3.96 To act as the authority's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the authority.

Responsibilities of members of the Leadership Team – investments and borrowing

- 3.97 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 Council, following consultation with the Chief Finance Officer.

Responsibilities of members of the Leadership Team – trust funds and funds held for third parties

- 3.98 To arrange for all trust funds to be held, wherever possible, in the name of the authority. 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.
- 3.99 To arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Chief Finance Officer, and to maintain written records of all transactions.
- 3.100 To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.

Responsibilities of the Chief Finance Officer – imprest accounts

- 3.101 To provide employees of the authority with cash or bank imprest accounts to meet urgent expenditure on behalf of the authority and to prescribe rules for operating these accounts. To determine the petty cash limit and to maintain a record of all transactions and petty cash advances made, and periodically to review the arrangements for the safe custody and control of these advances.
- 3.102 To reimburse imprest holders as often as necessary to restore the imprests, but normally not more than monthly.

Responsibilities of members of the Leadership Team – imprest accounts

- 3.103 To ensure that employees operating an imprest account:
- (a) obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained
 - (b) make adequate arrangements for the safe custody of the account
 - (c) produce upon demand by the Chief Finance Officer cash and all vouchers to the total value of the imprest amount
 - (d) record transactions promptly
 - (e) reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder
 - (f) provide the Chief Finance Officer with a certificate of the value of the account held at 31 March each year
 - (g) ensure that the float is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made
 - (h) on leaving the authority's employment or otherwise ceasing to be entitled to hold an imprest advance, an employee shall account to the Chief Finance Officer for the amount advanced to him or her.

STAFFING

Why is this important?

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

Key controls

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

Responsibilities of the Chief Finance Officer

- 3.106 To ensure that budget provision exists for all existing and new employees.
- 3.107 To act as an advisor to members of the Leadership Team on areas such as National Insurance and pension contributions, as appropriate.

Responsibilities of members of the Leadership Team

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

Appendix D Financial Systems and Procedures

GENERAL

Why is this important?

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

Key controls

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

Responsibilities of the Chief Finance Officer

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

Responsibilities of members of the Leadership Team

- 4.5 To ensure that accounting records are properly maintained and held securely.
- 4.6 To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Chief Finance Officer and General Data Protection Regulations (GDPR).
- 4.7 To ensure that a complete management trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained.
- 4.8 To incorporate appropriate controls to ensure that, where relevant:

- (a) all input is genuine, complete, accurate, timely and not previously processed
- (b) all processing is carried out in an accurate, complete, and timely manner
- (c) output from the system is complete, accurate and timely.

- 4.9 To ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice.
- 4.10 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.
- 4.11 To ensure that systems are documented, and staff trained in operations.
- 4.12 To consult with the Chief Finance Officer before changing any existing system or introducing new systems.
- 4.13 To establish a scheme of delegation identifying officers authorised to act upon the member of the Leadership Team's behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority.
- 4.14 To supply lists of authorised officers, with specimen signatures and financial limits, to the Chief Finance Officer, together with any subsequent variations.
- 4.15 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.
- 4.16 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.
- 4.17 To ensure that relevant standards and guidelines for computer systems issued by the member of the Leadership Team are observed.
- 4.18 To ensure that computer equipment and software are protected from loss and damage
- 4.19 To comply with the copyright, designs and patents legislation and, in particular, to ensure that:
- (a) only software legally acquired and installed by the authority is used on its computers
 - (b) staff are aware of legislative provisions
 - (c) in developing systems, due regard is given to the issue of intellectual property rights.

INCOME AND EXPENDITURE

Income

Why is this important?

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

Key controls

4.21 The key controls for income are:

- (a) all income due to the authority is identified and charged correctly, in accordance with an approved charging policy, which is regularly reviewed
- (b) all income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery
- (c) all money received by an employee on behalf of the authority is paid without delay to the Chief Finance Officer or, as he or she directs, to the authority's bank 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 and GDPR requirements
- (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

- 4.22 To agree arrangements for the collection of all income due to the authority and to approve the procedures, systems and documentation for its collection.
- 4.23 To order and supply to service areas all receipt forms, books or tickets and similar items and to satisfy himself or herself regarding the arrangements for their control
- 4.24 To agree the write-off of bad debts up to an approved limit in each case and to refer larger sums to the appropriate member of the Cabinet.
- 4.25 To set all write off approval limits and to adhere to the requirements of the Accounts and Audit Regulations 2015. The approval limits are:
- (a) £0 up to £250 – Revenues, Benefits and Corporate Debt Service Manager.
 - (b) £250 up to £1,000 – Director of Finance, Regulation and Enforcement Section 151).
 - (c) £1,000 up to £150,000 – Director of Finance, Regulation and Enforcement (Section 151) and the Appropriate Cabinet Member.
 - (d) £150,000 and above – Cabinet.
- 4.26 To provide on a quarterly basis a schedule of all write offs that have been authorised under the delegations outlined above to the Cabinet Member for Finance and Commissioning and the Chair of the Audit Committee.
- 4.27 To ensure that appropriate accounting adjustments are made following write-off.

Responsibilities of members of the Leadership Team

- 4.28 To establish a charging policy for the supply of goods or services, including the appropriate charging of VAT, and to review it regularly, in line with corporate policies.
- 4.29 To separate the responsibility for identifying amounts due and the responsibility for collection,

as far as is practicable.

- 4.30 To authorise appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.
- 4.31 To issue official receipts or to maintain other documentation for income collection.
- 4.32 To hold securely receipts, tickets and other records of income for the appropriate period.
- 4.33 To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling.
- 4.34 To ensure that income is paid fully and promptly into the appropriate authority bank account in the form in which it is received. Appropriate details should be recorded on to paying-in slips to provide an audit trail. Money collected and deposited must be reconciled to the bank account on a regular basis.
- 4.35 To ensure income is not used to cash personal cheques or other payments.
- 4.36 To supply the Chief Finance Officer with details relating to work done, goods supplied, services rendered or other amounts due, to enable the Chief Finance Officer to record correctly the sums due to the authority and to ensure accounts are sent out promptly. To do this, members of the Leadership Team should use established performance management systems to monitor recovery of income and flag up areas of concern to the Chief Finance Officer. Members of the Leadership Team have a responsibility to assist the Chief Finance Officer in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the authority's behalf. Only up to approved levels of cash can be held on the premises.
- 4.37 To keep a record of every transfer of money between employees of the authority. The receiving officer must sign for the transfer and the transferor must retain a copy.
- 4.38 To recommend to the Revenues, Benefits and Corporate Debt Service Manager all debts to be written off and to keep a record of all sums written off up to the approved limit. Once raised, no bona fide debt may be cancelled, except by full payment or by its formal writing off. A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt.
- 4.39 To obtain the required approval where write offs are in excess of the approved limits, including the approval of the appropriate member of the Cabinet where required.
- 4.40 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 and not later than 15 April.

Ordering and paying for work, goods and services

4.41 Public money should be spent with demonstrable probity and in accordance with the authority's policies. Authorities have a statutory duty to achieve best value in part through economy and efficiency. The authority's procedures should help to ensure that services obtain value for money from their purchasing arrangements. Regard shall be had at all times to the Council's procurement strategy. These procedures should be read in conjunction with the authority's Contract Procedure Rules.

General

4.42 Every officer and member of the authority has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the authority, in accordance with appropriate codes of conduct. Official orders must be in a form approved by the Chief Finance Officer. Official orders must be issued for all works, goods or services to be supplied to the authority, except for supplies of utilities, stationery ordered over the internet in line with the contract for such, purchases made in accordance with the purchasing card scheme, periodic payments such as rent or rates, petty cash purchases or other exceptions specified by the Chief Finance Officer.

4.43 Each order must conform to the guidelines approved by the Council on central purchasing and the standardisation of supplies and materials. Standard terms and conditions must not be varied without the prior approval of the Chief Finance Officer.

4.44 The normal method of payment from the authority shall be by BACS, CHAPS, credit card or cheque, drawn on the authority's bank account by the Chief Finance Officer. The use of direct debit shall require the prior agreement of the Chief Finance Officer.

4.45 Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of authority contracts.

Key controls

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

- (a) all works, goods and services are ordered only by appropriate persons and are correctly recorded
- (b) all works, goods and services shall be ordered in accordance with the authority's Contract Procedure Rules unless they are purchased from sources within the authority
- (c) works, goods and services received are checked to ensure they are in accordance with the approved order. Goods should not be received by the person who placed the order
- (d) payments are not made unless goods have been received by the authority to the correct price, quantity and quality standards
- (e) all payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method
- (f) all appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the document retention schedule all expenditure, including VAT, is accurately recorded against the right budget and any exceptions are corrected
- (g) in addition, the effect of e-business/e-commerce and electronic purchasing requires that processes are in place to maintain the security and integrity of data for transacting business electronically.

Responsibilities of the Chief Finance Officer

- 4.47 To ensure that all the authority's financial systems and procedures are sound and properly administered.
- 4.48 To approve any changes to existing financial systems and to approve any new systems before they are introduced.
- 4.49 To approve the form of official orders and associated terms and conditions.
- 4.50 To make payments from the authority's funds on the member of the Leadership Team's authorisation that the expenditure has been duly incurred in accordance with financial procedure rules.
- 4.51 To make payments, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a court order.
- 4.52 To make payments to contractors on the certificate of the appropriate member of the Leadership Team, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.
- 4.53 To provide advice and encouragement on making payments by the most economical means.
- 4.54 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 members of the Leadership Team

- 4.55 To ensure that unique official orders are used for all works, goods and services, other than the exceptions specified in 4.42.
- 4.56 To ensure that orders are only used for works, goods and services provided to the service area. Individuals must not use official orders to obtain works, goods or services for their private use.
- 4.57 To ensure that only those staff authorised by him or her place orders and to maintain an up-to-date list of such authorised staff. The authoriser of the order should be satisfied that the works, 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 authority's approach to procurement. Value for money should always be achieved.
- 4.58 To ensure that works, goods and services are checked on receipt to verify that they are in accordance with the order. This check should, where possible, be carried out by a different officer from the person who authorised the order. Appropriate entries should then be made in inventories or stores records.
- 4.59 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.

- 4.60 To ensure that two authorised members of staff are involved in the ordering, receiving and payment process. If possible, a different officer from the person who placed the order, and in every case, a different officer from the person checking an internal invoice, should authorise the invoice.
- 4.61 To ensure that the service area maintains and reviews periodically a list of staff approved to authorise invoices. Names of authorising officers together with specimen signatures and details of the limits of their authority shall be forwarded to the Chief Finance Officer.
- 4.62 To ensure that where payments are to be made on a photocopied or faxed invoice, the invoice is certified by the Chief Finance Officer or some other officer authorised by the Chief Finance Officer.
- 4.63 To encourage suppliers of works, goods and services to receive payment by the most economical means for the authority, generally BACS. It is essential, however, that payments made by direct debit have the prior approval of the Chief Finance Officer.
- 4.64 To ensure that the service area 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 issued by the Monitoring Officer, which are in line with best value principles and contained in the authority's Contract Procedure Rules.
- 4.65 To utilise the central purchasing procedures established by the Monitoring Officer in putting purchases, where appropriate, out to competitive quotation or tender. These will comply with the authority's Contract Procedure Rules and will cover:
- (a) authorised officers and the extent of their authority
 - (b) advertisement for tenders
 - (c) selection of tenderers
 - (d) compliance with UK legislation and regulations
 - (e) procedures for the submission, receipt, opening and recording of tenders
 - (f) the circumstances where financial or technical evaluation is necessary
 - (g) procedures for negotiation
 - (h) acceptance of tenders
 - (i) the form of contract documentation
 - (j) cancellation clauses in the event of corruption or bribery
 - (k) contract records
- 4.66 To ensure that employees are aware of the national code of conduct for local government employees (summarised in the procedures and conditions of employment manual).

- 4.67 To ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the Chief Finance Officer. This is to protect the authority against entering into unapproved credit arrangements and to ensure that value for money is being obtained.
- 4.68 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 and, in any case, not later than 15 April.
- 4.69 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.
- 4.70 To notify the Chief Finance Officer immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.
- 4.71 To ensure that all appropriate payment records are retained and stored for the defined period, in accordance with the document retention schedule.

Payments to employees and members

Why is this important?

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

Key controls

- 4.73 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
 - (b) enhancements and payments are made on the basis of timesheets or claims 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 **and GDPR**
 - (d) that HM Revenue and Customs regulations are complied with.

Joint Responsibilities of the Chief Finance Officer and Monitoring Officer

- 4.74 To arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees, in accordance with procedures prescribed by him or her, on the due date.

- 4.75 To record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions.
- 4.76 To make arrangements for payment of all travel and subsistence claims or financial loss allowance.
- 4.77 To make arrangements for paying members travel or other allowances upon receiving the prescribed form, duly completed and authorised.
- 4.78 To ensure that all salaries and wages are paid monthly by BACS, this being the most economical means.
- 4.79 To ensure that there are adequate arrangements for administering superannuation matters on a day-to-day basis.

Responsibilities of members of the Leadership Team

- 4.80 To ensure appointments are made in accordance with the procedure rules of the authority and approved establishments, grades and scale of pay and that adequate budget provision is available.
- 4.81 To notify the Chief Finance Officer and Monitoring Officer 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 Chief Finance Officer and Monitoring Officer.
- 4.82 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
 - potential redundancy liabilities on short term posts are considered
 - conditions and contracts of employment are correctly applied
 - employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.
- 4.83 To send an up-to-date list of the names of officers authorised to sign records to the Chief Finance Officer, together with specimen signatures.
- 4.84 To ensure that payroll transactions are processed only through the payroll system. Members of the Leadership Team should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. The HM Revenue and Customs applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Chief Finance Officer and Monitoring Officer.
- 4.85 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 authority, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and that the Chief Finance Officer and Monitoring Officer are ~~is~~ informed where appropriate.
- 4.86 To ensure that the Chief Finance Officer and Monitoring Officer are notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.
- 4.87 To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule.

Responsibilities of members

- 4.88 To submit claims for members' travel and subsistence allowances on a monthly basis and, in any event, within one month of the year end.

TAXATION

Why is this important?

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

- 4.90 The key controls for taxation are:

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

Responsibilities of the Chief Finance Officer

- 4.91 To complete all HM Revenue and Customs returns regarding PAYE.
- 4.92 To complete a monthly return of VAT inputs and outputs to HM Revenue and Customs.
- 4.93 To provide details to the HM Revenue and Customs regarding the construction industry tax deduction scheme.
- 4.94 To maintain up-to-date guidance for authority employees on taxation issues in the accounting manual and the tax manual.

Responsibilities of the members of the Leadership Team

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

Appendix E External Arrangements

PARTNERSHIPS

Why is this important?

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

General

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

Key controls

5.6 The key controls for authority partners are:

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

Responsibilities of the Chief Finance Officer

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

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

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

5.9 To ensure that the accounting arrangements are satisfactory.

Responsibilities of members of the Leadership Team

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

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

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

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

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

EXTERNAL FUNDING

Why is this important?

- 5.15 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 provide additional resources to enable the authority to deliver services to the local community. However, in some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the authority's overall plan.

Key controls

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

Responsibilities of the Chief Finance Officer

- 5.17 To ensure that all funding notified by external bodies is received and properly recorded in the authority's accounts.
- 5.18 To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.
- 5.19 To ensure that audit requirements are met.

Responsibilities of members of the Leadership Team

- 5.20 To ensure all internal and external guidance on external funding is followed and that all claims for funds are made by the due date.
- 5.21 To ensure that the project progresses in accordance with the agreed project and that all expenditure is properly incurred and recorded.

WORK FOR THIRD PARTIES

Why is this important?

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

Key controls

- 5.23 The key controls for working with third parties are:
- (a) to ensure that proposals are costed properly in accordance with guidance provided by the Chief Finance Officer
 - (b) to ensure that contracts are drawn up using guidance provided by the Chief Finance Officer and that the formal approvals process is adhered to
 - (c) to issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register.

Responsibilities of Chief Finance Officer

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

Responsibilities of members of the Leadership Team

- 5.25 To ensure that the approval of the Cabinet is obtained before any negotiations are concluded to work for third parties.
- 5.26 To maintain a register of all contracts entered into with third parties in accordance with procedures specified by the Chief Finance Officer.
- 5.27 To ensure that appropriate insurance arrangements are made.
- 5.28 To ensure that the authority is not put at risk from any bad debts.
- 5.29 To ensure that no contract is subsidised by the authority.
- 5.30 To ensure that, wherever possible, payment is received in advance of the delivery of the service.
- 5.31 To ensure that the service area/unit has the appropriate expertise to undertake the contract.
- 5.32 To ensure that such contracts do not impact adversely upon the services provided for the authority.
- 5.33 To ensure that all contracts are properly documented.
- 5.34 To provide appropriate information to the Chief Finance Officer to enable a note to be entered into the statement of accounts.