

PART 4 - 6

FINANCIAL PROCEDURE RULES

1. FINANCIAL MANAGEMENT

A. Financial Management Standards

Why is this important?

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.

General

A.1 The inclusion of items in the approved revenue estimates shall constitute authority to incur such expenditure save to the extent to which the Council shall have placed a reservation on any item or items. Expenditure on such reserved items may be incurred only when Council approval is given following a report by an officer of the Corporate Management Team to Cabinet.

Responsibilities of the Chief Finance Officer

A.2 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.

A.3 To be responsible for providing the Council, Cabinet and Committees with advice on all financial and economic matters.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service¹

A.4 To promote the financial management standards set by the Chief Finance Officer in their departments and to monitor adherence to the standards and practices, liaising as necessary with the Chief Finance Officer.

A.5 To promote sound financial practices in relation to the standards, performance and development of staff in their services.

A.6 To be responsible for the accountability and control of staff and for the security, custody and control of all resources including plant, buildings, materials, cash and stores within their services.

A.7 To be responsible for informing the Chief Finance Officer of all contracts, agreements, etc. involving financial implications for the Council, and to also forward to the Chief Executive, Deputy Chief Executive or Director - Place and Climate Change all consents, approvals, regulations, circulars, etc. in any way relating to finance.

¹ Including all 3rd tier officers/managers

B. Managing Expenditure

(a) Virement

Why is this important?

The scheme of virement is intended to enable Cabinet, Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service and their staff to manage budgets with a degree of flexibility within the overall budget and policy framework determined by the Council, and therefore to optimise the use of resources.

General

- B.1 The use of virement must not create additional liability. Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service are expected to exercise their discretion in managing their budgets responsibly and prudently.
- B.2 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 the amount is used in accordance with the purposes for which it has been established. Earmarked Reserves are considered to be part of the approved budget and therefore its use will not be treated as a virement provided it is used for the purposes for which it has been established.

Responsibilities of Cabinet

- B.3 Cabinet may vire to other purposes amounts provided within the approved annual revenue estimates, except that where the amount of any single diversion exceeds £250,000, the approval of Council is required.

Responsibilities of the Chief Finance Officer

- B.4 To have authority to vire to other purposes amounts provided within the approved annual revenue estimates provided that the amount of any single virement shall not exceed £50,000.
- B.5 To make regular reports to Cabinet detailing all virements exceeding £25,000.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

- B.6 Chief Executive, Deputy Chief Executive, Director - Place and Climate Change to have authority, within the approved revenue estimates coming under their responsibility, to vire up to £25,000 for any single diversion. Heads of Service to have authority, within the approved revenue estimates coming under their responsibility, to vire up to £10,000 for any single diversion. All virements subsequently must be notified to the Chief Finance Officer. All requests for virements over £50,000 must be submitted to the Chief Finance Officer for Cabinet and/or Council approval.

(b) Treatment of year-end balances

Why is this important?

The treatment of year-end balances is administered by the Chief Finance Officer within guidelines set by the Council. Any variation from the scheme of virement (as set out above) requires the approval of the Council. The rules below cover arrangements for the transfer of resources between accounting years, i.e. a carry-forward. For the purposes of this scheme, a budget heading is a line in the estimates report.

Responsibilities of the Chief Finance Officer

B.7 To administer the scheme of carry-forward within the delegated authority approved by the Council.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

B.8 All internal business unit surpluses shall be retained for the benefit of the Authority and their application shall require the approval of Cabinet unless legislation requires otherwise.

B.9 The carrying forward of underspendings will only be considered following a review of the Council's overall financial position.

(c) Emergency Expenditure

Why is this important?

The Council needs to have in place a procedure for meeting immediate needs in the case of an emergency situation arising in the District.

General

B.10 The Chief Executive, or Chief Finance Officer shall have authority to approve expenditure on any item which is essential to meet any immediate needs created by an emergency or which is referable to Section 138 of the Local Government Act 1972, subject to a subsequent report to Cabinet and/or Council depending on whether or not the expenditure can be met from within the current budget framework.

B.11 The Chair or Vice-Chair of the Council together with the Leader or Deputy Leader of Council, having received a report from the Chief Executive or Chief Finance Officer, shall have power to incur expenditure which is essential to meet any immediate needs created by an emergency or which is referable to Section 138 of the Local Government Act 1972 (or other subsequent legislation) which is not otherwise authorised or where it is necessary in the Council's interest to settle legal proceedings which have been commenced against the Council. A subsequent report shall be submitted to Cabinet and/or Council depending on whether or not the expenditure can be met from within the current budget framework.

C. Accounting Policies

Why is this important?

The S151 Officer is responsible for the preparation of the Authority's statement of accounts, in accordance with proper practices as set out in the format required by the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC), for each financial year ending 31 March.

Responsibilities of the Chief Finance Officer

- C.1 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 as at 31 March each year.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and *Heads of Service*

- C.2 To adhere to the accounting policies and guidelines approved by the Chief Finance Officer.

D. Accounting Records and Returns

Why is this important?

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.

Responsibilities of the Chief Finance Officer

- D.1 To maintain satisfactory accounting arrangements for all financial transactions of the Council in consultation where necessary with the Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and *Heads of Service*.
- D.2 To separate the duties of officers providing information about sums due to or from the Authority and calculating, checking and recording these sums from those of the officers responsible for collecting or disbursing them.
- D.3 To ensure that employees with the duty of examining or checking the accounts of cash transactions are not themselves engaged in these transactions.
- D.4 To make proper arrangements for the external audit of the Authority's accounts in accordance with the latest applicable Accounts and Audit Regulations.
- D.5 To ensure that all claims for funds including grants are made by the due date.

- D.6 To prepare and publish the audited accounts of the Authority for each financial year, in accordance with the statutory timetable and with the requirement for the Audit and Standards Committee to approve the statement of accounts before the statutory deadline.
- D.7 To administer the Authority's arrangements for underspendings to be carried forward to the following financial year.
- D.8 To ensure the proper retention of financial documents in accordance with the requirements set out in the Authority's document retention schedule.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and *Heads of Service*

- D.9 To consult and obtain the approval of the Chief Finance Officer before making any changes to accounting records and procedures.
- D.10 To comply with the principles outlined in paragraphs D.2 and D.3 above, when allocating accounting duties.
- D.11 To maintain adequate records (as determined by the Chief Finance Officer) to provide a management trail leading from the source of income/expenditure through to the accounting statements.
- D.12 To supply information required to enable the statement of accounts to be completed in accordance with guidelines issued by the Chief Finance Officer.

E. The Annual Statement of Accounts

Why is this important?

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

Responsibilities of the Chief Finance Officer

- E.1 To select suitable accounting policies and to apply them consistently.
- E.2 To make judgements and estimates that are reasonable and prudent.
- E.3 To comply with the Statement of Recommended Practice (SORP).
- E.4 To sign and date the statement of accounts, stating that it presents fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March.
- E.5 To draw up the timetable for final accounts preparation and to advise staff and external auditors accordingly.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and *Heads of Service*

- E.6 To comply with accounting guidance provided by the Chief Finance Officer and to supply the Chief Finance Officer with information when required.

2. FINANCIAL PLANNING

F. Performance Plans and Strategies

Why is this important?

It is good practice for local authorities to publish forward or business plans, including corporate performance plans, and community plans. The purpose of these plans is to explain overall priorities and objectives, current performance, and proposals for further improvement and demonstrate good Use of Resources and Value for Money. Rother District Council has chosen to base its performance framework on a pyramid of connected plans.

The *Corporate Plan* sets out the Council's vision and objectives.

The *Annual Performance Plan* sets out key targets for improvement.

Service Plans set out the key activities and improvements for each Rother Service on an annual basis.

Individual Action Plans, based on the Performance Appraisal Scheme, set out individual staff members objectives on an annual basis.

Responsibilities of the Chief Executive

F.1 To advise and supply the financial information that needs to be included in performance plans and strategies etc. in accordance with statutory requirements and agreed timetables.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

F.2 To contribute to the development of performance plans.

F.3 To contribute to the development of corporate and service targets and objectives and performance information.

F.4 To ensure that performance plan information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met.

G. Budgeting

(a) Format of the budget

Why is this important?

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.

Responsibilities of the Chief Finance Officer

G.1 To advise Cabinet on the format of the budget that is to be approved by the Council.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and *Heads of Service*

G.2 To comply with accounting guidance provided by the Chief Finance Officer.

(b) *Revenue budget preparation, monitoring and control*

Why is this important?

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.

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. 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.

Responsibilities of the Chief Finance Officer

G.3 To submit reports to Cabinet and to the Council, in consultation with the Chief Executive, where the Deputy Chief Executive, Director - Place and Climate Change or *Heads of Service* is unable to balance expenditure and resources within existing approved budgets under their control.

G.4 To prepare and submit reports on the Authority's projected income and expenditure compared with the budget to Corporate Management Team (CMT), Cabinet and Overview and Scrutiny Committee (or delegated sub-committee thereof) on a regular basis.

G.5 To establish an appropriate framework of budgetary management and control that ensures that:

- (a) budget management is exercised within annual cash limits unless the Council agrees otherwise;
- (b) each Head of Service has available timely information on receipts and payments on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities;
- (c) expenditure is committed only against an approved budget head;
- (d) all officers responsible for committing expenditure comply with relevant guidance, Financial Procedure Rules and Procurement Procedure Rules
- (e) each cost centre has a single named manager, determined by the relevant Head of Service. As a general principle, budget responsibility

- should be aligned as closely as possible to the decision-making processes that commits expenditure; and
- (f) significant variances from approved budgets are investigated and reported by budget managers in accordance with the monitoring timetable.

G.6 To administer the Authority's scheme of virement (Refer to section B(a)).

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and *Heads of Service*

G.7 To consult with the Chief Finance Officer with respect to any matter which is liable materially to affect the finances of the Council before any provisional or other commitment is incurred or before reporting thereon.

G.8 To maintain budgetary control within their departments, in adherence to the principles in G.3 above, and to ensure that all income and expenditure are properly recorded and accounted for.

G.9 To ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the Head of Service (grouped together in a series of cost centres). As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.

G.10 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 and to report these to the Chief Finance Officer in accordance with the monitoring timetable. This regulation shall also apply to any action or decision, which will give rise to a reduction in income.

G.11 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 within the guidelines set down by the Chief Finance Officer.

G.12 To ensure prior approval by the Council for new proposals outside of the budget and policy framework, of whatever amount, that:

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

G.13 To ensure compliance with the scheme of virement (See section B(a))

G.14 To agree with Corporate Management Team, where it appears that a budget proposal, including a virement proposal, may impact materially another services area, prior to any action being taken.

(c) Budgets and medium-term planning

Why is this important?

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.

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.

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.

Responsibilities of the Chief Finance Officer

- G.15 To prepare and submit reports on budget prospects for Cabinet, including resource constraints set by the Government. Reports should take account of medium-term prospects, where appropriate.
- G.16 To determine the detailed form of revenue estimates and the methods for their preparation.
- G.17 To prepare and submit reports to Cabinet on the budget and policy framework, identifying, where appropriate, the implications for the level of Council tax to be levied. After making any necessary amendment, Cabinet shall submit them to the Overview and Scrutiny Committee for comment. Following receipt of these comments, Cabinet shall submit the proposals to the Council for approval with a recommendation of the Council Tax to be levied for the ensuing financial year.
- G.18 To advise on the medium-term implications of spending decisions.
- G.19 To encourage the best use of resources and value for money by working with the Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and *Heads of Service* to identify opportunities to improve economy, efficiency and effectiveness; by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.
- G.20 To ensure reports are made to the Council on Cabinet proposals in accordance with their responsibilities under Section 151 of the Local Government Act 1972.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and *Heads of Service*

- G.21 To prepare detailed draft revenue and capital budgets for consideration, in consultation with the Chief Finance Officer, to be submitted to Cabinet, and thereafter consulted with the appropriate committee.

- G.22 To prepare budgets that are consistent with any relevant cash limits, with the Authority's annual budget cycle and with guidelines issued by Cabinet. The format should be prescribed by the Chief Finance Officer in accordance with the Council's general directions.
- G.23 To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.
- G.24 When drawing up draft budget requirements, to have regard to the budget requirements as set out by the Chief Finance Officer.

(d) Capital programmes

Why is this important?

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. 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.

General

- G.25 The inclusion of any item with an estimated value less than £100,000 within the approved capital expenditure programme shall constitute authority to incur such expenditure.
- G.26 Cabinet may vire to other purposes money from one project to another in the approved capital expenditure programme, except that where the amount of any single diversion exceeds £100,000, the approval of the Council is required.

Responsibilities of the Chief Finance Officer

- G.27 To have authority to vire money from one project to another within the approved capital expenditure programme provided that the amount of any single diversion shall not exceed £50,000.
- G.28 To prepare capital estimates jointly with the Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and *Heads of Service*, in accordance with the procedure set out in the Capital Strategy and to report them to Cabinet for approval. Cabinet will make recommendations on the capital estimates and on any associated financing requirements to the Council.
- G.29 To be responsible for ensuring that the Chief Finance Officer has adequate procedures in place to properly control capital spending.
- G.30 To prepare and submit reports to Corporate Management Team, Cabinet and Overview and Scrutiny Committee (or delegated sub-committee) on the projected income, expenditure and resources compared with the approved estimates.

- G.31 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.
- G.32 To obtain authorisation from Council for individual schemes where the estimated expenditure exceeds the capital programme provision.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and *Heads of Service*

- G.33 To comply with guidance concerning capital schemes and controls issued by the Chief Finance Officer.
- G.34 To ensure that all capital proposals have undergone a project appraisal in accordance with guidance issued by the Chief Executive.
- G.35 Before procuring a service contract which is estimated to exceed £250,000 per annum in value or amount, to firstly report to Cabinet the draft specification, likely cost and form of tendering; Cabinet will then ask Overview and Scrutiny Committee to review and comment on the draft specification to be recommended to Cabinet for final approval; and to ensure that the proposal is included on the Council's Forward Plan of Key Decisions, if appropriate.
- G.36 Prepare a return for the quarterly capital monitoring group in accordance with the agreed timetable, of estimated final costs of schemes in the approved capital programme for submission to Corporate Management Team.
- G.37 To consult with the Chief Finance Officer when a potential overspending or significant underspending is identified on a capital scheme which is under their control.
- G.38 To ensure that adequate records are maintained for all capital contracts.
- G.39 To proceed with projects only when there is adequate approved provision in the capital programme and with the agreement of the Chief Finance Officer, where required.
- G.40 If at any time it is believed that the cost of any capital scheme is likely to exceed the estimate as shown in the approved capital expenditure programme by more than £25,000 of the approved amount, the Chief Finance Officer shall report the anticipated overspend to Cabinet. For variations under £25,000 but exceeding 10% of the approved capital scheme cost, these shall be reported to Chief Finance Officer.
- G.41 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.

H. MAINTENANCE OF RESERVES

Why is this important?

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.

Responsibilities of the Chief Finance Officer

H.1 To advise 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 Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and *Heads of Service*

H.2 To ensure that reserves are used only for the purposes for which they were intended.

3. RISK MANAGEMENT AND CONTROL OF RESOURCES

J. Risk Management

Why is this important?

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.

It is the overall responsibility of the Audit and Standards Committee to approve the Authority's risk management strategy, and together with the Corporate Management Team promote a culture of risk management awareness throughout the Authority.

Responsibilities of the Chief Finance Officer

J.1 To include all appropriate employees of the Authority in a suitable fidelity guarantee insurance.

J.2 To be responsible for arranging all necessary insurance cover and keeping appropriate records.

Responsibilities of the Head of Internal Audit

J.3 To prepare and promote the Authority's risk management policy statement and ensure the Corporate Risk Register is maintained and regularly reported to Audit and Standards Committee.

- J.4 To advise the Corporate Management Team on the identification and evaluation of risk and suggest improvements to controls.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and *Heads of Service*

- J.5 To notify the Chief Finance Officer immediately of any loss, liability or damage that may lead to a claim against the Authority, together with any information or explanation required by the Chief Finance Officer or the Authority's insurers.
- J.6 To identify the key strategic and operational risks facing Council services and to document them in a risk register. The likelihood and potential impact of each risk shall be evaluated and recorded in the register along with the measures taken to reduce the risks to an acceptable level. Risk registers shall be maintained for both corporate and service level risks and their content regularly reviewed and updated. Separate risk registers shall also be kept for major projects.
- J.7 To ensure that there are regular reviews of risk within their departments.
- J.8 To notify the Chief Finance Officer promptly of all new risks, equipment, properties or vehicles that require insurance and of any alterations affecting existing insurances.
- J.9 To consult the Chief Finance Officer and the Monitoring Officer on the terms of any indemnity that the Authority is requested to give.
- J.10 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.
- J.12 To ensure that a Business Continuity Plan exists and is maintained and followed as appropriate.

K. Internal Controls

Why is this important?

The Authority is complex and therefore requires internal controls to manage and monitor progress towards strategic objectives and to monitor compliance with statutory obligations.

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.

Responsibilities of the Chief Finance Officer

- K.1 To put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

- K.2 To ensure that the principles of internal control as defined by the Chief Finance Officer shall be observed as far as practicable in the allocation of all accounting duties, and to be responsible for maintaining these principles for all areas of work under their control.
- K.3 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.
- K.4 To review existing controls in the light of changes affecting the Authority and to establish and implement new controls in line with guidance from the Chief Finance Officer and Head of Internal Audit. Heads of Service shall not remove existing controls without consultation with the Head of Internal Audit.
- K.5 To ensure staff have a clear understanding of the consequences of lack of internal control.

L. Audit Requirements

(a) Internal audit

Why is this important?

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 2015/184), Regulation 5, more specifically require that a “relevant authority must undertake an effective Internal Audit to evaluate the effectiveness of risk management, control and governance processes, taking into account public sector internal auditing standards or guidance

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.

Responsibilities of the Chief Finance Officer

- L.1 To maintain an adequate and effective internal audit of all financial activities of the Council to the satisfaction of the Chief Finance Officer, which shall be carried out independently of the management and be operated in accordance with, the Public Sector Internal Audit Standards as interpreted by, amended or supplemented by nationally approved guidance on professional practice. The Head of Internal Audit, in carrying out these activities on behalf of the Chief Finance Officer, shall have a direct right of access to the Audit and Standards Committee, and/or Cabinet and Council if the circumstances so warrant.
- L.2 To ensure that the Head of Internal Audit shall have authority to visit any Council establishment and have access to such records and documents as required. They shall also have authority to visit any premises, after reasonable notice has been given, where a Contractor who is subject to these Procedure Rules and/or Procurement Procedure Rules is carrying out or

performing a Service Contract. They may require the production of cash, stores and other Council property, and shall be entitled to receive such explanations as they considers necessary.

- L.3 To approve the annual audit plans prepared by the Head of Internal Audit, which take account of the characteristics and relative risks of the activities involved.
- L.4 To regularly review, appraise and report upon the adequacy of all financial systems together with the control of the Council's assets and interests and shall submit an Annual Governance Report thereon to the Audit and Standards Committee.

Responsibilities of Head of Internal Audit

- L.5 To prepare a risk-based annual audit plan ensuring good coverage of the Council's key financial risks and to report a summary of all internal audit activity to the Audit and Standards Committee on a quarterly basis.
- L.6 To report their overall opinion on the Council's control environment, together with a summary of the work that supports that opinion, to the Audit and Standards Committee on an annual basis
- L.7 To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.
- L.8 To ensure that there is effective liaison between internal and external audit.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and *Heads of Service*

- L.9 To ensure that internal auditors are given access at all reasonable times to all premises, personnel, documents, records and assets that the auditors consider necessary for the purposes of their work.
- L.10 To ensure that internal auditors are provided with any information and explanations that they seek in the course of their work.
- L.11 To consider and respond promptly to recommendations in audit reports.
- L.12 To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- L.13 The Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and *Heads of Service* or Contractor who is subject to these Procedure Rules, shall notify the Chief Finance Officer or Head of Internal Audit immediately of any circumstances which suggest the possibility of any irregularity affecting cash, stores or other property of the Council, or any other suspected irregularity in the exercise of the functions of the Authority.
- L.14 To ensure that new systems for maintaining financial records, or records of assets, or significant changes to such systems, are discussed with and agreed by the Head of Internal Audit prior to implementation.

(b) External Audit

Why is this important?

The Local Government Finance Act 1982 set up the Audit Commission, which until 31 March 2015 was responsible for appointing external auditors to each local authority in England and Wales. The Council opts in to the contract management arrangements operated by the Public Sector Audit Appointments Ltd under the local audit framework established by the Local Audit and Accountability Act 2014.

The external auditor has rights of access to all documents and information necessary for audit purposes.

The code of audit practice issued in April 2020 sets out the auditor's objectives to review and report upon the financial aspects of the audited body's corporate governance arrangements and also the audited body's financial statements including arrangements to secure the economic, efficient and effective use of resources.

Responsibilities of the Chief Finance Officer

- L.15 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.
- L.16 To ensure there is effective liaison between external and internal audit.
- L.17 To work with the external auditor and advise the Council, Audit and Standards Committee, Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and *Heads of Service* on their responsibilities in relation to external audit.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and *Heads of Service*

- L.18 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.
- L.19 To ensure that all records and systems are up to date and available for inspection.

M. Preventing Fraud and Corruption

Why is it this important?

The Authority will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Authority. The Authority's expectation of propriety and accountability is that elected Members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices. 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.

Responsibilities of the Chief Finance Officer

- M.1 To maintain adequate and effective internal control arrangements.
- M.2 To ensure that all suspected irregularities are reported to the Head of Internal Audit

Responsibilities of the Head of Internal Audit

- M.3 To develop and maintain an anti-fraud and anti-corruption policy.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

- M.4 To ensure that all suspected irregularities or financial improprieties are reported to the Head of Internal Audit or Chief Finance Officer who will advise on the most appropriate course of action.
- M.5 To be responsible for maintaining the internal control system and the prevention and detection of fraud and other illegal acts.
- M.6 To instigate the Authority's disciplinary procedures where the outcome of an Internal Audit or similar investigation indicates improper behaviour.

Responsibilities of the Monitoring Officer

- M.7 To maintain and regularly update the officer register of gifts and hospitality (all officers) and the officer register of interests (management grade holders).

N. Assets

(a) Security of Property (Tangible and Intangible Assets)

Why is this important?

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

Responsibilities of the Chief Finance Officer

- N.1 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, and
 - adequately maintained.
- N.2 To receive the information required for accounting, costing and financial records from each Head of Service.

- N.3 To ensure that assets are valued in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC)*.

Responsibilities of Director - Place and Climate Change

- N.4 To maintain a property database for all land and property currently owned or used by the Authority. Any use of property by a service or establishment other than for direct service delivery should be supported by documentation identifying terms, responsibilities and duration of use.
- N.5 To be responsible for maintaining a terrier of Council properties.
- N.6 To ensure that upon the termination of any lease, concession, grazing right or other agreement, a report upon the future use of the property shall be submitted to Cabinet unless a relevant delegation is in place.
- N.7 To be responsible for ensuring that all title deeds are held in a secure manner.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

- N.8 To be responsible for the security and safe keeping of all cash, equipment, stores and other property under their control in accordance with procedures approved by the Chief Finance Officer.
- N.9 To keep inventories (as per proforma attached as Appendix 1) of Council-owned plant, equipment, furniture etc. in a manner approved by the Chief Finance Officer, where the value exceeds £50. Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the Authority.
- N.10 To notify the Chief Finance Officer of all new assets acquired for insurance and asset register purposes.
- N.11 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.
- N.12 To ensure cash holdings on premises are kept within insured limits.
- N.13 To ensure that keys to safes and similar receptacles are held securely by those responsible at all times; loss of any such keys must be reported to the Chief Finance Officer as soon as possible.
- N.14 To make arrangements for the disposal of surplus assets or writing-off of stores and inventory items subject to approval in writing by the Chief Finance Officer. Such disposals must be recorded and should normally be by competitive tender or public auction unless the Chief Finance Officer agrees otherwise in writing.
- N.15 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.

- N.16 To be responsible for the recording and control of assets, stocks, stores and inventories in their service and to notify the Chief Finance Officer of any discrepancies.
- N.17 To regularly review and physically check all assets, stocks, stores and inventories at least annually, or otherwise as agreed by the Chief Finance Officer.
- N.18 To make sure that all assets are only used in the course of the Authority's business, unless the Chief Executive, Deputy Chief Executive, Director - Place and Climate Change or relevant *Head of Service* concerned has given permission otherwise.

(b) Intellectual property

Why is this important?

Intellectual property is a generic term that includes inventions and writing. If these are created by the employee during the course of employment, then, as a general rule, they belong to the employer, not the employee.

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

Responsibilities of the Chief Finance Officer

- N.19 To develop and disseminate good practice through the Authority's intellectual property procedures.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

- N.20 To ensure that controls are in place to ensure that staff do not carry out private work in Council time and that staff are aware of an employer's rights with regard to intellectual property.

O. Treasury Management, Banking and Petty Cash

Why is this important?

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.

General

- O.1 The Council has adopted CIPFA's "Treasury Management in the Public Services: Code of Practice (the Code) as described in Section 4 of that Code.
- O.2 Accordingly, the Council has created and will maintain, as the cornerstones of effective Treasury Management:
- A Treasury Management Policy Statement (TMPS), stating the policies and objectives of its treasury management activities.
 - Suitable Treasury Management Practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives.

Responsibilities of Chief Finance Officer

- O.3 To be responsible for all necessary borrowings, repayments of loans and investments which shall be within the Council's policy and in the name of the Council.
- O.4 All money in the hands of the Council shall be aggregated for the purposes of treasury management and be under the control of the Chief Finance Officer.
- O.5 To report to Audit and Standards Committee and Cabinet on the treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, and an annual report after its close in the form prescribed in its TMPs.
- O.6 To be responsible for the implementation and monitoring of the Council's treasury management policies and practices and for the execution and administration of delegated treasury management decisions and to act in accordance with the Council's Policy Statement, TMPs and CIPFA's Standard of Professional Practice on Treasury Management.
- O.7 To be responsible for the operation and terms of all the Council's banking, giro and investment accounts and for the ordering, use and control of cheques, payment forms and other payment media.
- O.8 To advance such sums by way of imprest accounts as they deems reasonable and to approve the nature and amounts of payments which can be made from the account and the records which need to be kept.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and *Heads of Service*

- O.9 To follow the instructions on banking and imprest accounts issued by the Chief Finance Officer.
- O.10 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.

- O.11 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.
- O.12 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.
- O.13 To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.
- O.14 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 imprest 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 petty cash 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; and
 - (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 them.

4. FINANCIAL SYSTEMS AND PROCEDURES

P. General

Why is this important?

Services have many systems and procedures relating to the control of the Authority's assets, including purchasing, costing and management systems. Services are 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.

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

Responsibilities of the Chief Finance Officer

- P.1 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;
 - (d) approve any new financial systems to be introduced; and
 - (e) approve any changes to be made to existing financial systems.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and *Heads of Service*

- P.2 To ensure that accounting records are properly maintained and held securely.
- P.3 To consult with the Chief Finance Officer concerning controls on new systems and on proposed changes to existing systems.
- P.4 To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Chief Finance Officer.
- P.5 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.
- P.6 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; and
 - (c) output from the system is complete, accurate and timely.
- P.7 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.
- P.8 To ensure that systems are documented and staff trained in operations.
- P.9 To establish a scheme of delegation identifying officers authorised to act upon the Chief Executive, Deputy Chief Executive or Director - Place and Climate Change behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority.

- P.10 To ensure that the list of officers included in the “purchasing roles” document produced from the financial system is correct, before approval by the Chief Finance Officer, on an annual basis and as otherwise may be required as a result of changes in staff.
- P.11 To ensure that, where appropriate, computer systems are registered in accordance with Data Protection / General Data Protection Regulation legislation and that staff and Members are aware of their responsibilities in accordance with the Council’s Data Protection Policy.
- P.12 To ensure that the Council’s ICT Strategy covering the future use of computing facilities, is followed.
- P.13 To ensure that standards and guidelines set out in the Council’s ICT Policy, governing the use and security of information and communications technology facilities, and in particular intranet, email and copyright, designs and patents legislation are followed.

Q. Income and Expenditure

(a) Income

Why is this important?

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

Responsibilities of the Chief Finance Officer

- Q.1 To be responsible for maintaining a system for recording and collecting all credit income.
- Q.2 To approve all arrangements for the collection, receipt, recording, banking and safe-keeping of Council income.
- Q.3 To satisfy himself regarding the arrangements for the control, order and supply of all receipt forms, order books or tickets and similar items issued direct to the departments.
- Q.4 For local taxation debts to delegate to the Revenues and Benefits Head of Service or equivalent to agree write off of debts up to £100,000 for the following reasons:
- (a) Insolvency – Liquidation and Bankruptcy
 - (b) Debt Relief Orders
 - (c) Individual Voluntary Arrangement
 - (d) Absconded – no trace of debtor including no longer residing in UK
 - (e) Adjustments required to Council tax accounts relating to administrative error in awarding discounts under the Council Tax Reduction Scheme, up to the value of the error.
 - (f) Uneconomic to collect – dormant debts of £100 or less

- Q.5 For Housing Benefit Overpayment debts to delegate to the Revenues and Benefits Head of Service to write off Debts up to £25,000. For all other amounts and types of debt, the Chief Finance Officer to agree write offs up to £100,000. Write off of debts above £100,000 require the prior approval of Cabinet.
- Q.6 To submit as part of the annual financial outturn report to Cabinet, a summary of all debts written off during the financial year by type of debt, i.e. local taxation (council tax and business rates, housing benefit and sundry debts.
- Q.7 To approve the waiver or variation of any charge in respect of individual transactions and to seek approval of Cabinet to waivers or variations in excess of the approved write-off limit.
- Q.8 To ensure that appropriate accounting adjustments are made following write-off action. To cancel any debt that has been raised in error and make the necessary accounting adjustments. Such changes are not to be treated as a write off and are not subject to the approval and reporting limitations set out above. The Chief Finance Officer must maintain adequate records to justify taking such action.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and *Heads of Service*

- Q.9 To review all scales of charges annually in conjunction with the Chief Finance Officer or at such other times as the Chief Finance Officer deems necessary. No alteration to such scales may be made, or new scales introduced, except upon a report by the appropriate officer to Cabinet unless such powers of alteration have been previously delegated to an officer.
- Q.10 To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable.
- Q.11 To establish and initiate appropriate recovery procedures, in connection with the Chief Finance Officer, including legal action where necessary, for debts that are not paid promptly. The Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and *Heads of Service* 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.
- Q.12 To be responsible for making satisfactory and secure arrangements for the order, control and supply of all receipt forms, order books or tickets and similar items obtained direct from the Reprographics Unit.
- Q.13 To issue official receipts or to maintain other documentation for income collection.
- Q.14 To ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded.
- Q.15 To hold securely receipts, tickets and other records of income for the appropriate period as specified by the Chief Finance Officer.

- Q.16 To lock away all income, tickets etc., to safeguard against loss or theft, and to ensure the security of cash handling all to be within agreed insurance safe limits.
- Q.17 To ensure that income is paid fully and promptly into the Cashiers or 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.
- Q.18 To ensure income is not used to cash personal cheques or other payments.
- Q.19 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.
- Q.20 Revisions to the rent payable under the terms of any lease, concession or grazing right or other agreement shall be approved by Cabinet following a report to them unless specifically delegated to an Officer to determine.
- Q.21 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.
- Q.22 To recommend to the Chief Finance Officer 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.
- Q.23 To notify the Chief Finance Officer of all debts, which it is recommended are written off.
- Q.24 To record all sums written off and to adhere to the requirements of the latest applicable Accounts and Audit Regulations.
- Q.25 To notify the Chief Finance Officer of outstanding income not invoiced 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.

(b) Ordering and paying for work, goods and services

Why is this important?

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 and comply with all relevant national regulations.

General

- Q.26 For all procurement related rules please refer to the Council's Procurement Procedure Rules. For procurement of capital items please additionally refer to section G. Budgeting (d) capital programmes.

Responsibilities of the Chief Finance Officer

- Q.27 To ensure that all the Authority's financial systems and procedures are sound and properly administered and to approve any changes to existing financial systems and to approve any new systems before they are introduced.
- Q.28 To approve the form of Official Order to be used.
- Q.29 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.
- Q.30 To make payments from the Authority's funds on the Head of Service's authorisation that the expenditure has been duly incurred in accordance with Financial Procedure Rules.
- Q.31 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.
- Q.32 To make payments to contractors on the certificate of the appropriate Head of Service, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.
- Q.33 To ensure compliance with relevant transparency requirement as detailed in Appendix 3.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

- Q.34 To ensure that purchase orders in the Council's finance system are used for all goods and services, other than the exceptions specified by the Chief Finance Officer.
- Q.35 To ensure that orders are only used for goods and services provided to the department and that staff are aware that they must not use official orders to obtain goods or services for their private use.
- Q.36 To ensure that only those staff agreed by them and authorised by the Chief Finance Officer under P.10 authorise orders, maintain an up-to-date list of such authorised staff, identifying in each case the limits of their authority and to supply a copy to the Chief Finance Officer.
- Q.37 To ensure that before authorising an order the responsible officer shall be satisfied that the Council's Financial Procedure Rules and Procurement Procedure Rules have been followed throughout the procurement exercise.

- Q.38 To ensure that goods and services are checked on receipt to verify that they are in accordance with the order. This check should, where possible, be carried out by a different officer from the person who authorised the order. Appropriate entries should then be made in inventories or stores records.
- Q39 To ensure their departments comply with the requirements of the relevant Transparency requirements detailed in Appendix 3.

Invoices without Orders

- Q.40 To ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment, confirming:
- (a) that the goods or services have been received;
 - (b) that the invoice has not previously been paid.
 - (c) that expenditure has been properly incurred and is within budget provision except expenditure under the provision of Q.30;
 - (d) that prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices;
 - (e) that tax has been correctly accounted for;
 - (f) that the invoice is correctly coded;
 - (g) that discounts have been taken where available; and
 - (h) that appropriate entries will be made in accounting records.
- Q.41 To ensure that:
- (a) the receipt of goods or services,
 - (b) the checking of the prices and arithmetic, and
 - (c) the authorisation for payment of invoices are carried out by different persons.
- Q.42 to ensure that any invoice received without a PO will be returned to the supplier for a PO to be added. Where this is not possible due to the nature of the services supplied (e.g. utility bills) ensure the invoice is checked and the relevant coding added and returned to the Accounts Payable Team.
- Q.43 Where goods or services have been paid for in advance, the Chief Executive, Deputy Chief Executive, Director - Place and Climate Change or relevant *Heads of Service* shall be responsible for ensuring that the goods or services are subsequently received and that any subsequent invoice is clearly marked "paid" and sent to the Chief Finance Officer to support the original payment.
- Q.44 To be responsible for maintaining a system to prevent duplicate payments of invoices.
- Q.45 To ensure that payments are not made on a photocopied or faxed invoice or a statement unless certified by the Chief Finance Officer.
- Q.46 To ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the Chief Finance Officer.
- Q.47 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 30 April.

- Q.48 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.
- Q.49 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.
- Q.50 To ensure that all appropriate payment records are retained and stored for the defined period, in accordance with the document retention schedule.

(c) *Payments to employees and members*

Why is this important?

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.

Responsibilities of the Head of Human Resources

- Q.51 To be responsible for the calculation and payment of salaries, wages and all other emoluments unless other arrangements are agreed by the Chief Finance Officer.
- Q.52 To record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions.
- Q.53 To make arrangements for payment of all travel and subsistence claims to staff.
- Q.54 To make arrangements for paying Members travel or other allowances upon receiving the prescribed form, duly completed and authorised.
- Q.55 To ensure that there are adequate arrangements for administering superannuation matters on a day-to-day basis.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and *Heads of Service*

- Q.56 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 including provision for equipment and training where appropriate.

- Q.57 To notify the Head of Human Resources of all appointments, terminations or variations which may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Head of Human Resources.
- Q.58 To be responsible for the accuracy of all information passed to the Head of Human Resources, which is used for making such payments to staff.
- Q.59 To send an up-to-date list of the names of officers authorised to approve or sign timesheets, etc., to the Head of Human Resources, together with specimen signatures if required.
- Q.60 All overtime must be agreed in advance in writing by the relevant Head of Service.
- Q.61 To ensure that payroll transactions are processed only through the payroll system. The Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and *Heads of Service* should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. HM Revenue and Customs applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Head of Human Resources.
- Q.62 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 Head of Human Resources is informed where appropriate.
- Q.63 To ensure that the Head of Human Resources is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.
- Q.64 To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule.

(d) Appointment of Consultants

Why is this important?

The cost of consultants is considered to be an expensive commitment. It is important that a proper decision is taken before these are engaged.

General

- Q.65 Appointments of consultants should be made in accordance with Procurement Procedure Rules.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and *Heads of Service*

- Q.66 The appropriate Head of Service must consult with the Head of Human Resources on fees to be paid to and the insurance status of any consultants before the appointment is made.

- Q.67 It shall be a condition of the appointment of any consultant who is responsible to the Council for services in respect of works on its behalf that in relation to those works they shall:
- (a) comply with the Council's Financial Procedure Rules relating to Financial Systems and Procedures and also the Council's Procurement Procedure Rules as though they were an Officer of the Council;
 - (b) at any time the carrying out of the works, produce to the appropriate Head of Service, or their representative, on request, all the records maintained by him in relation to the works; and
 - (c) on completion of the works, transmit all such records or copies thereof to the appropriate Head of Service.

R Taxation

Why is this important?

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.

Responsibilities of the Head of Human Resources

- R.1 To complete all HM Revenue and Customs returns regarding PAYE by the appropriate deadlines.

Responsibilities of the Chief Finance Officer

- R.2 To complete monthly returns of VAT inputs and outputs to HM Revenue and Customs by the appropriate deadlines.
- R.3 To provide details to HM Revenue and Customs regarding the construction industry tax deduction scheme.
- R.4 To maintain up-to-date guidance for authority employees on taxation issues in the accounting manual and the VAT tax manual.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and *Heads of Service*

- R.5 To ensure that the correct VAT liability is attached to all income due in liaison with the Chief Finance Officer and that all VAT recoverable on purchases complies with HM Revenue and Customs regulations.
- R.6 To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.
- R.7 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.

R.8 To follow the guidance on taxation issued by the Chief Finance Officer.

S Trading Accounts

Why is this important?

Trading accounts have become more important as local authorities have developed a more commercial culture. Under the CIPFA best value accounting code of practice, authorities are required to keep trading accounts for services provided on a basis other than straightforward recharge of cost.

Responsibilities of the Chief Finance Officer

S.1 To advise on the establishment and operation of trading accounts and business units.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

S.2 To consult with the Chief Finance Officer where a business unit wishes to enter into a contract with a third party where the contract expiry date exceeds the remaining life of their main contract with the Authority. In general, such contracts should not be entered into unless they can be terminated within the main contract period without penalty.

S.3 To observe all statutory requirements in relation to business units, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs, is charged, and to produce an annual report in support of the final accounts.

S.4 To ensure that the same accounting principles are applied in relation to trading accounts as for other services or business units.

S.5 To ensure that each business unit prepares an annual business plan.

5. EXTERNAL ARRANGEMENTS

T Partnerships

Why is this important?

Partnerships are likely to play a key role in delivering community strategies and in helping to promote and improve the well-being of the area. Local authorities are working in partnership with others – public agencies, private companies, community groups and voluntary organisations. Local authorities still deliver some services, but their distinctive leadership role is to bring together the contributions of the various stakeholders. They therefore need to deliver a shared vision of services based on user wishes.

Local authorities will mobilise investment, bid for funds, champion the needs of their areas and harness the energies of local people and community organisations. Local authorities will be measured by what they achieve in partnership with others.

General

T.1 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.

T.2 A partner is defined as either:

- (a) an organisation (private, public or third sector*) 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.
- (c) an individual whose contribution gives them a right or obligation to support the project.

**third sector – this incorporates voluntary or community groups and social enterprise.*

T.3 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; or
- (c) being the beneficiary group of the activity undertaken in a project.
- (d) planning and/or monitoring partnership deliverables and outcomes.

T.4 Partners have common responsibilities:

- (a) to be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation;
- (b) to act in good faith at all times and in the best interests of the partnership's aims and objectives;
- (c) be open about any conflict of interests that might arise;
- (d) to encourage joint working and promote the sharing of information, resources and skills between public, private and community sectors;
- (e) to hold confidentially any information received as a result of partnership activities or duties that is of a confidential or commercially sensitive nature; and
- (f) to act wherever possible as ambassadors for the project.

Responsibilities of the Chief Finance Officer

T.5 To advise on effective controls that will ensure that resources are not wasted for e.g.:

- (a) Terms of Reference
- (b) Clear forward plans
- (c) Monitoring reports

T.6 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; and
- (e) carry-forward arrangements.

- T.7 To ensure that the accounting arrangements are satisfactory.
- T.8 To maintain a register of all partnerships entered into with external bodies in accordance with procedure specified by the Chief Finance Officer.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and *Heads of Service*

- T.9 To notify the Chief Finance Officer of any partnership entered into in the format agreed by the Chief Finance Officer.
- T.10 To ensure that, before entering into partnerships, a risk management appraisal has been prepared for the Chief Finance Officer.
- T.11 To ensure that such agreements and arrangements do not impact adversely upon the services provided by the Authority.
- T.12 To ensure that all agreements and arrangements are properly documented.
- T.13 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.

U Subsidiary Companies

Why is this important?

Increasingly Councils are creating wholly or partly owned companies in order to deliver specific priorities, such as housing. The use of companies gives greater freedoms to operate and trade than would be the case if delivered directly by the Council. However it is important that the Council as shareholder maintains an oversight of the operations of the company(ies) to ensure that public funding is not at put at unacceptable levels of risk.

Responsibilities of the Chief Finance Officer

- U.1 to ensure suitable accounting arrangements are in place.
- U.2 to ensure the company adopt suitable procurement procedures to ensure best value.
- U.3 to ensure that any taxation implications resulting from the operations of the company are properly considered and managed.
- U.4 to ensure the recovery of costs of services delivered to the company by the Council.
- U.5 to ensure proper funding agreements are in place as required to ensure the security and recovery of the funding.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and *Heads of Service*

- U.6 to notify the Chief Finance Officer of the expected creation of a company by the Council as sole or joint shareholder.

- U.7 to assess the level of risk on the Council as a result of establishing the company.
- U.8 to assure a proper business plan is in place for the Company and accepted by the Council.
- U.9 to assure adequate governance arrangements are in place.
- U.10 to ensure an adequate Service Level Agreement is in place covering all services provided to the company by the Council.

V External Funding

Why is this important?

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.

Responsibilities of the Chief Finance Officer

- V.1 To ensure that all funding notified by external bodies is received and properly recorded in the Authority's accounts.
- V.2 To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.
- V.3 To ensure that all specified audit requirements are met.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and *Heads of Service*

- V.4 To ensure that all claims for funds are made by the due date.
- V.5 To ensure that the project progresses in accordance with the agreed project plan and that all expenditure is properly incurred and recorded and to ensure that all expenditure complies with any terms and conditions attached to grant funding.

W Work For Third Parties

Why is this important?

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

Responsibilities of Chief Finance Officer

W.1 To issue guidance as appropriate with regard to the financial aspects of third party contracts.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and *Heads of Service*

W.2 To ensure that the approval of Cabinet where necessary is obtained before any negotiations are concluded to work for third parties.

W.3 To maintain a register of all contracts entered into with third parties in accordance with procedures specified by the Chief Finance Officer.

W.4 To ensure that appropriate insurance arrangements are made.

W.5 To ensure that the Authority is not put at risk from any bad debts.

W.6 To ensure that no contract is subsidised by the Authority.

W.7 To ensure that, wherever possible, payment is received in advance of the delivery of the service.

W.8 To ensure that the service/unit has the appropriate expertise to undertake the contract.

W.9 To ensure that such contracts do not impact adversely upon the services provided for the Authority.

W.10 To ensure that all contracts are properly documented.

W.11 To provide appropriate information to the Chief Finance Officer to enable a note to be entered into the statement of accounts.

EXAMPLES OF INCOME/EXPENDITURE RECORDS

Income

- **Payments Received by Post** – Post opening must be performed in the presence of another person. All cash received should be recorded in a book and witnessed by a second person. Cheques should be listed and totalled with each item cross-referenced to the relevant customer account. A separate record must also be kept of post-dated cheques and any items returned to the payee for amendment.
- **Receipt Books** – All copy receipts should be retained in the book of issue. The top copy of any spoilt receipts should also be retained to ensure that they can be accounted for. All receipts should be dated, show the payee name, amount received, method of payment (i.e. cash or cheque) and contain sufficient information for the transaction to be traced to the relevant customer account/file.
- **Other Receipts** – Copy receipts should be attached to any relevant documentation and filed in a logical order for future reference. For example, the copy receipt might be kept in the customers file or retained separately with other receipts in date order. All receipts should be dated, show the payee name, amount received, method of payment and contain sufficient information for the transaction to be traced to the relevant customer account/file.
- **Income Returns** – All income returns should be dated and retained in date/number order. The items recorded on the return should contain sufficient information for each transaction (or group of transactions) to be traced to the relevant receipt numbers of customer accounts.

Expenditure

- **Payment of Invoices** – Each Service should maintain a summary record of all invoices passed for payment. This may take the form of a paper record or computer spreadsheet. Only the briefest of information needs to be kept for each invoice but the following details should be kept as a minimum:
 - Purchase order number (where applicable)
 - Supplier name
 - Invoice date
 - Invoice number
 - Brief description of goods/services
 - Invoice total
 - Date passed for payment

Any previous entries for the same supplier should be referred to before each invoice is processed to ensure that the same goods/services are not paid for twice.

OVERVIEW OF PROCUREMENT RELATED TRANSPARENCY REQUIREMENTS APPLICABLE TO UK LOCAL AUTHORITIES

1. Expenditure exceeding £500		
Minimum requirements	Recommended	Required by
<p>QUARTERLY</p> <p>Publish details of each individual item of expenditure that exceeds £500, including items of expenditure, consistent with Local Government Association guidance, such as:</p> <ul style="list-style-type: none"> • individual invoices • grant payments • expense payments • payments for goods and services • grants • grant in aid • rent • credit notes over £500 • transactions with other public bodies. <p>For each individual item of expenditure the following information must be published:</p> <ul style="list-style-type: none"> • date the expenditure was incurred • local authority department which incurred the expenditure • beneficiary • summary of the purpose of the expenditure • amount • Value Added Tax that cannot be recovered • merchant category (eg. computers, software etc). 	<ul style="list-style-type: none"> • Publish information on a monthly instead of quarterly basis, or ideally, as soon as it becomes available and therefore known to the Authority (commonly known as 'real-time' publication) • Publish details of all transactions that exceed £250 instead of £500 (same individual information items) • Publish the total amount spent on remuneration over the period being reported on • Classify expenditure using the Chartered Institute of Public Finance and Accountancy Service Reporting Code of Practice to enable comparability between local authorities. 	<p>Local Government Transparency Code 2015</p>

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2. Government Procurement Card transactions

Minimum requirements	Recommended	Required by
<p>QUARTERLY Publish details of every transaction on a Government Procurement Card. For each transaction, the following details must be published:</p> <ul style="list-style-type: none"> • date of the transaction • local authority department which incurred the expenditure 	<p>Publish all transactions on all corporate credit cards, charge cards and procurements, including those that are not a Government Procurement Card (same individual information items).</p>	<p>Local Government Transparency Code 2015</p>

<ul style="list-style-type: none"> • beneficiary • amount • Value Added Tax that cannot be recovered • summary of the purpose of the expenditure • merchant category (eg. computers, software etc). 		
3. Invitations to Tender over £5,000		
Minimum requirements	Recommended	Required by
<p>QUARTERLY Publish details of every invitation to tender for contracts to provide goods and/or services with a value that exceeds £5,000. For each invitation, the following details must be published:</p> <ul style="list-style-type: none"> • reference number • title • description of goods and/or services sought • start, end and review dates • local authority department responsible. 	<p>Place on Contracts Finder, as well as any other local portal, every invitation to tender or invitation to quote for contracts to provide goods and/or services with a value that exceeds £10,000.</p> <p>Publish:</p> <ul style="list-style-type: none"> • information on a monthly instead of quarterly basis, or ideally, as soon as it is generated and therefore becomes available (commonly known as ‘real-time’ publication) • every invitation to tender for contracts to provide goods and/or services with a value that exceeds £500 instead of £5,000 • details of invitations to quote where there has not been a formal invitation to tender • details of invitations to tender or invitations to quote that are likely to be issued in the next twelve months 	<p>Local Government Transparency Code 2015</p>
4. Contracts, commissioned activity, purchase orders and other legally enforceable agreements with a value which exceeds £5,000		
Minimum requirements	Recommended	Required by
<p>QUARTERLY Publish details of any contract, commissioned activity, purchase order, framework agreement and any other legally enforceable agreement with a value that exceeds £5,000.</p>	<p>Publish:</p> <ul style="list-style-type: none"> • all contracts in their entirety where the value of the contract exceeds £5,000 • company registration number at Companies House • details of the geographical (eg. 	<p>Local Government Transparency Code 2015</p>

<p>For each contract, the following details must be published:</p> <ul style="list-style-type: none"> • reference number • title of agreement • local authority department responsible • description of the goods and/or services being provided • supplier name and details • sum to be paid over the length of the contract or the estimated annual spending or budget for the contract • Value Added Tax that cannot be recovered • start, end and review dates • whether or not the contract was the result of an invitation to quote or a published invitation to tender • whether or not the supplier is a small or medium sized enterprise and/or a voluntary or community sector organisation and where it is, provide the relevant registration number. 	<ul style="list-style-type: none"> • by ward) coverage of contracts entered into by the local authority • details of performance against contractual key performance indicators • information disaggregated by voluntary and community sector category (eg. whether it is registered with Companies House, charity or charitable incorporated organisation, community interest company, industrial and provident society, housing association, etc) • details of existing waste collection contracts, at the point they first publish quarterly contract information under Part 2 of the Code. 	
<p>5. Publication on Contracts Finder of Advertised contract opportunities with values of £25,000 and above</p>		
<p>Minimum requirements</p>	<p>Required by</p>	
<p>A contracting authority must publish information about the opportunity on Contracts Finder, regardless of what other means it uses to advertise the opportunity.</p> <p>It must do so within 24 hours of the time when it first advertises the contract award opportunity in any other way.</p> <p>The following details must be published:</p> <ul style="list-style-type: none"> • The time by which any interested economic operator must respond if it wishes to be considered • How and to whom such an economic operator is to respond • Any other requirements for participating in the procurement • Internet address where relevant contract documents are accessible free of charge (where offered) 	<p>Public Contract Regulations 2015 (Chapter 8, para 110)</p>	
<p>6. Publication of information on Contracts Finder about contracts awarded (value £25,000 and above)</p>		
<p>Minimum requirements</p>	<p>Required by</p>	
<p>The contracting authority shall, within a reasonable time, publish on Contracts Finder at least the following:</p> <ul style="list-style-type: none"> • The name of the contractor 	<p>Public Contract Regulations</p>	

<ul style="list-style-type: none"> • The date on which the contract was entered into • The value of the contract • Whether the contractor is a SME or VCSE <p>The contracting authority may withhold information from publication in certain circumstances</p>	<p>2015, (chapter 8, para 112)</p>	
<p>7. Grants to voluntary, community and social enterprise organisations</p>		
<p>Minimum requirements</p>	<p>Recommended</p>	<p>Required by</p>
<p>ANNUALLY</p> <p>Publish details of all grants to voluntary, community and social enterprise organisations. This can be achieved by either:</p> <ul style="list-style-type: none"> • tagging and hence specifically identifying transactions which relate to voluntary, community and social enterprise organisations within published data on expenditure over £500 or published procurement information or, • by publishing a separate list or register. <p>For each identified grant, the following information must be published as a minimum:</p> <ul style="list-style-type: none"> • date the grant was awarded • time period for which the grant has been given • local authority department which awarded the grant • beneficiary • beneficiary's registration number • summary of the purpose of the expenditure • amount. 	<ul style="list-style-type: none"> • Publish information on a monthly instead of annual basis where payments are made more frequently than a single annual payment, or ideally, as soon as the data becomes available and therefore known to the Authority (commonly known as 'real-time' publication). • information disaggregated by voluntary and community sector category (eg. whether it is registered with Companies House, charity or charitable incorporated organisation, community interest company, industrial and provident society, housing association etc). 	<p>Local Government Transparency Code 2015</p>