

Financial Procedure Rules

(Financial Regulations)



Financial Regulations

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Status of Financial Regulations

- 1.1 Financial regulations provide the framework for managing the authority's financial affairs. They should be read in conjunction with the Council's Procurement Policy which incorporates Contract Regulations. They apply to every member and officer of the authority and anyone acting on its behalf, although separate Financial Regulations incorporating the same principles of financial management apply to schools operating under the scheme of local management. Failure by an Officer of the Council to comply with these Financial Regulations may result in formal disciplinary action being taken against the Officer concerned.
- 1.2 The regulations identify the financial responsibilities of the full Council, Executive and overview and scrutiny members, the Head of Paid Service, the Monitoring Officer, the Chief Finance Officer and other Senior Officers (see the Schedule of Officer Responsibilities). Executive members and Senior Officers should maintain a written record where decision-making has been delegated to members of their staff, including seconded staff. Where decisions have been delegated, references to the Senior Officer in the regulations should be read as referring to the officer exercising the delegated authority (but note the position in relation to schools set out above).
- 1.3 All members and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, is properly authorised, provides value for money and achieves best value.
- 1.4 The Chief Finance Officer is responsible for maintaining a continuous review of the financial regulations and submitting any material additions or changes necessary to the full Council for approval. The Chief Finance Officer will also issue and maintain more detailed notes of guidance and practice notes, as required to supplement these Financial Regulations, with which all Members and staff of the Council shall comply.
- 1.5 The Chief Finance Officer is also responsible for reporting, where appropriate, breaches of the financial regulations to the Council and/or to the Executive members.
- 1.6 Senior Officers are responsible for ensuring that all staff in their departments are aware of the existence and content of the authority's financial regulations and other internal regulatory documents and that they comply with them. They must also ensure that an adequate number of copies are available for reference within their departments. Where a Senior Officer employs a consultant or external contractor to undertake any function which might otherwise be undertaken by a direct employee of the Council, the individual(s) concerned must act in accordance with these Regulations and must be made aware by the appropriate Senior Officer of this requirement.

- 1.7 The Chief Finance Officer is ultimately responsible for issuing advice and guidance to underpin the financial regulations that Members, Officers and others acting on behalf of the Authority are required to follow. On a day to day basis, support and advice is available from professional Finance staff across the Authority.
- 1.8 The pages within this document are individually numbered and dated for ease of update and amendment.

Financial Regulations

FINANCIAL REGULATION A: FINANCIAL MANAGEMENT

INTRODUCTION

- 1 Financial management covers all financial accountabilities in relation to the running of the authority, including the policy framework and budget. These Financial Regulations are an integral part of the Council's Constitution and are contained within Part 4 of that Constitution that sets out the Council's "Rules of Procedure". Further details on the roles and responsibilities of Members and Officers are provided in the Council's Constitution.

THE FULL COUNCIL

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

THE EXECUTIVE

- 4 The Executive is currently comprised of the Leader and Deputy Leader of the Council and a Cabinet of 8 Members. It is responsible for proposing the policy framework and budget to the full Council, and for discharging Executive functions in accordance with the policy framework and budget.
- 5 Executive decisions can be delegated to a committee of the Executive, an individual Executive member, an officer or a joint committee.
- 6 The Executive is responsible for establishing protocols to ensure that individual Executive members, or groups of Members comprising any committee, working party or specific task group consult with, and take advice from, relevant officers before taking a decision or making a recommendation within his or her delegated authority. Individual members must take account of legal and financial liabilities and risk management issues that may arise from any decision taken within their delegated authority.

COMMITTEES OF THE COUNCIL

Overview Committees

- 7 The Overview and Scrutiny Committees will advise the Executive on policies and strategies of the Council and other relevant bodies within the terms of reference agreed for each commission.

Scrutiny Committee

- 8 The Scrutiny Committee is responsible for scrutinising Executive decisions before or after they have been implemented and for holding the Executive to account. The Committee is also responsible for reviewing the general policy and service delivery of the authority.

Standards Committee

- 9 The Standards Committee is established by the full Council and is responsible for promoting and maintaining high standards of conduct amongst Councillors and co-opted Members. In particular, it is responsible for advising the Council on the adoption and revision of the members' code of conduct, and for monitoring the operation of the code. The Standards Committee approves and monitors the Council's anti-fraud strategy and whistleblowing procedures.

Audit Committee

- 10 The Audit Committee is responsible for providing independent assurance to the Council on the effectiveness of the Council's risk management, internal control and its overall assurance framework; the effectiveness of the Council's financial and non-financial performance to the extent that it might impact upon the internal controls listed above; the performance of the Council's Internal Audit section; the receipt and review of External Audit reports and liaison with external auditors on significant matters identified, and to advise upon and/or review the effectiveness of any other matters referred to the Audit Committee by the Cabinet, the Overview and Scrutiny and Regulatory Committees.

Other Regulatory Committees

- 11 The Council will appoint such regulatory and other committees as are required to discharge specific functions (including appeals and licensing, Officer appointments and planning decisions) and will determine their terms of reference accordingly.

Localities and Locality Panels

- 12 in accordance with Article 10 of the Constitution, the Council have appointed Locality Panels to seek to actively encourage the interest and involvement of local communities. These Panels may make recommendations through the Cabinet to the Council on relevant issues having social, economic or environmental implications for the areas concerned. They have on a pilot basis in 2012 limited decision-making powers over certain prescribed elements of local services.

THE STATUTORY OFFICERS

Head of Paid Service

- 13 The Head of Paid Service is responsible for the corporate and overall strategic management of the authority as a whole. The role of the Head of Paid Service is defined in detail in the Council's Constitution. He or she must report to and provide information for the Executive, the full Council, the Scrutiny Committee and other committees. He or she is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation. The Head of Paid Service is also responsible, together with the Monitoring Officer, for the system of record keeping in relation to all the full Council's decisions (see below).

Monitoring Officer

- 14 The Monitoring Officer is responsible for promoting and maintaining high standards of conduct and therefore provides support to the Standards Committee. The role of the Monitoring Officer is defined in detail in the Council's Constitution. The Monitoring Officer (in consultation with the Chief Finance Officer and Head of Paid Service) is also responsible for reporting any actual or potential breaches of the law or maladministration to the full Council and/or to the Executive, and for ensuring that procedures for recording and reporting key decisions are operating effectively.
- 15 The Monitoring Officer must ensure that Executive decisions and the reasons for them are made public. He or she must also ensure that Council members are aware of decisions made by the Executive and of those made by officers who have delegated Executive responsibility.
- 16 The Monitoring Officer is responsible for advising all Councillors and officers about who has authority to take a particular decision and is responsible for advising the Executive or full Council about whether a decision is likely to be considered contrary or not wholly in accordance with the policy framework.
- 17 The Monitoring Officer is responsible for maintaining an up-to-date constitution.

Chief Finance Officer

- 18 The Chief Finance Officer¹ has statutory duties in relation to the financial administration and stewardship of the authority. The role of the Chief Finance Officer (Board Director Resources) is defined in detail in the Council's Constitution. This statutory responsibility cannot be overridden. The statutory duties arise from:

Section 151 of the Local Government Act 1972
The Local Government Finance Act 1988
The Local Government and Housing Act 1989
The Accounts and Audit Regulations 1996.
The Accounts and Audit (England) Regulations 2011.

¹ See *A Statement on the Role of the Chief Finance Officer in Local Government (CIFPA 1999)*

19 The Chief Finance Officer is responsible for:

- the proper administration of the authority's financial affairs
- setting and monitoring compliance with financial management standards
- advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
- contributing to the corporate management of the Authority, in particular through the provision of financial information and advice
- preparing the revenue budget and capital programme
- treasury management
- approving the final design or selection of any computer system likely to have an impact on corporate financial or financial-related systems, including accounting, payments, stock control and income
- ensuring an effective internal Audit function is resourced and maintained.

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

- has made, or is about to make, a decision which involves incurring unlawful expenditure
- has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the authority
- is about to make an unlawful entry in the authority's accounts.
- Section 114 of the 1988 Act also requires:
 - the Chief Finance Officer to nominate a properly qualified member of staff to deputise should he or she be unable to perform the duties under section 114 personally
 - the authority to provide the Chief Finance Officer with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under section 114.

SENIOR OFFICERS

21 For the purposes of these Regulations 'Senior Officers' shall be defined as Chief Executive, Board Directors, Directors, and Heads of Service. They are responsible for the following:

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

- entering into and signing contracts on behalf of the authority in accordance with the Council's Procurement Policy.
- 22 It is the responsibility of Senior Officers to consult with the Chief Finance Officer and seek approval on any matter liable to affect the authority's finances materially, before any commitments are incurred.

OTHER FINANCIAL ACCOUNTABILITIES

Virement

- 23 The full Council is responsible for agreeing procedures for virement of expenditure between budget headings.
- 24 Senior Officers are responsible for agreeing in-year virements but must not take decisions or transfer resources contrary to current Council policy as represented by the approved budget.

Treatment of Year-end Balances

- 25 The Executive is responsible for agreeing procedures for carrying forward under- and overspendings on budget headings.

Accounting Policies

- 26 The Chief Finance Officer is responsible for implementing accounting policies which accord with the Accounting Code of Practice (ACOP) and ensuring that they are applied consistently.

Accounting Records and Returns

- 27 The Chief Finance Officer is responsible for determining the accounting procedures and records for the authority, in accordance with statutory requirements and Best Practice.

The Annual Statement of Accounts

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

Appendix to Financial Regulation A

A1 FINANCIAL MANAGEMENT STANDARDS

1.1 *Why Is This Important?*

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

1.2 *Key Controls*

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

1.3 *Responsibilities of the Chief Finance Officer*

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

1.4 *Responsibilities of Senior Officers*

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

A2 MANAGING EXPENDITURE - VIREMENT

2.1 *Why Is This Important?*

- 2.1.1 The scheme of revenue virement is intended to enable the Executive, Senior Officers and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by the full Council, and therefore to optimise the use of resources.

2.2 *Key Controls*

- 2.2.1 Key Controls for the scheme of revenue virement are:

- (a) it is administered by the Chief Finance Officer within guidelines set by the full Council. Any variation from this scheme requires the approval of the full Council
- (b) the overall budget is agreed by the Executive and approved by the full Council. Senior Officers and budget managers are therefore authorised to incur expenditure in accordance with the estimates that make up the budget. The rules below cover virement; that is, switching resources between approved estimates or heads of expenditure. For the purposes of this scheme, a budget head is considered to be a line in the approved estimates report, or, as a minimum, at an equivalent level to the standard service subdivision as defined by CIPFA's Service Expenditure Analysis
- (c) virement does not create additional overall budget liability. Senior Officers are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they should aim to avoid supporting recurring expenditure from one-off sources of savings or additional income, or creating future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. Senior Officers must plan to fund such commitments from within their own budgets.

2.3 *Responsibilities of the Chief Finance Officer*

- 2.3.1 To monitor the exercise of virement by Senior Officers and advise the Executive of any amendments which may be appropriate over time.

2.4 *Responsibilities of Senior Officers*

- 2.4.1 A Senior Officer may exercise virement on revenue budgets under his or her control subject to the conditions below.
- 2.4.2 The prior approval of the Executive is required for any virement, of whatever amount, where it is proposed to:
- vire between budgets of different accountable Executive members
 - vire between budgets managed by different Senior Officers.

- 2.4.3 Virement that is likely to impact on the level of service activity of another Senior Officer should be implemented only after agreement with the relevant Senior Officer.
- 2.4.4 No virement relating to a specific financial year should be made after 31 March in that year.
- 2.4.5 Where an approved budget is a lump-sum budget or contingency intended for allocation during the year, its allocation will not be treated as a virement, provided that:
 - (a) the amount is used in accordance with the purposes for which it has been established
 - (b) the Executive has approved the basis and the terms, including financial limits, on which it will be allocated. Individual allocations in excess of the financial limits should be reported to the Executive.

A3 MANAGING EXPENDITURE - TREATMENT OF YEAR-END BALANCES

3.1 *Why Is This Important?*

- 3.1.1 Overspends or underspends in relation to the approved revenue budget may occur for a variety of reasons. There is no 'as of right' carry forward of underspends and clear justification must exist prior to consideration by the Executive of any request.

3.2 *Key Controls*

- 3.2.1 Appropriate accounting procedures are in operation to ensure that carry-forward requests are robustly based.

3.3 *Responsibilities of the Chief Finance Officer*

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

3.4 *Responsibilities of Senior Officers*

- 3.4.1 To ensure that all over and underspendings are fully investigated and appropriate corrective action identified and implemented.

A4 ACCOUNTING POLICIES

4.1 *Why Is This Important?*

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

4.2 Key Controls

4.2.1 The key controls for accounting policies are:

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

4.3 Responsibilities of the Chief Finance Officer

4.3.1 To implement appropriate accounting policies which comply with statutory requirements and codes of practice and to ensure that they are applied consistently. The accounting policies are set out in the statement of accounts, which is prepared at 31 March each year, and covers such items as:

- accounting standards
- separate accounts for capital and revenue transactions
- the basis on which debtors and creditors at year end are included in the accounts
- provisions and reserves
- fixed assets
- depreciation
- capital charges
- work in progress
- stocks and stores
- deferred charges
- accounting for value added tax
- government grants
- leasing
- pensions
- capital receipts
- redemption of debt
- investments
- overheads

4.4 Responsibilities of Senior Officers

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

A5 ACCOUNTING RECORDS AND RETURNS

5.1 *Why Is This Important?*

- 5.1.1 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.

5.2 *Key Controls*

- 5.2.1 The key controls for accounting records and returns are:

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

5.3 *Responsibilities of the Chief Finance Officer*

- 5.3.1 To determine the accounting procedures and records for the authority. Where these are maintained outside the finance department, the Chief Finance Officer must approve the controls to be applied in consultation with the Chief Officer concerned.
- 5.3.2 To arrange for the compilation of all accounts and accounting records under his or her direction.
- 5.3.3 To comply with the following principles when allocating accounting duties:
- (a) separating the duties of providing information about sums due to or from the authority and calculating, checking and recording these sums from the duty of collecting or disbursing them
 - (b) employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
- 5.3.4 To make proper arrangements for the audit of the authority's accounts in accordance with the Accounts and Audit Regulations 1996.
- 5.3.5 To ensure that all claims for funds including grants are made by the due date.

5.3.6 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 full Council to approve the statement of accounts before 30 September.

5.3.7 To ensure the proper retention of financial documents in accordance with legislative requirements.

5.4 Responsibilities of Senior Officers

5.4.1 To consult and obtain the approval of the Chief Finance Officer before introducing or making any changes to accounting records and procedures.

5.4.2 To consult with the Chief Finance Officer at feasibility study or initial outline specification stage (whichever is the earlier) for any computer system which may have an impact on corporate financial or financial-related systems, including accounting, payments, stock control and income.

5.4.3 To comply with the principles outlined in paragraph 5.3.3 when allocating accounting duties.

5.4.4 To maintain adequate records to provide a management trail (the “audit trail”) leading from the source of income/expenditure through to the accounting statements.

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

A6 THE ANNUAL STATEMENT OF ACCOUNTS

6.1 Why Is This Important?

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

6.2 Key Controls

6.2.1 The key controls for the annual statement of accounts are:

- the authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of these affairs.
- the authority’s statement of accounts must be prepared in accordance with proper practices as set out in the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (the SORP) (CIPFA/LASAAC).

6.3 Responsibilities of the Chief Finance Officer

6.3.1 To implement appropriate accounting policies and to apply them consistently.

6.3.2 To make judgements and estimates that are reasonable and prudent.

6.3.3 To comply with the SORP.

- 6.3.4 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 20xx.
- 6.3.5 To draw up the timetable for final accounts preparation and to advise staff and external auditors accordingly.

6.4 *Responsibilities of Senior Officers*

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

FINANCIAL REGULATION B: FINANCIAL PLANNING AND BUDGET MANAGEMENT

POLICY FRAMEWORK

- 1 The full Council is responsible for approving the policy framework (including all statutory plans and strategies) and budget which will be proposed by the Executive.
- 2 The full Council is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework and for determining the circumstances in which a decision will be deemed to be contrary to the budget or policy framework. Decisions should be referred to the full Council by the Monitoring Officer.
- 3 The Executive is responsible for taking in-year decisions on resources and priorities in order to deliver the budget policy framework within the financial limits set by the Council.

BUDGETING

Budget Format

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

Revenue Budget Preparation

- 5 The Chief Finance Officer is responsible for ensuring that a revenue budget is prepared on an annual basis and a general revenue plan on a medium term basis for consideration by the Executive, before submission to the full Council. The full Council may amend the budget or ask the Executive to reconsider it before approving it.
- 6 It is the responsibility of Senior Officers to ensure that budget estimates reflecting agreed service plans are submitted to the Executive and that these estimates are prepared in line with guidance issued by the Executive.

Budget Monitoring and Control

- 7 The Chief Finance Officer is responsible for ensuring the systems are in place to provide appropriate financial information to enable all revenue and capital budgets to be monitored effectively. He or she must report to the Executive on the overall position on a regular basis.
- 8 It is the responsibility of Senior Officers to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Chief Finance Officer. They should report on variances within their own areas. They should also take any action necessary to avoid exceeding their budget allocation and alert the Chief Finance Officer to any problems.

Resource Allocation

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

Preparation of the Capital Programme

- 10 The Chief Finance Officer is responsible for ensuring that a capital programme is prepared on an annual basis and a general capital plan on a medium term basis for consideration by the Executive before submission to the full Council.

Guidelines

- 11 Guidelines on budget preparation are issued to members and Senior Officers by the Chief Finance Officer taking into account the policy framework determined by the Executive.

MAINTENANCE OF RESERVES

- 12 It is the responsibility of the Chief Finance Officer to advise the Executive, the Audit Committee and/or the full Council on prudent levels of reserves for the authority.

Appendix to Financial Regulation B

B1 PERFORMANCE PLANS

1.1 *Why Is This Important?*

- 1.1.1 Each local authority has a statutory responsibility to publish various performance plans, including crime reduction strategies, community care plans, etc. The purpose of performance plans is to explain overall priorities and objectives, current performance, and proposals for further improvement. Such plans are a key element in the authority's programme of engaging with the public. External audit is required to report on whether the authority has complied with statutory requirements in respect of the preparation and publication of such statutory Plans.

1.2 *Key Controls*

- 1.2.1 The key controls for performance plans are:

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

1.3 *Responsibilities of the Chief Finance Officer*

- 1.3.1 To ensure the provision of the financial information that needs to be included in performance plans in accordance with statutory requirements and agreed timetables.
- 1.3.2 To contribute to the development of corporate and service targets and objectives and performance information.

1.4 *Responsibilities of Senior Officers*

- 1.4.1 To contribute to the development of performance plans in line with statutory requirements.
- 1.4.2 To contribute to the development of corporate and service targets and objectives and performance information.
- 1.4.3 To ensure that performance information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met.

B2 BUDGETING - FORMAT OF THE BUDGET

2.1 *Why Is This Important?*

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

2.2 *Key Controls*

- 2.2.1 The key controls for the budget format are:
- (a) the format complies with all legal requirements
 - (b) the format complies with CIPFA's *Best Value Accounting – Code of Practice*
 - (c) the format reflects the accountabilities for services.

2.3 *Responsibilities of the Chief Finance Officer*

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

2.4 *Responsibilities of Senior Officers*

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

B3 REVENUE BUDGET PREPARATION, MONITORING AND CONTROL

3.1 *Why Is This Important?*

- 3.1.1 Budget management ensures that once the budget has been approved by the full Council, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the authority to review and adjust its budget targets during the financial year. It also provides the mechanism that holds designated managers accountable for defined elements of the budget.
- 3.1.2 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.
- 3.1.3 For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure for a service area or cost centre. However, budgetary control may take place at a more detailed level if this is required by the Chief Officer's scheme of delegation.

3.2 *Key Controls*

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

- (a) budget managers should be responsible only for income and expenditure that they can influence
- (b) there is a nominated budget manager for each cost centre heading
- (c) budget managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities
- (d) budget managers follow an approved certification process for all expenditure
- (e) income and expenditure are properly recorded and accounted for
- (f) performance levels/levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget.
- (g) Budget Managers must not charge goods and services against the budgets of other managers without obtaining prior agreement.

3.3 Responsibilities of the Chief Finance Officer

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

- (a) budget management is exercised within annual cash limits unless the full Council agrees otherwise
- (b) each Senior Officer has available timely information on receipts and payments on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities
- (c) each cost centre has a single named manager, determined by the relevant Senior Officer. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commit expenditure
- (d) significant variances from approved budgets are investigated and reported by budget managers regularly.

3.3.2 To administer the authority's scheme of virement.

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

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

3.4 Responsibilities of Senior Officers

3.4.1 To maintain budgetary control within their departments and to ensure that all income and expenditure is properly recorded and accounted for.

3.4.2 To ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the Chief Officer (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.

- 3.4.3 To ensure that budget managers do not charge goods and services against the budgets of other managers without obtaining prior agreement.
- 3.4.4 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.
- 3.4.5 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.
- 3.4.6 To prepare and submit to the Executive reports on the service's projected expenditure compared with its budget, in consultation with the Chief Finance Officer.
- 3.4.7 To ensure prior approval by the full Council or Executive (as appropriate) for significant new proposals²:
 - (a) create new financial commitments in the current year
 - (b) create financial commitments in future years
 - (c) change existing policies, initiate new policies or cease existing policies
 - (d) materially extend or reduce the authority's services.
- 3.4.8 To ensure compliance with the scheme of virement.
- 3.4.9 To agree with the relevant Senior Officer where it appears that a budget proposal, including a virement proposal, may impact materially on another service area or Chief Officer's level of service activity.

B4 BUDGETS AND MEDIUM-TERM PLANNING

4.1 *Why Is This Important?*

- 4.1.1 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.
- 4.1.2 The revenue budget must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of the full Council. Budgets (spending plans) are needed so that the authority can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for an authority to budget for a deficit.

² A report on new proposals should explain the full financial implications, following consultation with the Chief Finance Officer. Unless the full Council or Executive has agreed otherwise, Chief Officers must plan to contain the financial implications of such proposals within their cash limit.

- 4.1.3 Medium-term planning 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.

4.2 Key Controls

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

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

4.3 Responsibilities of the Chief Finance Officer

- 4.3.1 To prepare and submit reports on budget prospects for the Executive, including resource constraints set by the Government. Reports should take account of medium-term prospects, where appropriate.
- 4.3.2 To determine the detailed form of revenue estimates and the methods for their preparation, consistent with the budget approved by the full Council, and after consultation with the Executive and Senior Officers.
- 4.3.3 To prepare and submit reports to the Executive on the aggregate spending plans of departments and on the resources available to fund them, identifying, where appropriate, the implications for the level of Council tax to be levied.
- 4.3.4 To advise on the medium-term implications of spending decisions.
- 4.3.5 To encourage the best use of resources and value for money by working with Senior Officers to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.
- 4.3.6 To advise the full Council on Executive proposals in accordance with his or her responsibilities under Section 151 of the Local Government Act 1972.

4.4 Responsibilities of Senior Officers

- 4.4.1 To prepare estimates of income and expenditure, in consultation with and having regard to the formal guidance issued by the Chief Finance Officer, to be submitted to the Executive.
- 4.4.2 To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.
- 4.4.3 When drawing up draft budget requirements, to have regard to:

- (a) guidance issued by the Chief Finance Officer
- (b) spending patterns and pressures revealed through the budget monitoring process
- (c) legal requirements
- (d) policy requirements as defined by the full Council in the approved policy framework
- (e) initiatives already under way
- (f) revenue costs of proposed capital schemes

B5 RESOURCE ALLOCATION

5.1 *Why Is This Important?*

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

5.2 *Key Controls*

- 5.2.1 The key controls for resource allocation are:

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

5.3 *Responsibilities of the Chief Finance Officer*

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

5.4 *Responsibilities of Senior Officers*

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

B6 Capital Programmes

6.1 *Why Is This Important?*

- 6.1.1 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.
- 6.1.2 The Government places strict controls on the financing capacity of the authority. This means that capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources.

6.2 *Key Controls*

- 6.2.1 The key controls for capital programmes are:
- (a) specific approval by the full Council for the programme of capital expenditure (regardless of the funding source)
 - (b) a scheme and estimate, including project plan, progress targets and associated revenue expenditure is prepared for each capital project, for approval by the Executive
 - (c) approval by the Executive where capital schemes are to be financed from the revenue budget, up to a specified amount, and subject to the approval of the full Council where the expenditure exceeds this amount
 - (d) no scheme to proceed unless all required finance and other necessary approvals have been obtained
 - (e) proposals for improvements and alterations to buildings must be approved by the appropriate Senior Officer and the Head of Property and Assets and Assets
 - (f) schedules for individual schemes within the overall budget approved by the full Council must be submitted to the Executive for approval (for example, minor works), or under other arrangements approved by the full Council
 - (g) the development and implementation of asset management plans
 - (h) a nominated, accountable budget manager for each scheme and/or component of the programme
 - (i) monitoring of progress in conjunction with expenditure, and comparison with approved budget and remedial action taken to address overspends.
 - (j) compliance with the Council's Procurement Policy and Contract Standing Orders, for example when inviting competing quotes or tenders.

6.3 *Responsibilities of the Chief Finance Officer*

- 6.3.1 To prepare capital estimates jointly with Senior Officers and the Head of Paid Service and to report them to the Executive for approval. The Executive will make recommendations on the capital estimates and on any associated financing requirements to the full Council. The approval of the Executive is required where a Senior Officer proposes to bid for or exercise additional borrowing approval not anticipated in the capital programme. This is because the extra borrowing may create future commitments to financing costs.
- 6.3.2 To prepare and submit reports to the Executive on the projected income, expenditure and resources compared with the approved estimates and to obtain authorisation for any variations outside approved virement limits.
- 6.3.3 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.

6.4 *Responsibilities of Senior Officers*

- 6.4.1 To comply with guidance concerning capital schemes and controls issued by the Chief Finance Officer.
- 6.4.2 To ensure that all capital proposals have undergone a project appraisal in accordance with guidance issued by the Chief Finance Officer.
- 6.4.3 To ensure that tenders and/or quotations are obtained in accordance with the Council's Procurement Policy and Contract Standing Orders. This includes ensuring that centrally negotiated contracts are used if they are in place.
- 6.4.4 To prepare regular reports reviewing the capital programme provisions for their services. They should also prepare regular returns of estimated final costs of schemes in the approved capital programme for consideration by the Chief Finance Officer and inclusion in regular reports to the Executive where appropriate.
- 6.4.5 To ensure that adequate records are maintained for all capital contracts in line with Contract Standing Orders.
- 6.4.6 To proceed with projects only when there is adequate provision in the capital programme and with the agreement of the Chief Finance Officer where required.
- 6.4.7 To ensure that all necessary approvals have been received from the Planning Authority, or Government Departments where appropriate.
- 6.4.8 To prepare and submit reports, jointly with the Chief Finance Officer, to the Executive, of any variation in contract costs greater than the amount approved within the Capital Programme. Senior Officers may meet cost increases of up to 10% or £20,000, whichever is the greater, by virement from savings elsewhere within their capital programme or revenue budget, subject to agreement with the Chief Finance Officer.

- 6.4.9 To prepare and submit reports, jointly with the Chief Finance Officer, to the Executive, on completion of all contracts where the final expenditure exceeds the approved contract sum.
- 6.4.10 To ensure that the revenue implications of all capital proposals are fully evaluated, and provision made within the relevant service area revenue cash limit.
- 6.4.11 To ensure that no sums in the Capital Programme which are not scheme specific and which remain unspent at the year-end are carried forward without the approval of the Chief Finance Officer. Where such sums are overspent, the amount will be a first call on the equivalent allocation in the subsequent year's programme.
- 6.4.12 To ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the Chief Finance Officer and, if applicable, approval of the scheme through the capital programme.
- 6.4.13 To consult with the Chief Finance Officer and to seek Executive approval where the Chief Officer proposes to bid for supplementary credit approvals or other external funding support to support expenditure that has not already been included in the approved Capital Programme.
- 6.4.14 To ensure that no schemes are brought forward or substituted in the Capital Programme where 'slippage' of an approved scheme may have occurred.

B7 MAINTENANCE OF RESERVES

7.1 *Why Is This Important?*

- 7.1.1 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.

7.2 *Key Controls*

- 7.2.1 To maintain reserves in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC) and agreed accounting policies.
- 7.2.2 For each reserve established, the purpose, usage and basis of transactions should be clearly identified.
- 7.2.3 Authorisation and expenditure from specific reserves by the appropriate Senior Officer only with the approval of the Chief Finance Officer (except in the case of allocations from the Council's general contingency reserves, which will require the approval of the Executive).

7.3 *Responsibilities of the Chief Finance Officer*

- 7.3.1 To advise the Executive and/or the full Council on prudent levels of general reserves for the authority.

7.4 *Responsibilities of Senior Officers*

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

FINANCIAL REGULATION C: RISK MANAGEMENT AND CONTROL OF RESOURCES

INTRODUCTION

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

RISK MANAGEMENT AND INSURANCE

- 2 The Executive is responsible for approving the authority's risk management policy statement and strategy and for reviewing the effectiveness of risk management. The Chief Finance Officer is responsible for ensuring that proper insurance exists where appropriate.

INTERNAL CONTROL

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

AUDIT REQUIREMENTS

- 6 The Accounts and Audit (England) Regulations 2011 require every local authority to maintain an adequate and effective internal audit.
- 7 The basic duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by section 5 of the Audit Commission Act 1998.
- 8 The authority may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Customs and Excise and the Inland Revenue, who have statutory rights of access.

PREVENTING FRAUD AND CORRUPTION

- 9 The Chief Finance Officer is responsible for the development and maintenance of an anti-fraud and corruption policy. The policy will be approved and monitored by the Standards Committee.

ASSETS

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

TREASURY MANAGEMENT

- 11 The authority has adopted CIPFA's Treasury Management in the Public Services: Code of Practice for Treasury Management in Local Authorities.
- 12 The full Council is responsible for approving the treasury management policy statement setting out the matters detailed in CIPFA's Treasury Management in the Public Services: Code of Practice for Treasury Management in Local Authorities. The policy statement is proposed to the full Council by the Executive. The Chief Finance Officer has delegated responsibility for implementing and monitoring the statement.
- 13 All money in the hands of the authority is controlled by the officer designated for the purposes of Section 151 of the Local Government Act 1972, referred to in the code as the Chief Finance Officer, who shall make appropriate banking arrangements. A formal statement of adoption is attached at Schedule 2.
- 14 The Chief Finance Officer is responsible for reporting to the executive in line with the Code of Practice for Treasury Management as adopted by the Council.
- 15 All executive decisions on borrowing, investment or financing shall be delegated to the Chief Finance Officer, and such Officers as he or she may nominate, who shall be required to act in accordance with CIPFA's Treasury Management in the Public Services: Code of Practice for Treasury Management in Local Authorities.
- 16 The Chief Finance Officer is responsible for reporting to the Executive not less than twice in each financial year on the activities of the treasury management operation and on the exercise of his or her delegated treasury management powers. One such report will comprise an annual report on treasury management for presentation by 30 September of the succeeding financial year.

TRUST FUNDS, FUNDS HELD FOR THIRD PARTIES AND OTHER VOLUNTARY FUNDS

- 17 All trust funds, funds held for third parties and other voluntary(unofficial)funds must be approved by the Chief Finance Officer. A voluntary (unofficial) fund is defined as any fund, other than an official fund for the Council, which is controlled wholly or in part by an officer by reason of his or her employment by the Council.
- 18 Senior Officers are responsible for ensuring that they are operated in line with appropriate legislation and/or Charity Commision guidance if appropriate.
- 19 Senior Officers shall ensure that all such funds are audited by suitably

qualified auditors and are submitted within 6 months of the end of the accounting period to the Council and any other parties (i.e. clients, sponsors, charitable bodies) with an interest in the fund.

- 20 The Chief Finance Officer reserves the right to inspect all documentation relating to unofficial funds and seek such explanations that are necessary to ensure they are being appropriately managed. From time to time the Chief Finance Officer may issue specific guidance on such funds that must be complied with.

STAFFING

- 21 The full Council is responsible for determining how officer support for executive and non-executive roles within the authority will be organised.
- 22 The Head of Paid Service is responsible for providing overall management to staff. He or she is also responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job.
- 23 Senior Officers are responsible for controlling total staff numbers by:
- advising the executive on the budget necessary in any given year to cover estimated staffing levels required to deliver approved levels of service and having regard to statutory provision.
 - adjusting the staffing to a level that can be funded within approved budget provision, varying the provision as necessary within that constraint in order to meet changing operational needs
 - the proper use of appointment procedures.

Appendix to Financial Regulation C

C1 RISK MANAGEMENT AND INSURANCE

1.1 *Why Is This Important?*

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

1.2 *Key Controls*

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

1.3 *Responsibilities of the Head of Paid Service and Chief Finance Officer*

Head of Paid Service

- 1.3.1 To prepare and promote the authority's risk management policy statement.
- 1.3.2 To develop risk management controls in conjunction with other Senior Officers.

Chief Finance Officer

- 1.3.3 To include all appropriate employees of the authority in a suitable fidelity guarantee insurance.
- 1.3.4 To effect corporate insurance cover, through external insurance and internal funding, and to negotiate all claims in consultation with other officers, where necessary.
- 1.3.5 To maintain a continuous review of claims experience and to effect the optimum balance of internal and external insurance cover over time.

1.4 Responsibilities of Senior Officers

- 1.4.1 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.
- 1.4.2 To co-operate at all times with the investigations of the Risk Manager and supply all information upon request. It is imperative that officers comply with the timescales for investigating claims. Failure could directly affect the authority's ability to defend a claim or could result in financial penalties being imposed on the authority.
- 1.4.3 To take responsibility for risk management, having regard to advice from the Chief Finance Officer and other specialist officers (eg crime prevention, fire prevention, health and safety).
- 1.4.4 To ensure that there is a continuous review of exposure to risk within their departments.
- 1.4.5 To notify the Chief Finance Officer promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.
- 1.4.6 To consult the Chief Finance Officer on the terms of any indemnity that the authority is requested to give.
- 1.4.7 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.

C2 INTERNAL CONTROLS

2.1 Why Is This Important?

- 2.1.1 The authority is complex and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives.
- 2.1.2 The authority has statutory obligations, and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations.

- 2.1.3 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.
- 2.1.4 The system of internal controls is established in order to provide measurable achievement of:
- (a) efficient and effective operations
 - (b) reliable financial information and reporting
 - (c) compliance with laws and regulations
 - (d) risk management.

2.2 Key Controls

- 2.2.1 The key controls and control objectives for internal control systems are:
- (a) key controls should be reviewed on a regular basis and the authority should make a formal statement annually (within the Annual Governance Statement) to the effect that it is satisfied that the systems of internal control are operating effectively
 - (b) managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities
 - (c) financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems
 - (d) an effective internal audit function that is properly resourced. It should operate in accordance with the principles contained in the Public Sector Internal Audit Standards (Applying the IIA International Standards to the UK Public Sector) and with any other statutory obligations and regulations.

2.3 Responsibilities of the Chief Finance Officer

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

2.4 Responsibilities of Senior Officers

- 2.4.1 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.
- 2.4.2 To review existing controls in the light of changes affecting the authority and to establish and implement new ones in line with guidance from the Chief Finance Officer.

- 2.4.3 To ensure staff have a clear understanding of their responsibility to identify and manage risk on a continuous basis.

C3 AUDIT REQUIREMENTS - INTERNAL AUDIT

3.1 *Why Is This Important?*

- 3.1.1 The Accounts and Audit (England) Regulations 2011 (SI 2011/817), regulation 6(1), require that a “relevant body must undertake an adequate and effective internal audit of its accounting records and and of its system of internal control in accordance with the proper practices in relation to internal control”.
- 3.1.2 Accordingly, internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisaion’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

3.2 *Key Controls*

- 3.2.1 The key controls for internal audit are:
- (a) that it is independent of day-to-day service operation in its planning and operation
 - (b) the Head of Internal Audit has direct access to the Head of Paid Service, all levels of management and directly to elected members as appropriate
 - (c) the internal auditors comply with the Public Sector Internal Audit Standards (Applying the IIA International Standards to the UK Public Sector).

3.3 *Responsibilities of the Head of Paid Service*

- 3.3.1 To arrange for a continuous and current internal audit of risk management, internal controls and governance arrangements of Council activities (on a risk-based approach) in liaison with the Chief Finance Officer.
- 3.3.2 To ensure that internal auditors have the authority to:
- (a) access authority premises at reasonable times
 - (b) access all assets, records, documents, correspondence and control systems
 - (c) receive any information and explanation considered necessary concerning any matter under consideration
 - (d) require any employee of the authority to account for cash, stores or any other authority asset under his or her control
 - (e) access records belonging to third parties, such as contractors, when required
 - (g) directly access the Head of Paid Service, the Executive, the Audit Committee and the Standards Committee where appropriate.

- 3.3.3 To ensure that Internal Audit staff at all times respect the confidentiality of operations or management information in the areas subject to audit activity.
- 3.3.4 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.
- 3.3.5 To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.
- 3.3.6 To ensure the provision of advice on the nature and extent of any further investigation to be conducted following the discovery or report of any irregularity involving cash, stores or other assets. Where there is the possibility of criminal action being brought, to ensure that any further interviewing is conducted to meet the requirements of the Police and Criminal Evidence Act 1984 and other relevant legislation.
- 3.3.7 To refer any matter to the Police following consultation with the Senior Officer concerned, and the Monitoring Officer.
- 3.3.8 To ensure that at the conclusion of each internal audit, a report and recommendations (if any) are submitted promptly to the Senior Officer of the service concerned and any other relevant officer..

3.4 *Responsibilities of Senior Officers*

- 3.4.1 To ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.
- 3.4.2 To ensure that auditors are provided with any information and explanations that they seek in the course of their work.
- 3.4.3 To consider and respond promptly (within three working weeks of receipt of the draft report) to recommendations in audit reports.
- 3.4.4 To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion and in line with the timescale agreed with the Head of Internal Audit.
- 3.4.5 To notify the Chief Finance Officer and Head of Internal Audit immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the authority's property or resources. Pending investigation and reporting, the Senior Officer should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- 3.4.6 To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Chief Finance Officer prior to implementation.

C4 AUDIT REQUIREMENTS – EXTERNAL AUDIT

4.1 *Why Is This Important?*

- 4.1.1 The Local Government Finance Act 1982 set up the Audit Commission, which was responsible for appointing external auditors to each local authority in England and Wales. The current appointment was made by the Audit Commission under a contract running until 2017 or beyond. In August 2010 the Department for Communities and Local Government (DCLG) announced plans to put in place new arrangements for auditing England's local public bodies so that eventually their responsibilities for overseeing and commissioning local audit will stop and the Audit Commission will be disbanded. Subsequently in August 2012 the government produced a draft bill to abolish the residual Audit Commission in 2015. This has not yet been passed into law. The external auditor has rights of access to all documents and information necessary for audit purposes.
- 4.1.2 The basic duties of the external auditor are defined in the Audit Commission Act 1998 and the Local Government Act 1999. In particular, section 4 of the 1998 Act requires the Audit Commission to prepare a code of audit practice, which external auditors follow when carrying out their duties. The latest code of practice relating to Local Government was published in 2010 and sets out the auditor's objectives to review and report upon:
- (a) the financial aspects of the audited body's corporate governance arrangements
 - (b) the audited body's financial statements
 - (c) aspects of the audited body's arrangements to manage its performance, including the preparation and publication of specified performance information and compliance in respect of the preparation and publication of the BVPP.
- 4.1.3 The authority's accounts are scrutinised by external auditors, who must be satisfied that the statement of accounts 'presents fairly' the financial position of the authority and its income and expenditure for the year in question and complies with the legal requirements.

4.2 *Key Controls*

- 4.2.1 The current external auditors were appointed by the Audit Commission under a contract up to 2017 or beyond. The Audit Commission prepares a code of audit practice, which external auditors follow when carrying out their audits.

4.3 *Responsibilities of the Chief Finance Officer*

- 4.3.1 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.
- 4.3.2 To ensure there is effective liaison between external and internal audit.
- 4.3.3 To work with the external auditor and advise the full Council, Executive and Senior Officers on their responsibilities in relation to external audit.

4.4 *Responsibilities of Senior Officers*

- 4.4.1 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.
- 4.4.2 To ensure that all records and systems are up to date and available for inspection.

C5 PREVENTING FRAUD AND CORRUPTION

5.1 *Why Is This Important?*

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

5.2 *Key Controls*

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

5.3 *Responsibilities of the Chief Finance Officer*

- 5.3.1 To develop and maintain an anti-fraud and corruption policy.
- 5.3.2 To maintain adequate and effective internal control arrangements.
- 5.3.3 To ensure that all suspected irregularities are reported to the Head of Internal Audit, Monitoring Officer, the Head of Paid Service and the Executive as appropriate.

5.4 Responsibilities of Senior Officers

- 5.4.1 To ensure that all suspected irregularities are reported to the Head of Internal Audit.
- 5.4.2 To instigate the authority's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.
- 5.4.3 To ensure that where financial impropriety is discovered, the Chief Finance Officer is informed. Where sufficient evidence exists to believe that a criminal offence may have been committed, the Police may be called in following consultation with the Chief Finance Officer and/or Monitoring Officer to determine with the Crown Prosecution Service whether any prosecution will take place.
- 5.4.4 To maintain a departmental register of staff interests, such that potential conflicts of interest are identified and avoided wherever possible.

C6 SECURITY OF ASSETS

6.1 Why Is This Important?

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

6.2 Key Controls

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

6.3 Responsibilities of the Senior Officer and Chief Finance Officer

Senior Officer

6.3.1 To ensure that an asset register is maintained in accordance with good practice for all fixed assets with a value in excess of a pre-determined level which will be kept under review. The function of the asset register is to provide the authority with information about fixed assets so that they are:

- safeguarded
- used efficiently and effectively
- adequately maintained
- adequately covered for insurance purposes.

Chief Finance Officer

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

6.3.3 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).

6.3.4 To provide guidance on the form of records to be kept for stocks and stores.

6.4 Responsibilities of Senior Officers

6.4.1 The appropriate Senior Officer shall ensure that adequate inventories are maintained in a form approved by the Chief Finance Officer for all properties, plant and machinery, furniture, fittings equipment and any moveable assets of significant value currently owned or used by the authority. Any use of property by a department or establishment other than for direct service delivery should be supported by documentation identifying terms, responsibilities and duration of use.

6.4.2 To ensure that lessees and other prospective occupiers of Council land are not allowed to take possession or enter the land until a lease or agreement, in a form approved by the Senior Officer in consultation with the Chief Finance Officer and Head of Property and Assets, has been established as appropriate.

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

6.4.4 Where land or buildings are surplus to requirements, to notify the Chief Finance Officer and/or Head of Property and Assets in order that alternative uses or disposal may be considered.

6.4.5 To pass title deeds to the Director of Law and Democratic Services who is responsible for custody of all title deeds.

- 6.4.6 To ensure that no authority asset is subject to personal use by an employee without proper authority.
- 6.4.7 To ensure the safe custody of vehicles, equipment, furniture, stock, stores, uniforms, keys, staff identity cards and other property belonging to the authority and to maintain an effective system of stock control where appropriate.
- 6.4.8 To ensure that formal periodic checks of inventories are undertaken (at least annually) by the officers responsible.
- 6.4.9 To ensure that assets are identified, their location recorded and that they are appropriately marked as the property of the Council.
- 6.4.10 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.
- 6.4.11 To ensure cash holdings on premises are kept to a minimum and within insured limits.
- 6.4.12 To ensure that keys to safes and similar receptacles are carried on the person of those responsible at all times; loss of any such keys must be reported to the Chief Finance Officer as soon as possible.
- 6.4.13 To record all disposal or part exchange of assets that should normally be by competitive tender or public auction, unless, following consultation with the Chief Finance Officer, the Executive agrees otherwise.
- 6.4.14 To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Chief Finance Officer.
- 6.4.15 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.
- 6.4.16 To carry out an annual check of all items on the inventories in order to verify location, review condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the authority.
- 6.4.17 To make sure that property is only used in the course of the authority's business, unless the Senior Officer concerned has given permission otherwise.
- 6.4.18 To make arrangements for the care and custody of stocks and stores in the department and to maintain adequate records in a form approved by the Chief Finance Officer.

- 6.4.19 To ensure stocks are maintained at reasonable levels, having regard to factors such as turnover, value, delivery quantities and delivery period, and are subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion, where significant in conjunction with the Chief Finance Officer.
- 6.4.20 To investigate and remove from the authority's records (ie write off) discrepancies as necessary, in accordance with approved procedures, or to obtain Executive approval if they are of significant value following consultation with the Chief Finance Officer.
- 6.4.21 To authorise disposal or write off of redundant stocks and equipment in accordance with the formal documented procedure.
- 6.4.22 To ensure that goods are checked at the time of delivery, matched to order specification and that a delivery note is obtained.

C7 INTELLECTUAL PROPERTY

7.1 *Why Is This Important?*

- 7.1.1 Intellectual property is a generic term that includes inventions and writing. If these are created by the employee during the course of employment, then, as a general rule, they belong to the employer, not the employee. Various acts of Parliament cover different types of intellectual property.
- 7.1.2 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.

7.2 *Key Controls*

- 7.2.1 In the event that the authority decides to become involved in the commercial exploitation of inventions, the matter should only proceed following consultation with and on the advice of the Chief Finance Officer.

7.3 *Responsibilities of the Chief Finance Officer*

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

7.4 *Responsibilities of Senior Officers*

- 7.4.1 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.

C8 DISPOSAL OF ASSETS

8.1 *Why Is This Important?*

- 8.1.1 It would be uneconomic and inefficient for the cost of assets to outweigh their benefits. Obsolete, non-repairable or unnecessary resources should be disposed of in accordance with the law and the documented procedures which are set out as appendices to the Council's Procurement Policy .

8.2 *Key Controls*

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

8.3 *Responsibilities of the Chief Finance Officer*

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

8.4 *Responsibilities of Senior Officers*

- 8.4.1 To ensure that the guidelines on the disposal of surplus or obsolete materials, stores or equipment are followed.
- 8.4.2 To ensure that income received for the disposal of an asset is properly banked and coded.

C9 TREASURY MANAGEMENT

9.1 *Why Is This Important?*

- 9.1.1 Many millions of pounds pass through the authority's books each year. This has led to the establishment of formal 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 overriding consideration being given to the security of the authority's financial resources.

9.2 *Key Controls*

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

9.3 Responsibilities of Chief Finance Officer

- 9.3.1 To arrange the borrowing and investments of the authority in such a manner as to comply with the CIPFA *Code of Practice on Treasury Management* and the authority's treasury management policy statement and strategy.
- 9.3.2 To report at least twice a year on treasury management activities to the Executive.
- 9.3.3 To operate bank accounts as are considered necessary – opening or closing any bank account shall require the approval of the Chief Finance Officer.
- 9.3.4 To ensure that all investments of money are made in the name of the authority or in the name of nominees approved by the full Council.
- 9.3.5 To ensure that all securities that are the property of the authority or its nominees and the title deeds of all property in the authority's ownership are held in the custody of the appropriate Senior Officer.
- 9.3.6 To effect all borrowings in the name of the authority.
- 9.3.7 To act as the authority's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the authority.
- 9.3.8 To provide employees of the authority with cash or bank imprest accounts to meet minor expenditure on behalf of the authority and to prescribe rules for operating these accounts. Minor items of expenditure should not exceed any prescribed amount.
- 9.3.9 To reimburse imprest holders as often as necessary to restore the imprests, but normally not more than monthly.

9.4 Responsibilities of Senior Officers

- 9.4.1 To follow the instructions on banking issued by the Chief Finance Officer.
- 9.4.2 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 Chief Finance Officer who will be responsible for seeking approval of the Executive and/or full Council where appropriate.

C10 TRUST FUNDS, FUNDS HELD FOR THIRD PARTIES AND OTHER VOLUNTARY FUNDS

10.1 Why Is This Important?

- 10.1.1 Trust Funds and other voluntary funds frequently provide service areas with additional sources of finance to provide services to their customers. Although not public money, such funds are administered by employees of the Council in normal work time and therefore minimum standards must be met. In addition, customers, clients and benefactors who contribute to the fund are entitled to expect minimum levels of financial stewardship and accountability.

10.1.2 It is most important that an effective audit is carried out by a person with experience appropriate to the level of turnover of the fund. The table below, shows the Council's recommendations for appointment of auditors: -

Turnover of the fund	Recommended level of Auditor
Less than £10,000	Independent skilled person (e.g. bank or building society official)
Between £10,000 and £20,000	The Council recommends that a qualified Accountant is appointed as the auditor
Over £20,000	A qualified Accountant must be appointed as auditor

Turnover is defined as the greater of receipts or payments in the year.

The auditor must be totally independent from and have no indirect connection with the administration of the fund such as might inhibit the impartial conduct of the audit. This precludes: -

- a relative of any member of staff responsible for administering the fund.
- any member of staff involved in the administration of the fund

10.1.4 In addition the auditor should have the requisite ability and practical experience to carry out a competent examination of the accounts.

10.1.6 Where the annual variable income of the fund exceeds the VAT registration threshold (currently £55,000), the auditor should be a member of one of the six recognised accountancy bodies: -

- The Institute of Chartered Accountants of England and Wales
- The Institute of Chartered Accountants of Scotland
- The Institute of Chartered Accountants of Ireland
- The Chartered Association of Certified Accountants
- The Chartered Institute of Management Accountants
- The Chartered Institute of Public Finance and Accountancy

10.2 **Key Controls**

10.2.1 The key controls for Trust Funds, funds held for third parties and other voluntary funds are

- (a) Funds are only used for the purposes for which they are intended

- (b) All funds are audited on an annual basis by an appropriately qualified auditor
- (c) All monies are accounted for and kept separate from Council Funds

10.3 Responsibilities of Chief Finance Officer

10.3.1 To ensure that all trust funds held in the name of the Council are audited in line with any statutory requirements.

10.3.2 To provide guidance on accounting arrangements.

10.4 Responsibilities of Senior Officers

10.4.1 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.

10.4.2 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.

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

10.4.4 To follow all guidance issued by the Chief Finance Officer.

C11 STAFFING

11.1 *Why Is This Important?*

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

11.2 *Key Controls*

11.2.1 The key controls for staffing are:

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

11.3 *Responsibilities of the Head of People and Development*

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

11.4 *Responsibilities of Senior Officers*

11.4.1 To produce an annual staffing budget.

11.4.2 To ensure that the staffing budget is an accurate forecast of staffing levels and is equated to an appropriate revenue budget provision (including on-costs and overheads).

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

11.4.4 To ensure that the staffing budget is not exceeded without due authority and that it is managed to enable the agreed level of service to be provided.

FINANCIAL REGULATION D: SYSTEMS AND PROCEDURES

INTRODUCTION

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

GENERAL

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

INCOME AND EXPENDITURE

- 6 It is the responsibility of Senior Officers to ensure that a proper scheme of delegation has been established within their area and is operating effectively. The scheme of delegation should identify staff authorised to act on the Chief Officer's behalf, or on behalf of the executive, in respect of payments, income collection and placing orders, together with the limits of their authority. Specifically, authorised signatories and the limits of financial responsibility should be formally recorded in line with the procedure issued by the Chief Finance Officer. In no circumstance can an officer be given an unlimited limit, as this is not allowed under the Council's insurance arrangements.
- 7 The Executive is responsible for approving procedures for writing off debts as part of the overall control framework of accountability and control.

PAYMENTS TO EMPLOYEES AND MEMBERS

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

IMPREST AND PETTY CASH ACCOUNTS

- 9 The Chief Finance Officer in consultation with Senior Officers may make imprest/petty cash advances to officers for the purposes of paying minor items of expenditure and any other items as may be approved.

- 10 The Chief Finance Officer reserves the right to withdraw petty cash/imprest facilities from officers if it is deemed that they are being used inappropriately or the expenditure limit is exceeded.
- 11 The accounts should be kept on the imprest system and officers should maintain a record of their receipts and payments in a form and manner prescribed by the Chief Finance Officer.

TAXATION

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

TRADING ACCOUNTS/BUSINESS UNITS

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

Appendix to Financial Regulation D

D1 GENERAL

1.1 *Why Is This Important?*

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

1.2 *Key Controls*

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

1.3 *Responsibilities of the Chief Finance Officer*

- 1.3.1 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
 - (e) approve any changes to be made to existing financial systems.

1.4 *Responsibilities of Senior Officers*

- 1.4.1 To ensure that accounting records are properly maintained and held securely.
- 1.4.2 To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Chief Finance Officer.

- 1.4.3 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.
- 1.4.4 To incorporate appropriate controls to ensure that, where relevant:
- (a) all input is genuine, complete, accurate, timely and not previously processed
 - (b) all processing is carried out in an accurate, complete and timely manner
 - (c) output from the system is complete, accurate and timely.
- 1.4.5 To comply with all other system controls as required by the Chief Finance Officer.
- 1.4.6 To ensure compliance with all guidance and relevant legislation in relation to Inland Revenue and Customs and Excise requirements, and be responsible for meeting any penalties and interest payments which may arise following non-compliance from delegated budgets.
- 1.4.7 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.
- 1.4.8 To ensure there is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption.
- 1.4.9 To ensure that systems are documented and staff trained in operations.
- 1.4.10 To consult with the Chief Finance Officer before changing any existing system or introducing new systems.
- 1.4.11 To establish a scheme of delegation identifying officers authorised to act upon the Chief Officer's behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority; specifically to maintain an up-to-date record of authorised signatories.
- 1.4.12 To supply lists of authorised officers, with specimen signatures and delegated limits, to the Chief Finance Officer, together with any subsequent variations.
- 1.4.13 To ensure that effective contingency arrangements, including back-up procedures, exist for computer systems. Wherever possible, back-up information should be securely retained in a fireproof location, preferably off site or at an alternative location within the building.
- 1.4.14 To ensure that, where appropriate, computer systems are registered in accordance with data protection legislation and that staff are aware of their responsibilities under the legislation.

- 1.4.15 To ensure that relevant standards and guidelines for computer systems issued by the Council's Head of Core Process, Information and Technology are observed.
- 1.4.16 To ensure that computer equipment and software are protected from loss and damage through theft, vandalism, etc.
- 1.4.17 To comply with the copyright, designs and patents legislation and, in particular, to ensure that:
- (a) only software legally acquired and installed by the authority is used on its computers
 - (b) staff are aware of legislative provisions
 - (c) in developing systems, due regard is given to the issue of intellectual property rights.

D2 INCOME

2.1 *Why Is This Important?*

- 2.1.1 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 or at the point of supplying goods or services as this improves the authority's cashflow and also avoids the time and cost of administering debts.

2.2 *Key Controls*

- 2.2.1 The key controls for income are:

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

- (i) all appropriate income documents are retained and stored for the defined period in accordance with the document retention schedule
- (j) money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.

2.3 *Responsibilities of the Chief Finance Officer*

- 2.3.1 To agree arrangements and promote best practice for the collection of all income due to the authority and to approve the procedures, systems and documentation for its collection.
- 2.3.2 To collect income due in all cases where formal invoices are raised.
- 2.3.3 To ensure that all income received is banked properly.
- 2.3.4 To order and supply to departments all receipt forms, books or tickets and similar items and to satisfy himself or herself regarding the arrangements for their control.
- 2.3.5 To agree the write-off of bad debts and to report to the Executive on a periodic basis.
- 2.3.6 To approve all debts to be written off in consultation with the relevant Senior Officer and to keep a record of all sums written off and to adhere to the requirements of the Accounts and Audit Regulations 1996.
- 2.3.7 To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.
- 2.3.8 To ensure that appropriate accounting adjustments are made following write-off action.

2.4 *Responsibilities of Senior Officers*

- 2.4.1 To establish a charging framework for the supply of goods or services, including the appropriate charging of VAT, which accords with the Council's charging policy and to review it regularly.
- 2.4.2 To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable. Where official invoices are raised, to ensure that the debtor makes payment to the Chief Finance Officer and not to collect or directly pursue income in such cases.
- 2.4.3 To issue official receipts or to maintain other documentation for income collection in a form approved by the Chief Finance Officer.
- 2.4.4 To ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded.
- 2.4.5 To hold securely receipts, tickets and other records of income for the appropriate period.

- 2.4.6 To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling.
- 2.4.7 To ensure that income is paid fully and promptly into the appropriate authority bank account in the form in which it is received. Appropriate details should be recorded on to paying-in slips to provide an audit trail. Money collected and deposited must be reconciled to the bank account on a regular basis. All cheques, money orders and postal orders received in any service area shall be crossed "Swindon Borough Council".
- 2.4.8 To ensure income is not used to cash personal cheques or make other payments.
- 2.4.9 To ensure that debtor invoices are raised and despatched promptly following any work done, goods supplied or services rendered where payment has not been received at or prior to the point of supply. Senior Officers should establish performance management systems to monitor the timely billing and collection of income and draw any areas of concern to the attention of the Chief Finance Officer. Senior Officers 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, or by the Chief Finance Officer's credit control staff. Specifically, service areas should not themselves pursue income where official invoices have been raised.
- 2.4.10 To ensure that only up to approved (and insured) levels of cash are held on any premises.
- 2.4.11 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.
- 2.4.12 To recommend to the Chief Finance Officer 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.
- 2.4.13 To notify the Chief Finance Officer of any contracts, leases or other arrangements entered into, which involve the payment of money to the Council.

D3 ORDERING AND PAYING FOR WORK, GOODS AND SERVICES

3.1 *Why Is This Important?*

- 3.1.1 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 through economy and efficiency. The authority's procedures should help to ensure that services obtain value for money from their purchasing arrangements. These procedures should be read in conjunction with the authority's procurement policy.

- 3.1.2 Every officer and member of the authority has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the authority, in accordance with appropriate codes of conduct.

3.2 Key Controls

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

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

- 3.2.2 Official orders must be in a form approved by the Chief Finance Officer and must be issued for all work, goods or services to be supplied to the authority, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions specified or agreed by the Chief Finance Officer. Standard terms and conditions must not be varied without the prior approval of the Chief Finance Officer.

- 3.2.3 Apart from petty cash, schools' own bank accounts and other payments from advance accounts, the normal method of payment from the authority shall be by cheque or other instrument or approved method, drawn on the authority's bank account by the Chief Finance Officer. The use of direct debit shall require the prior agreement of the Chief Finance Officer.

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

3.3 Responsibilities of the Chief Finance Officer

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

- 3.3.2 To approve any changes to existing financial systems and to approve any new systems before they are introduced.
- 3.3.3 To approve the form of official orders and associated terms and conditions.
- 3.3.4 To make payments from the authority's funds on the Chief Officer's authorisation that the expenditure has been duly incurred in accordance with financial regulations.
- 3.3.5 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.
- 3.3.6 To make payments to contractors on the certificate of the appropriate Senior Officer, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.
- 3.3.7 To provide advice and encouragement on making payments by the most economical means.

3.4 *Responsibilities of Senior Officers*

- 3.4.1 To ensure that unique pre-numbered official orders are used for all goods and services, other than the exceptions specified in 4.43.
- 3.4.2 To ensure that no orders are issued for goods or services where the cost is not covered by an approved budget.
- 3.4.3 To ensure that orders are only used for goods and services provided to and for the use of the service area. Individuals must not use official orders to obtain goods or services for their private use.
- 3.4.4 To ensure that only those staff authorised by him or her sign orders and to maintain an up-to-date list of such authorised staff, including specimen signatures identifying in each case the limits of their authority. The authoriser of the order should be satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary. Best value principles should underpin the authority's approach to procurement. Value for money should always be achieved.
- 3.4.5 To ensure that copy orders are retained and made readily available for inspection and that these contain full details of goods and services to be supplied, prices and discounts where appropriate. To ensure that stocks or unused order forms are held securely by a designated officer in each service area.
- 3.4.6 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.
- 3.4.7 To ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment, confirming:

- (a) receipt of goods or services
- (b) that the invoice has not previously been paid
- (c) that expenditure has been properly incurred and is within budget provision
- (d) that prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices
- (e) correct accounting treatment of tax
- (f) that the invoice is correctly coded
- (g) that discounts have been taken where available
- (h) that appropriate entries will be made in accounting records.

- 3.4.8 To ensure that two authorised members of staff are involved in the ordering, receiving and payment process. If possible, a different officer from the person who signed the order, and in every case, a different officer from the person checking a written invoice, should authorise the invoice.
- 3.4.9 To ensure that the department maintains and reviews periodically a list of staff approved to authorise invoices. Names of authorising officers together with specimen signatures and details of the limits of their authority shall be forwarded to the Chief Finance Officer.
- 3.4.10 To ensure that payments are not made on a photocopied or faxed invoice, statement or other document other than the formal invoice. Any instances of these being rendered should be reported to the head of internal audit.
- 3.4.11 To encourage suppliers of goods and services to receive payment by the most economical means for the authority. It is essential, however, that payments made by direct debit have the prior approval of the Chief Finance Officer.
- 3.4.12 To ensure that the department obtains best value from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality, in accordance with the procurement policy.
- 3.4.13 To ensure that employees are aware of the national code of conduct for local government employees (summarised in the procedures and conditions of employment manual).
- 3.4.14 To ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the Chief Finance Officer. This is because of the potential impact on the authority's borrowing powers, to protect the authority against entering into unapproved credit arrangements and to ensure that value for money is being obtained.
- 3.4.15 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 annually by the Chief Finance Officer.

- 3.4.16 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.
- 3.4.17 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.
- 3.4.18 To ensure that all appropriate payment records are retained and stored for the defined period, in accordance with the document retention schedule.

D4 PAYMENTS TO EMPLOYEES AND MEMBERS

4.1 *Why Is This Important?*

- 4.1.1 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 full Council.

4.2 *Key Controls*

- 4.2.1 The key controls for payments to employees and members are:
- (a) proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to:
 - starters
 - leavers
 - variations
 - enhancements
 - and that payments are made on the basis of timesheets or claims
 - (b) frequent reconciliation of payroll expenditure against approved budget and bank account
 - (c) all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule
 - (d) that Inland Revenue regulations are complied with.

4.3 Responsibilities of the Chief Finance Officer

(In Consultation where appropriate with the Head of People and Development)

- 4.3.1 To arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees, in accordance with procedures prescribed by him or her, on the due date.
- 4.3.2 To record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions.
- 4.3.3 To make arrangements for payment of all travel and subsistence claims or financial loss allowance.
- 4.3.4 To make arrangements for paying members travel or other allowances upon receiving the prescribed form, duly completed and authorised.
- 4.3.5 To provide advice and encouragement to secure payment of salaries and wages by the most economical means.
- 4.3.6 To ensure that there are adequate arrangements for administering superannuation matters on a day-to-day basis.

4.4 Responsibilities of Senior Officers

- 4.4.1 To ensure appointments are made in accordance with the regulations of the authority and approved establishments, grades scales of pay and approved budget levels.
- 4.4.2 To notify the Chief Finance Officer promptly of all appointments, terminations or variations which may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Chief Finance Officer.
- 4.4.3 To ensure that adequate and effective systems and procedures are operated, so that:
 - payments are only authorised to bona fide employees
 - payments are only made where there is a valid entitlement
 - conditions and contracts of employment are correctly applied
 - employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.
- 4.4.4 To maintain an up-to-date list of the names of officers authorised to sign records together with specimen signatures. The payroll provider should have signatures of personnel officers and officers authorised to sign timesheets and claims.

- 4.4.5 To ensure that payroll transactions are processed only through the payroll system, in order to ensure compliance with Inland Revenue requirements. Senior Officers should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. The Inland Revenue applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Chief Finance Officer.
- 4.4.6 To certify travel and subsistence claims and other allowances. Certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred, and that allowances are properly payable by the authority, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and that the Chief Finance Officer is informed where appropriate.
- 4.4.7 To ensure that the Chief Finance Officer is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.
- 4.4.8 To ensure that all appropriate payroll documents are retained and stored for the defined statutory period

4.5 Responsibilities of Members

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

D5 IMPREST AND PETTY CASH ACCOUNTS

5.1 Why Is This Important?

- 5.1.1 There are times when it is not appropriate to raise an order and purchase through the creditor payments system. Imprest and petty cash accounts allow:-
- Urgent purchases where officers are unable to obtain goods or services in a timely manner to allow the continued delivery of the service.
 - Minor items of expenditure when it would not be cost effective to purchase the item through the creditor payments system.
- 5.1.2 Imprest and petty cash accounts must not be used as methods of avoiding normal purchasing/payment arrangements.

5.2 Key Controls

- 5.2.1 The key controls for imprest and petty cash accounts are:
- (a) all transactions are properly accounted for
 - (b) proper authorisation procedures are in place
 - (c) there is appropriate supporting documentation for all purchases
 - (d) purchases are appropriate and could not be made through the Council's normal payments system
 - (e) accounts are kept in balance and reconciled on a regular basis

- (f) cash, cheque books and accounting records are held securely

5.3 Responsibilities of the Chief Finance Officer

- 5.3.1 To establish a petty cash/imprest system to be operated by the Council.
- 5.3.2 To ensure that petty cash is accounted for and correctly presented in the Council's accounts.

5.4 Responsibilities of Senior Officers

- 5.4.1 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) maintain the account in balance and records and submitted as required by the Chief Finance Officer at regular intervals for examination and the reimbursement of expenditure.
 - (c) make adequate arrangements for the safe custody of the account
 - (d) produce upon demand by the Chief Finance Officer cash and all vouchers to the total value of the imprest amount
 - (e) record transactions promptly
 - (f) reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder
 - (g) reconcile and balance the account to the satisfaction of their line manager on leaving the employment of the Council or on ceasing to be responsible for the account
 - (h) provide the Chief Finance Officer with a certificate of the value of the account held on request (normally once a year)
 - (i) ensure that the float is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made
 - (j) ensure that no income received on behalf of the Council may be paid into a petty cash/imprest account but must be banked or paid into the Council
 - (k) repay to the Council the balance of the petty cash/imprest held upon leaving the Council or at the request of the Chief Finance Officer
- 5.4.2 In no circumstances shall cheque imprest accounts be allowed to go overdrawn.

D6 Taxation

6.1 Why Is This Important?

- 6.1.1 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.

6.2 Key Controls

6.2.1 The key controls for taxation are:

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

6.3 Responsibilities of the Head of People and Development and Chief Finance Officer

6.3.1 To complete all Inland Revenue returns regarding PAYE.

Chief Finance Officer

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

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

6.3.4 To maintain up-to-date guidance for authority employees on taxation issues in the accounting manual and the tax manual.

6.4 Responsibilities of Senior Officers

6.4.1 To ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Customs and Excise regulations.

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

6.4.3 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.

6.4.4 To follow the guidance on taxation issued by the Chief Finance Officer in the authority's accounting manual and VAT manual.

D7 TRADING ACCOUNTS AND BUSINESS UNITS

7.1 *Why Is This Important?*

- 7.1.1 Trading accounts and business units have become more important as local authorities have developed a more commercial culture. Under best value, authorities are required to keep trading accounts for services provided on a basis other than straightforward recharge of cost. They are also required to disclose the results of significant trading operations.

7.2 *Responsibilities of the Chief Finance Officer*

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

7.3 *Responsibilities of Senior Officers*

- 7.3.1 To observe all statutory requirements in relation to business units, including, where required, the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs, is charged.
- 7.3.2 To ensure that the same accounting principles are applied in relation to trading accounts as for other services or business units.
- 7.3.3 To ensure that any business unit prepares an annual business plan.

FINANCIAL REGULATION E: EXTERNAL ARRANGEMENTS

INTRODUCTION

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

PARTNERSHIPS

- 2 The executive is responsible for approving delegations, including frameworks for partnerships. The executive is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.
- 3 The main reasons for entering into a partnership are:
 - (a) the desire to find new ways to share risk
 - (b) the ability to access new resources
 - (c) to provide new and better ways of delivering services
 - (d) to forge new relationships.
- 4 A partner is defined as either:
 - (a) an organisation (private or public) undertaking, part funding or participating as a beneficiary in a project
or
 - (b) a body whose nature or status give it a right or obligation to support the project.
- 5 Partners participate in projects by:
 - (a) acting as a project deliverer or sponsor, solely or in concert with others
 - (b) acting as a project funder or part funder
 - (c) being the beneficiary group of the activity undertaken in a project.
- 6 Partners have common responsibilities:
 - (a) to be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation
 - (b) to act in good faith at all times and in the best interests of the partnership's aims and objectives
 - (c) be open about any conflict of interests that might arise
 - (d) to encourage joint working and promote the sharing of information, resources and skills between public, private and community sectors

- (e) to hold confidentially any information received as a result of partnership activities or duties that is of a confidential or commercially sensitive nature
 - (f) to act wherever possible as ambassadors for the project.
- 7 The Executive can delegate functions, including those relating to partnerships, to officers. These are set out in the scheme of delegation that forms part of the authority's constitution. Where functions are delegated, the executive remains accountable for them to the full Council.
- 8 The Head of Paid Service represents the authority on various partnership and external bodies.
- 9 The Monitoring Officer is responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the authority.
- 10 The Chief Finance Officer must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. He or she must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. He or she must ensure that the risks have been fully appraised before agreements are entered into with external bodies.
- 11 Senior Officers are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

EXTERNAL FUNDING

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

WORK FOR THIRD PARTIES

- 13 The executive is responsible for approving the contractual arrangements for any work for third parties or external bodies (Note: this may be delegated to Senior Officers in accordance with the Council's scheme of delegation).

Appendix to Financial Regulation E

E1 PARTNERSHIPS

1.1 *Why Is This Important?*

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

1.2 *Key Controls*

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

1.3 *Responsibilities of the Chief Finance Officer*

- 1.3.1 To advise on effective controls that will ensure that resources are not wasted.
- 1.3.2 To advise on the key elements of funding a project. They include:
 - (a) a scheme appraisal for financial viability in both the current and future years
 - (b) risk appraisal and management
 - (c) resourcing, including taxation issues
 - (d) audit, security and control requirements

- (e) carry-forward arrangements
- (f) recovery of overheads.

1.3.3 To ensure that the accounting arrangements are satisfactory.

1.4 *Responsibilities of Senior Officers*

- 1.4.1 To maintain a register of all contracts entered into with external bodies in accordance with procedures specified by the Chief Finance Officer.
- 1.4.2 To ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared for the Chief Finance Officer.
- 1.4.3 To ensure that such agreements and arrangements do not impact adversely upon the services provided by the authority.
- 1.4.4 To ensure that all agreements and arrangements are properly documented.
- 1.4.5 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.

E2 EXTERNAL FUNDING

2.1 *Why Is This Important?*

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

2.2 *Key Controls*

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

2.3 *Responsibilities of the Chief Finance Officer*

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

2.4 *Responsibilities of Senior Officers*

- 2.4.1 To ensure that all claims for funds are made by the due date.
- 2.4.2 To ensure that the project progresses in accordance with the agreed project and that all expenditure is properly incurred and recorded.

E3 WORK FOR THIRD PARTIES

3.1 *Why Is This Important?*

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

3.2 *Key Controls*

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

3.3 *Responsibilities of Chief Finance Officer*

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

3.4 *Responsibilities of Senior Officers*

- 3.4.1 To ensure that the approval of the Executive is obtained before any negotiations are concluded to work for third parties.
- 3.4.2 To maintain a register of all contracts entered into with third parties in accordance with procedures specified by the Chief Finance Officer.
- 3.4.3 To ensure that appropriate insurance arrangements are made.
- 3.4.4 To ensure that the authority is not put at risk from any bad debts.

- 3.4.5 To ensure that no contract is subsidised by the authority.
- 3.4.6 To ensure that, wherever possible, payment is received in advance of the delivery of the service.
- 3.4.7 To ensure that the department/unit has the appropriate expertise to undertake the contract.
- 3.4.8 To ensure that such contracts do not impact adversely upon the services provided for the authority.
- 3.4.9 To ensure that all contracts are properly documented.
- 3.4.10 To provide appropriate information to the Chief Finance Officer to enable a note to be entered into the statement of accounts.

Schedule 1

SCHEDULE OF OFFICER RESPONSIBILITIES

The Financial Regulations refer to a number of generic job titles:

- The Head of Paid Service
- The Monitoring Officer
- The Chief Finance Officer.

As at 1st October 2005, the following officers are responsible for these roles.

Job Title	Responsible Officer
The Head of Paid Service	Chief Executive
The Monitoring Officer	Director of Law and Democratic Services
Chief Finance Officer	Board Director, Resources

This schedule will be updated as and when required.

Schedule 2

NEW FORMAL ADOPTION CLAUSES FOR TREASURY MANAGEMENT CODE OF PRACTICE

1. "Swindon Borough Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code) as described in Section 4 of that Code.
2. Accordingly, Swindon Borough Council will create and maintain, as the cornerstones for effective treasury management:
 - A treasury management policy statement, stating the policies and objectives of its treasury management activities
 - Suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of Swindon Borough Council. Such amendments will not result in any material deviation from the Code's key recommendations

3. Swindon Borough Council will receive reports on its treasury management policies, practices and activities, including as a minimum an annual strategy and plan in advance of the year, and an annual report after its close, in the form prescribed in its TMPs.
4. Swindon Borough Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Cabinet, and for the execution of treasury management decisions to the Director of Finance, who will act in accordance with the organisation's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management."

These clauses will form part of the Council's Constitution Standing Orders/Financial Regulations and Treasury Management Practices.