

## SECTION 10 – FINANCIAL REGULATIONS

### 1 INTRODUCTION

- 1.1 Financial regulations provide the framework for managing the authority's financial affairs. This framework requires all Officers to carry out their responsibilities in an open and consistent manner. They have been designed to promote and maintain the high standards expected of the public sector in dealing with the Council's finances:
- a) placing clear authority and accountability with Officers appointed to manage resources;
  - b) establishing key principles and processes, supported by detailed operating arrangements, that must be approved by the Borough Treasurer;
  - c) providing for a continuous internal audit to provide assurance to the Members and senior management of the Council on the compliance with the approved procedures and standards.
- 1.3 In accordance with their relevant codes of conduct, Members and Officers have a general responsibility for taking reasonable actions to provide for the security of the assets under their control, and for ensuring that the use of Council resources is lawful, is properly authorised and provides value for money.
- 1.4 The Borough Treasurer is responsible for reporting, where appropriate, breaches of the financial regulations to the Chief Executive, Monitoring Officer, Council and/or to the Executive Members.
- 1.5 Directors 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.
- 1.6 The Borough Treasurer is responsible for issuing advice and guidance to underpin the financial regulations that Members, Officers and others acting on behalf of the authority are required to follow. Any Officer requiring advice or assistance in interpreting, or operating, these regulations should contact their Departmental Accountant in the first instance. In their absence, other staff within Resources Finance are available to assist.
- 1.7 Delegations of a Director's responsibilities set out in the Financial Regulations and Financial Procedures should be set out in the Departmental Scheme of Delegation. Where such responsibilities have been delegated or devolved to another responsible officer, references to the Director in the regulations should be read as referring to them.
- 1.8 These Regulations shall not apply in the following circumstances:
- a) Where the Council has agreed that separate constitutional arrangements, incorporating different Financial Regulations, shall apply;
  - b) Where the Council undertakes work as Agent for another public body, under an agreement which requires compliance with different procedures.

1.9 These Regulations, as supplemented by the Scheme for Financing Schools (which sets out the roles of Head Teachers), shall apply to schools.

1.10 There are five topic areas covered by the financial regulations as follows:

- Financial Management
- Financial Planning
- Risk Management and Control of Resources
- Systems and Procedures
- External Arrangements.

1.11 The authority's detailed financial procedures, setting out how the regulations will be implemented, are contained in Appendices A to E attached to the financial regulations. These are set out in a consistent form identifying for each of the topic areas the following information:

- Why is this important?
- Key Controls
- Responsibilities of the Borough Treasurer
- Responsibilities of Directors.

1.12 Various terms are used in these Regulations and Procedures and these are defined as follows:

Borough Treasurer	the S.151 Officer as defined in the Local Government Act 1972
Director	an Officer who is Head of a Department
Consultant:	any person, or Company, engaged by the Council in a capacity to advise on, or manage, any works or services commissioned by the Council or to provide services of a professional nature to the Council.
Cost Centre Manager	any single Officer who is responsible for the management of a budget.
Executive Members	the Executive, a Committee of the Executive or an individual Member of the Executive, depending upon the Scheme of Delegation for Executive Functions determined by the Leader of the Council.

## **FINANCIAL REGULATIONS**

### **2 FINANCIAL MANAGEMENT**

#### **2.1 Introduction**

Financial management covers all financial accountabilities in relation to the running of the authority, including the policy framework and budget. Explanation of the respective roles of each of the decision making bodies or individuals is set out in the following paragraphs.

#### **2.2 The Full Council**

The Full Council has the ultimate responsibility for the decisions and actions of the Council. It 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.

#### **2.3 The Executive**

The Executive 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.

In taking a decision an individual Member must take account of legal and financial liabilities and risk management issues that may arise from the decision.

#### **2.4 Governance and Audit Committee**

The Governance and Audit Committee's primary role is to maintain an overview of the Corporate Governance of the Council. It also approves the Council's Final Accounts and Annual Governance Statement. The committee is responsible for reviewing the internal auditor's assurance report, external auditor's reports and the annual audit letter.

### **2.5 THE STATUTORY OFFICERS**

#### **2.5.1 Head of Paid Service (Chief Executive)**

The Chief Executive is responsible for the corporate and overall strategic management of the authority as a whole. He or she must report to and provide information for the Executive, the Full Council, the Overview and Scrutiny Commission 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.

#### **2.5.2 Monitoring Officer (Borough Solicitor)**

The Borough Solicitor is responsible for providing advice and guidance on measures designed to maintain high standards of conduct and therefore provides support to the Governance and Audit Committee, the Executive and Full Council. The Borough

Solicitor is also responsible for reporting any actual or potential breaches of the law to the Full Council and/or to the Executive.

The Borough Solicitor (together with the Borough Treasurer) 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 budget. The Borough Solicitor is also responsible for reporting any findings of maladministration by a Local Government Ombudsman to the Executive and/or the Council.

### 2.5.3 **Section 151 Officer (Borough Treasurer)**

The Borough Treasurer has statutory duties in relation to the financial administration and stewardship of the authority.

The Borough Treasurer is responsible for:

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

In accordance with Section 114 of the 1988 Act the Borough Treasurer nominates a properly qualified member of staff (currently either the Chief Accountant or Chief Technical Accountant) to deputise should he or she be unable to perform the required duties as the Section 151 Officer.

### 2.5.4 **Statutory Scrutiny Officer (Director of Resources)**

The Scrutiny Officer is responsible for:

- promotion of the role of the Council's Overview & Scrutiny function
- providing support to that function
- providing support and guidance to members on scrutiny matters

### 2.5.5 **DIRECTORS**

Directors are responsible for:

- ensuring that Executive Members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Borough Treasurer

- signing contracts on behalf of the authority (other than those required to be sealed by the affixing of the Council's Common Seal).

Where a matter arises in any Department, which could materially affect the Council's finances, other than a matter already approved, the Director shall consult the Borough Treasurer. This consultation must be before any expenditure is incurred or any commitment given.

## **2.6 OTHER FINANCIAL ACCOUNTABILITIES**

### **2.6.1 Virement**

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

The Executive and Directors are responsible for agreeing in-year virements within delegated limits, in consultation with the Borough Treasurer where required. They must notify the Borough Treasurer of all virements who will then maintain an updated budget reflecting these decisions.

### **2.6.2 Treatment of year-end balances**

The Full Council is responsible for agreeing procedures for budget carry forwards on budget headings.

The Executive and Directors are responsible for agreeing budget carry forwards within the delegated limits, in consultation with the Borough Treasurer where required.

### **2.6.3 Accounting policies**

The Borough Treasurer is responsible for selecting accounting policies and ensuring that they are applied consistently.

### **2.6.4 Accounting records and returns**

The Borough Treasurer is responsible for determining the accounting procedures and records for the authority.

### **2.6.5 The annual financial statements**

The Borough Treasurer is responsible for ensuring that the annual financial statements are prepared in accordance with all relevant accounting standards and accounting codes of practice. These have to be approved by the Governance and Audit Committee before the end of September following the completion of the annual external audit.

## **FINANCIAL REGULATIONS**

### **3 FINANCIAL PLANNING**

#### **3.1 Introduction**

The Full Council is responsible for agreeing the authority's policy framework and budget, which will be proposed by the Executive. In terms of financial planning, the key elements are:

- Medium Term Objectives and Key Actions
- Service plan
- Revenue budget
- Capital programme.

#### **3.2 Policy Framework**

The Full Council is responsible for approving the policy framework and budget. The policy framework is described in Section 3 Part 2 of the Constitution. Procedures for the formulation and adoption of the Budget and the Policy Framework are set out in Section 6 Part 4 of the Constitution (Budget and Policy Framework Procedure Rules)..

The Full Council is 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.

The Full Council is responsible for setting the level at which the Executive may reallocate budget funds from one service to another (virement). 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.

#### **3.3 Preparation of the Medium Term Objectives, Key Actions and Service Plans**

The Chief Executive and Directors are responsible for proposing the medium term objectives, key actions and service plans to the Executive for consideration before their submission to the Full Council for approval.

#### **3.4 BUDGETING**

##### **3.4.1 Budget format**

The general format of the budget will be approved by the Full Council and proposed by the Executive following the advice from the Corporate Management Team. The draft budget should include allocation to different services and projects, proposed taxation levels, risk assessment and contingency funds.

### 3.4.2 Budget preparation

The Borough Treasurer is responsible for ensuring that an annual revenue budget and a medium term financial plan covering the next three years are prepared 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.

Guidelines on budget preparation are issued to Members and Directors by the Executive following agreement with the Borough Treasurer. The guidelines will take account of:

- legal requirements
- medium-term planning prospects
- the medium term objectives, key actions and service plans
- available resources
- spending pressures
- value for money and other relevant government guidelines
- other internal policy documents.

It is the responsibility of Directors to ensure that budget estimates reflect agreed service plans, demand and demographic changes and other socio-economic factors, and are submitted to the Executive and that these estimates are prepared in line with guidance issued by the Executive.

### 3.4.3 Budget monitoring and control

The Borough Treasurer is responsible for providing appropriate financial information to enable budgets to be monitored effectively. He or she must monitor and control expenditure against budget allocations and report to the Corporate Management Team on the overall position on a regular basis.

It is the responsibility of Directors to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Borough Treasurer. They should report on variances within their own areas monthly to the Borough Treasurer. They should also take any action necessary to avoid exceeding their budget allocation and alert the Borough Treasurer to any problems. The Borough Treasurer will, on the basis of those returns, prepare a report for the Corporate Management Team. Each Director will report on progress against budgets in their Quarterly Service Report.

### 3.4.4 Preparation of the capital programme

The Borough Treasurer is responsible for ensuring that a capital programme is prepared on an annual basis for consideration by the Executive before submission to the Full Council.

### 3.5 **MAINTENANCE OF RESERVES AND BALANCES**

It is the responsibility of the Borough Treasurer to advise the Executive and/or the Full Council on prudent levels of reserves and balances for the authority taking into account cash flow requirements and financial risks.

## **FINANCIAL REGULATIONS**

### **4 RISK MANAGEMENT AND CONTROL OF RESOURCES**

#### **4.1 Introduction**

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.

#### **4.2 Risk Management**

The Governance and Audit Committee is responsible for approving the authority's risk management policy statement and strategy and for reviewing the effectiveness of risk management. The Executive is responsible for ensuring that proper insurance exists where appropriate.

The Borough Treasurer is responsible for preparing the authority's risk management policy statement and for promoting the approved strategy throughout the authority. The Borough Treasurer is responsible for advising the Executive on proper insurance cover where appropriate.

#### **4.3 Internal Control**

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.

The Borough Treasurer, in conjunction with the Chief Executive, Borough Solicitor and Director of Resources, 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.

It is the responsibility of Directors 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.

#### **4.4 Audit Requirements**

The Accounts and Audit (England) Regulations 2011 require every local authority to maintain an adequate and effective internal audit. The provision of this service is delegated to the Borough Treasurer with six monthly assurance statements being reported to the Governance and Audit Committee.

The Audit Commission is responsible for appointing external auditors to each local authority. The basic duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by section 5 of the Audit Commission Act 1998.

The authority may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs, who have statutory rights of access.

#### **4.5 Preventing Fraud and Corruption**

The Borough Treasurer is responsible for the development and maintenance of an anti-fraud and anti-corruption policy.

#### **4.6 Assets**

Directors 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.

#### **4.7 Treasury Management**

The authority has adopted CIPFA's Code of Practice for Treasury Management in Local Authorities.

The Full Council is responsible for approving the treasury management policy statement setting out the matters detailed in paragraph 15 of CIPFA's Code of Practice for Treasury Management in Local Authorities. The policy statement is proposed to the Full Council by the Executive. The Borough Treasurer has delegated responsibility for implementing and monitoring the statement.

All money in the hands of the authority is controlled by the Borough Treasurer.

The Borough Treasurer is responsible for reporting to the Executive a proposed treasury management strategy for the coming financial year at or before the start of each financial year.

All Executive decisions on borrowing, investment or financing shall be delegated to the Borough Treasurer, who is required to act in accordance with CIPFA's Code of Practice for Treasury Management in Local Authorities.

The Borough Treasurer is responsible for reporting annually to the Executive on the activities of the treasury management operation and on the exercise of his or her delegated treasury management powers.

The Governance and Audit Committee is responsible for reviewing the treasury management policy statement and treasury activities during the year, making recommendations to the Executive and Full Council, as appropriate.

#### **4.8 Staffing**

The Full Council is responsible for determining how officer support for Executive and Non-Executive roles within the authority will be organised.

The Chief Executive is responsible for providing overall management to staff.

Directors are responsible for controlling total staff numbers by:

- advising the Executive on the budget necessary in any given year to cover estimated staffing levels
- adjusting the staffing to a level that can be funded within the devolved staffing budget, varying the provision as necessary within that constraint in order to meet changing operational needs
- the proper use of appointment procedures.

## **FINANCIAL REGULATIONS**

### **5 SYSTEMS AND PROCEDURES**

#### **5.1 Introduction**

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

#### **5.2 General**

The Borough Treasurer is responsible for the operation of the authority's accounting systems, the form of accounts and the supporting financial records. Any changes made by Directors to the existing financial systems or the establishment of new systems must be approved by the Borough Treasurer. However, Directors are responsible for the proper operation of financial processes in their own departments.

Any changes to agreed procedures by Directors to meet their own specific service needs should be agreed with the Borough Treasurer.

Directors should ensure that their staff receive relevant financial training that has been approved by the Borough Treasurer.

#### **5.3 Income and Expenditure**

It is the responsibility of Directors 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 Director's behalf, or on behalf of the Executive, in respect of payments, income collection and placing orders, together with the limits of their authority.

#### **5.4 Payments to Employees and Members**

The Borough Treasurer is responsible for all payments to staff and for payment of allowances to Members.

#### **5.5 Taxation**

The Borough Treasurer is responsible for advising Directors, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the authority.

The Borough Treasurer 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.

#### **5.6 Trading Accounts/Business Units**

It is the responsibility of the Borough Treasurer to advise on the establishment and operation of trading accounts and business units.

## **FINANCIAL REGULATIONS**

### **6 EXTERNAL ARRANGEMENTS**

#### **6.1 Introduction**

The local authority provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders.

#### **6.2 Partnerships**

The Council (in respect of non-Executive functions) or the Leader (in respect of Executive functions) are 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.

The Borough Treasurer is responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the authority. The Borough Treasurer must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory.

The Borough Solicitor must consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies.

Directors are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

#### **6.3 External Funding**

The Borough Treasurer is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the authority's accounts.

## **FINANCIAL PROCEDURES**

The Council's detailed financial procedures, setting out how the financial regulations will be implemented, are contained in the following appendices.

The following index sets out a detailed list of these appendices

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## 1.1 FINANCIAL MANAGEMENT STANDARDS

### Why is this important?

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

### Key controls

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 Executive Members.

### Responsibilities of the Borough Treasurer

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

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

To ensure proper professional practices are adhered to and to act as head of profession in relation to the standards, performance and development of finance staff throughout the authority.

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

To ensure that financial information is available to enable accurate and timely monitoring and reporting of comparisons of national and local financial performance indicators.

### Responsibilities of Directors

To promote the financial management standards set by the Borough Treasurer in their departments and to monitor adherence to the standards and practices, liaising as necessary with the Borough Treasurer.

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

## 1.2 PREPARING REPORTS FOR DECISIONS

### Why is it important?

All decisions taken by Members or Officers on the basis of reports presented to them by an Officer must take into account all of the key legal and financial issues and implications arising from the recommendations of that report.

### Key Controls

All Member and Corporate Management Team decision reports and reports seeking authorisation for a Key Decision to be made by an officer must include a section within the report for comments from the Borough Treasurer and Borough Solicitor.

It is the responsibility of the report author to ensure that any report contains these comments from the Borough Treasurer and Borough Solicitor prior to publication of the report.

The report author must allow sufficient time (usually five days) prior to sending for publication for the Borough Treasurer and the Borough Solicitor to enable the appropriate comment to be provided

### Responsibilities of Borough Treasurer and Borough Solicitor

To provide appropriate professional advice on the contents and recommendations of the report within a reasonable time period after receiving copy of report.

If a report is published which, in the opinion of the Borough Treasurer or Borough Solicitor, does not contain appropriate and accurate financial or legal information, to report to the Chief Executive or Director of Resources who will consider withdrawing the report from the agenda.

### Responsibilities of Directors

All draft reports which require decision by Members or a Key Decision by an officer, except where the Borough Treasurer has otherwise decided, shall contain a section dealing with the financial implications of the matter(s) covered by the report. Officers preparing reports must consult, and satisfy, the Borough Treasurer that the financial information is appropriate and accurate before the report is finalised and published.

All draft reports which require decision by Members or a Key Decision by an officer, except where the Borough Solicitor has otherwise decided, shall contain a section dealing with the legal implications of the matter(s) covered by the report. Officers preparing reports must consult and satisfy the Borough Solicitor that the legal information is appropriate and accurate before the report is finalised and published.

## 1.3 SCHEME OF VIREMENT

### Why is this important?

The scheme of virement is intended to enable the Executive, Directors 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.

### Key controls

The overall budget is proposed by the Executive and approved by the Full Council. Any addition to the overall budget will require approval by the Full Council. Directors 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 and published cash budget.

Virement does not create additional overall budget liability. Directors are expected to exercise their discretion in managing their budgets responsibly and prudently. 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. Directors must plan to fund such commitments from within their own budgets.

Virement is administered by the Borough Treasurer within guidelines approved by the Full Council and these are as follows:

Approval of the full Executive is required for any virement, of whatever amount, where it is proposed to vire between budgets managed by different Directors or Executive Members. Virement is only allowed where at the time of approving the virement the Directors overall budget is not expected to be overspent. The following authorisation levels apply to all virements between one budget head and another.

Value	Authoriser
Up to and including £25,000	Director
Over £25,000 up to and including £50,000	Executive Member
Over £50,000 up to and including £100,000	Executive
Over £100,000	Full Council

Where virements require Member approval they can only be approved following a joint report by the Borough Treasurer and the Director, which must specify the proposed expenditure and the source of funding, and must explain the implications in the current and future financial year.

Virement is not allowed between any funds from internal recharges, capital charges, interest, support service recharges to other budget heads without the approval of Full Council.

Virement can only be applied to the Devolved Staffing Budget if the effects are contained within the same financial year.

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 on which it will be allocated.

### **Responsibilities of the Borough Treasurer**

To administer the scheme of virement.

To prepare jointly with the Director a report to the Executive on proposed virements which are in excess of the delegated limits.

### **Responsibilities of Directors**

A Director may exercise virement on budgets under their control for amounts up to £25,000 on any one budget head during the year, following notification to the Borough Treasurer in accordance with the key controls set out above.

A school's governing body may transfer budget provision between heads of expenditure within the delegated school budget in accordance with the Scheme for Local Management of Schools.

## 1.4 TREATMENT OF YEAR END BALANCES

### Why is this important?

Any revenue budget provision which remains unspent at the end of the financial year is returned to general balances. However, there may, occasionally, be exceptional circumstances which require some unspent provision to be carried forward to the following year. This will only be permitted provided that the carry forward does not result in either the individual budget head, or the Service Budget, overspending its approved budget. For the purposes of this scheme, a budget head is considered to be a line in the approved and published cash budget.

### Key controls

Appropriate accounting procedures are in operation to ensure that carried-forward totals are correct.

The Officer approval of budget carry forwards can only be made where the whole Council's budget is under spent and the relevant Department's budget is under spent.

### Responsibilities of the Borough Treasurer

To administer the scheme of budget carry-forwards within the guidelines approved by the Full Council.

To report all budget carry-forwards to the Corporate Management Team, Executive and Full Council.

### Responsibilities of Directors

Any request for a carry forward must be made, in writing, by the relevant Director to the Borough Treasurer who, with the Chief Executive, may authorise the necessary funding to be set aside. In such cases, any carry forward allocation lasts for one year only, at the end of which, any unused funds are automatically returned to General Balances.

All revenue budget lines can be carried forward except for the following:

- Capital Charges
- Inter-Directorate Charges
- Employees
- Income.

Directors can carry forward Capital Budgets for one additional year. For subsequent years, funding may only be rolled forward automatically if work on a project has commenced on-site, otherwise the approval of the Full Council must be obtained.

The Council's Local Management of Schools Scheme of Delegation for Primary, Secondary and Special Schools, includes the statutory requirement for schools to be able to carry forward funds on their delegated Budget. By the same rule, any

overspends are brought forward as a first charge to their next year's Budget. This rule is extended to cover budgets devolved to the Language and Literacy Centres, Pupil Referral Units and Adjustment Centres. Budgets held for the Schools Specific Contingency may also be automatically carried forward.

## 1.5 ACCOUNTING POLICIES

### Why is this important?

The Borough Treasurer 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 all relevant accounting standards and accounting codes of practice, for each financial year ending 31 March.

### Key controls

The key controls for accounting policies are:

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

### Responsibilities of the Borough Treasurer

To select suitable accounting policies and to ensure that they are applied consistently. The accounting policies are set out in the statement of accounts, which is prepared at 31 March each year, and covers such items as:

- (a) separate accounts for capital and revenue transactions
- (b) the basis on which debtors and creditors at year end are included in the accounts
- (c) details on substantial provisions and reserves
- (d) fixed assets
- (e) depreciation
- (f) capital charges
- (g) work in progress
- (h) stocks and stores
- (i) deferred charges
- (j) accounting for value added tax
- (k) government grants

(l) leasing

(m) pensions.

**Responsibilities of Directors**

To adhere to the accounting policies and guidelines approved by the Borough Treasurer.

## 1.6 ACCOUNTING RECORDS AND RETURNS

### Why is this important?

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

### Key controls

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.

### Responsibilities of the Borough Treasurer

To determine the accounting procedures and records for the authority. Where these are maintained outside the finance department, the Borough Treasurer should consult the Director concerned.

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

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.

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

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

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 (delegated to the Governance and Audit Committee).

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

### **Responsibilities of Directors**

To consult and obtain the approval of the Borough Treasurer before making any changes to accounting records and procedures.

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.

To maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements.

To supply information required to enable the statement of accounts to be completed in accordance with guidelines issued by the Borough Treasurer.

## 1.7 THE ANNUAL FINANCIAL STATEMENTS

### Why is this important?

The authority has a statutory responsibility to prepare its own accounts to present fairly its operations during the year. The Full Council is responsible for approving the statutory annual financial statements and this has been delegated to the Governance and Audit Committee.

### Key controls

The key controls for the annual financial statements are:

- the authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of these affairs. In this authority, that officer is the Borough Treasurer
- the authority's financial statements must be prepared in accordance with proper practices as set out in all relevant accounting standards and accounting codes of practice.

### Responsibilities of the Borough Treasurer

To select suitable accounting policies and to apply them consistently.

To make judgements and estimates that are reasonable and prudent.

To comply with all relevant accounting standards and accounting codes of practice.

To sign and date the financial statements, stating that they present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March.

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

### Responsibilities of Directors

To comply with accounting guidance provided by the Borough Treasurer and to supply the Borough Treasurer with information when required.

## **2.1 BUDGETING – FORMAT OF THE BUDGET**

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

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

### **Key controls**

The key controls for the budget format are:

- (a) the format complies with all legal requirements
- (b) the format complies with all relevant accounting standards and accounting codes of practice
- (c) the format reflects the accountabilities of service delivery.

### **Responsibilities of the Borough Treasurer**

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

### **Responsibilities of Directors**

To comply with accounting guidance provided by the Borough Treasurer.

## 2.2 REVENUE BUDGET PREPARATION, MONITORING AND CONTROL

### Why is this important?

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 calls to account managers responsible for defined elements of the budget.

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

For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure for a service area or cost centre. However, budgetary control may take place at a more detailed level if this is required by the Director's scheme of delegation.

### Key controls

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

- (a) budget managers should be responsible only for income and expenditure that they can influence
- (b) there is a nominated 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 have completed sufficient training to enable them to fulfil their role

### Responsibilities of the Borough Treasurer

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 Director has available timely information on receipts and payments on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities
- (c) expenditure is committed only against an approved budget head
- (d) all officers responsible for committing expenditure comply with relevant guidance, and the financial regulations
- (e) each cost centre has a single named manager, determined by the relevant Director. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commits expenditure
- (f) significant variances from approved budgets are investigated and reported by budget managers regularly.

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

To prepare and submit reports on the authority's projected income and expenditure compared with the budget on a monthly basis to Corporate Management Team based on information provided by Directors.

The Borough Treasurer will have the right to independently monitor budgets and raise any concerns with the relevant Director.

The Borough Treasurer will facilitate the training of budget managers by ensuring there is suitable and up to date training material available and that appropriate training courses are identified and supported.

### **Responsibilities of Directors**

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

To ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the Director (grouped together in a series of cost centres) and has completed sufficient training to enable them to fulfil their role. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.

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

Where there is a need to incur expenditure on any item, without delay, for which no budgetary provision exists, or where the provision is insufficient, a Director may incur such expenditure provided they seek approval through the appropriate Urgent Decisions Outside the Budget or Policy Framework process set out in the Constitution (Part 4 Section 6 – Budget and Policy Framework Procedure Rules).

To ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and is operating effectively.

To prepare and submit in their Quarterly Service Report a report on the service's projected expenditure compared with its budget, in consultation with the Borough Treasurer.

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

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

To ensure compliance with the scheme of virement.

## 2.3 BUDGETS AND MEDIUM-TERM PLANNING

### Why is this important?

The authority is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with carefully weighed priorities. The budget is the financial expression of the authority's plans and policies.

The revenue budget must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of the 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.

Medium-term planning (or a three- to five-year planning system) involves a planning cycle in which managers develop their own plans. As each year passes, another future year will be added to the medium-term plan. This ensures that the authority is always preparing for events in advance.

### Key controls

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

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

### Responsibilities of the Borough Treasurer

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.

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 Directors.

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

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

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

To advise the Full Council on Executive proposals in accordance with his or her responsibilities under Section 151 of the Local Government Act 1972.

### **Responsibilities of Directors**

To prepare estimates of income and expenditure, in consultation with the Borough Treasurer, to be submitted to the Executive.

To prepare budgets that are consistent with any relevant cash limits, within the authority's annual budget cycle and within guidelines issued by the Executive. The format should be prescribed by the Borough Treasurer in accordance with the Full Council's general directions.

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

In consultation with the Borough Treasurer and in accordance with the laid-down guidance and timetable, to prepare detailed draft revenue and capital budgets for consideration by appropriate groups.

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

- (a) spending patterns and pressures revealed through the budget monitoring process
- (b) legal requirements
- (c) policy requirements as defined by the Full Council in the approved policy framework
- (d) initiatives already under way.

## 2.4 RESOURCE ALLOCATION

### Why is this important?

A mismatch often exists between desired outcomes and those resources required to deliver the outcomes. It is therefore imperative that needs/desires are carefully prioritised and that resources are appropriately allocated, in order to fulfil all legal responsibilities. Resources may include staff, money, equipment, goods and materials.

### Key controls

The key controls for resource allocation are:

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

### Responsibilities of the Borough Treasurer

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

To assist in the allocation of resources to budget managers.

### Responsibilities of Directors

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

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

## 2.5 CAPITAL PROGRAMMES

### Why is this important?

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

Capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources. For the purposes of these Financial Regulations, a scheme or project is defined as a line within the annual Capital Programme Report approved by the Council.

### Key controls

The key controls for capital programmes are:

- (a) specific approval by the Full Council for the programme of capital expenditure
- (b) for any scheme estimated to cost £50,000 or more, a detailed project plan, progress targets and associated revenue expenditure
- (c) proposals for improvements and alterations to buildings must be approved by the appropriate Director
- (d) schedules for individual schemes, each estimated to cost less than £50,000, within the overall budget approved by the relevant Executive Member (for example, refurbishment/replacement in leisure sites)
- (e) the development and implementation of asset management plans
- (f) accountability for each proposal is accepted by a named manager
- (g) monitoring of progress in conjunction with expenditure and comparison with approved budget.
- (h) Council to approve a capital strategy which is subject to regular review and updates.
- (i) Funds can be transferred between schemes, up to the following limits, where the overall schemes for the department are underspending:

Value	Authoriser
Up to and including £25,000	Director
Over £25,000 up to and including £50,000	Executive Member
Over £50,000 up to and including £100,000	Executive
Over £100,000	Full Council

Specific arrangements apply to the overall school's capital budget.

## **Responsibilities of the Borough Treasurer**

To prepare capital estimates jointly with Directors and the Chief Executive 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 definition of 'capital' will be determined by the Borough Treasurer, having regard to government regulations and accounting requirements.

To decide on financing of capital schemes – capitalise revenue budgets where in compliance with regulations and accounting policies and in the Councils overall financial interest

To prepare a quarterly budget monitoring report for CMT on Capital Schemes based on information provided by Directors.

To prepare and maintain the Council's Capital Strategy.

To review the robustness of the financial estimates and associated risk assessment before recommending to Corporate Management Team the release of funding from the Invest-to-Save budget

To approve virements of up to £250,000, in consultation with the Children, Young People and Learning Capital Programme Board, within the overall capital budget for schools.

## **Responsibilities of Directors**

To comply with guidance concerning capital schemes and controls issued by the Borough Treasurer.

To ensure that all capital proposals have undergone a project appraisal in accordance with the Capital Strategy.

To submit to the Borough Treasurer, Invest to Save proposals in accordance with the Capital Strategy.

To prepare quarterly budget monitoring reports for submission to the Borough Treasurer. This quarterly budget monitoring statement to be included in their Quarterly Service Reports.

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

To proceed with projects only when there is adequate provision in the capital programme and where the full revenue impact has been provided for within the revenue budget or plans of the Council

Directors are authorised to incur expenditure up to £25,000 above the estimated sum included for an approved scheme or project in their Department's section of the Capital Programme, subject to the total sum approved by the Council, in their Department's section of the Capital Programme, not being exceeded.

Where expenditure on a scheme is below the approved budget, the responsible Director may use the level of under spend for other schemes within their Department's section of the Capital Programme subject to:

- a) the total sum approved by the Council, in their Department's section of the Capital Programme, not being exceeded,
- b) a maximum of £25,000 can be transferred from or to any one scheme.

To prepare, in consultation with the Borough Treasurer, any reports seeking agreement to the transfer of more than £25,000 from or to any one scheme.

To prepare and submit reports to the Executive, of any variation in contract costs greater than the budget and to seek approval from the Full Council for additional funding where necessary.

To ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the Borough Treasurer.

To approve the allocation of capital resources within a Council approved rolling programme of up to £400,000.

#### **Responsibilities of Relevant Directors and Portfolio Holders**

To approve the allocation of capital resources within a Council approved rolling programme of £400,000 or more, but no greater than £1,000,000.

#### **Responsibilities of the Whole Executive**

To approve the allocation of capital resources within a Council approved rolling programme of more than £1,000,000.

To authorise capital expenditure above the estimated cost of a scheme of more than £25,000, but no more than £50,000.

## 2.6 MAINTENANCE OF RESERVES AND BALANCES

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

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

### **Key controls**

To maintain reserves in accordance with all relevant accounting standards and accounting codes of practice.

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

Authorisation and expenditure from reserves approved in accordance with the approved terms for the use of the reserve or balance. These terms to be approved by the Executive.

### **Responsibilities of the Borough Treasurer**

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

### **Responsibilities of Directors**

To ensure that resources provided from reserves or balances are used only for the purposes for which they were intended.

### 3.1 RISK MANAGEMENT

#### Why is this important?

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

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

#### Key controls

The key controls for risk management are:

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

#### Responsibilities of the Borough Treasurer

To offer insurance cover to schools.

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

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

To develop risk management controls in conjunction with other Directors.

To maintain the Council's Strategic Risk Register.

### **Responsibilities of Directors**

To notify the Borough Treasurer immediately of any loss, liability or damage that may lead to a claim against the authority. To provide on a timely basis all information or explanations required by the Borough Treasurer or the authority's insurers to defend claims against the Council.

To take responsibility for risk management and insurable risks, having regard to advice from the Borough Treasurer and other specialist officers (eg crime prevention, fire prevention, health and safety).

To ensure that there are regular reviews of risk within their departments and to maintain an up to date and complete departmental risk register documenting all significant operational risks.

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

To consult the Borough Treasurer and the Borough Solicitor on the terms of any indemnity that the authority is requested to give.

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.

## 3.2 INTERNAL CONTROLS

### Why is this important?

The authority is complex and beyond the direct control of any one individual. It therefore requires internal controls to manage and monitor progress towards strategic objectives.

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

The authority faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to manage these risks.

The system of internal controls is established in order to provide measurable achievement of:

- (a) efficient and effective operations
- (b) reliable financial information and reporting
- (c) compliance with laws and regulations
- (d) risk management.

### Key controls

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

- (a) key controls should be reviewed on a regular basis and the Head of Audit and Risk Management should make a formal statement annually to the effect that he/she 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 statutory obligations and the principles contained within any regulations or professional guidance.

### **Responsibilities of the Borough Treasurer**

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

### **Responsibilities of Directors**

To manage processes to check that established controls are being adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.

To review existing controls in the light of changes affecting the authority and to establish and implement new ones in line with guidance from the Borough Treasurer. Directors should also be responsible for removing controls that are unnecessary or not cost or risk effective - for example, because of duplication.

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

### 3.3 INTERNAL AUDIT

#### Why is this important?

The requirement for an internal audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which requires that authorities "make arrangements for the proper administration of their financial affairs". The Accounts and Audit (England) Regulations 2011 more specifically require that a "relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control".

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

#### Key controls

The key controls for internal audit are:

- (a) that it is independent in its planning and operation
- (b) the Head of Audit and Risk Management has direct access to the Chief Executive, all levels of management and directly to elected Members
- (c) the internal auditors comply with all relevant regulations and professional guidance.

#### Responsibilities of the Borough Treasurer

To ensure that internal auditors have the authority to:

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

To prepare annual audit plans, which take account of the characteristics and relative risks of the activities involved for approval by the Governance and Audit Committee.

To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

Ensure that any person engaged in internal audit work is aware that they must maintain confidentiality regarding the operations and management information relating to the part of the Council being reviewed or investigated.

### **Responsibilities of Directors**

To ensure that internal auditors are given access at all times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.

To ensure that auditors are provided with all information and explanations that they need in the course of their work to enable them to draw appropriate conclusions.

To ensure that Internal Auditors are not misled or provided incorrect information.

To consider and respond promptly to recommendations in audit reports.

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

To notify the Borough Treasurer immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the authority's property or resources. Pending investigation and reporting, the Director should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.

To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Head of Audit and Risk Management prior to implementation.

### 3.4 EXTERNAL AUDIT

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

The Local Government Finance Act 1982 set up the Audit Commission, which is responsible for appointing external auditors to each local authority in England and Wales. The external auditor has rights of access to all documents and information necessary for audit purposes.

#### **Key controls**

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

#### **Responsibilities of the Borough Treasurer**

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.

To ensure there is effective liaison between external and internal audit.

The Chief Executive and Borough Treasurer shall agree with the Council's External Auditors, their plans for audit. Recommendations made by External Auditors shall be considered by the Borough Treasurer and reported to the Corporate Management Team and then to the Council, Governance and Audit Committee or the Executive, as appropriate.

#### **Responsibilities of Directors**

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.

To implement any recommendations made by the External Auditors in so far as they are accepted by the Governance and Audit Committee.

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

### 3.5 PREVENTING FRAUD AND CORRUPTION

#### Why is it this important?

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

The authority's expectation of propriety and accountability is that Members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.

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

#### Key controls

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

- (a) the authority has an effective 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) the maintenance of a register of interests and hospitality or gifts register
- (e) whistle blowing procedures for staff are in place and operate effectively
- (f) legislation including, but not limited to, the Public Interest Disclosure Act 1998 is adhered to.

#### Responsibilities of the Borough Treasurer

To monitor and update the fraud and corruption policy and to issue guidance and procedures for officers on the use of the policy.

To maintain adequate and effective internal control arrangements.

To ensure that significant irregularities are reported to the Head of Audit and Risk Management, the Chief Executive, the Monitoring Officer, Executive and the Governance and Audit Committee. The Borough Treasurer shall determine the arrangements for investigating these irregularities. The Borough Treasurer shall ensure that the appropriate persons are informed of the outcome of any investigation.

The Borough Treasurer shall consider, during the course of any investigation or at its conclusion, as they deem appropriate, whether the matter may require investigation by the Police and/or notification to the External Auditor. Where appropriate, the advice of the Borough Solicitor shall be sought. The Chief Officer: Human Resources will be informed in any case where Officers are involved so that the agreed internal disciplinary procedures may be complied with.

At the conclusion of any investigation, or earlier if appropriate, the Borough Treasurer, shall agree with the Director concerned, the steps that should be taken to mitigate any loss and prevent a recurrence of it.

### **Responsibilities of Directors**

To maintain, in consultation with Internal Audit, adequate processes in place to identify where fraud may be perpetrated and put in place effective controls to minimise the risk of such fraud from arising.

To ensure that all suspected irregularities are reported to the Borough Treasurer or the Head of Audit and Risk Management.

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

To ensure that the staff within their Department are aware of their responsibilities within the Fraud and Corruption Policy.

To ensure that where financial impropriety is discovered, the Borough Treasurer is informed

To maintain a departmental register of staff interests

To maintain a departmental register of gifts and hospitality received and provided by staff.

### 3.6 ASSETS - SECURITY

#### Why is this important?

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

#### Key controls

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

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

#### Responsibilities of the Borough Treasurer

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

To ensure that assets are valued in accordance with all relevant accounting standards and accounting codes of practice

#### Responsibilities of Directors

Each Director is responsible for, and shall make arrangements for, the safe custody and care of all assets in their Department including, where appropriate, exercising proper control over the use of those assets.

Directors shall maintain a database in a form approved by the Borough Treasurer for all properties, plant and machinery and moveable assets currently owned or used within their Department.

Directors are responsible, so far as land and property under their control is concerned, for obtaining the best economic return possible, consistent with Council Policy, and shall ensure that all rents and charges due under property agreements are regularly reviewed.

The Chief Officer: Property shall maintain a terrier recording details of all land and properties held by the Council.

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

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

To pass deeds referring to Council land (including leases and licences) to the Borough Solicitor who is responsible for custody of all such deeds.

To ensure that no authority asset is subject to personal use by an employee other than that permitted by Council Policies or Procedures.

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

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

To ensure cash holdings on premises are kept to limits agreed with the Council's Insurers.

To ensure that keys to safes and similar receptacles are in the custody of those responsible at all times; loss of any such keys must be reported to the Borough Treasurer as soon as possible.

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

The Chief Officer: Property will arrange for the valuation of assets for accounting purposes to meet requirements specified by the Borough Treasurer.

The Director of Children, Young People and Learning and the Director of Adult Social Care, Health and Housing shall be responsible for the safe custody of the private property of residents in Council establishments and shall maintain records of property so held in a format agreed by the Borough Treasurer.

## **Inventories**

To maintain inventories and record an adequate description of furniture, fittings, equipment, plant and machinery above £1,000 in value and any asset that is attractive, valuable and portable such as computers, cameras and video recorders but not limited to these examples.

To carry out an annual check of all items on the inventory in order to verify location, review, condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive, valuable and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the authority.

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

## **Stocks and Stores**

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

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

To investigate and remove from the authority's records (ie write off) discrepancies between the inventory and actual assets held.

To authorise or write off disposal of redundant stocks and equipment. Procedures for disposal of such stocks and equipment should be by competitive quotations or auction, unless, following consultation with the Borough Treasurer, the Executive decides otherwise in a particular case.

### 3.7 ASSET DISPOSAL

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

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

#### **Key controls**

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 or benefit reasonably obtainable is secured, bearing in mind other factors, such as environmental issues, economic conditions and the Medium Term Objectives of the Council. For items of significant value, disposal should normally be by competitive tender or public auction.

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

#### **Responsibilities of the Borough Treasurer**

To issue guidelines representing best practice for disposal of assets.

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

#### **Responsibilities of Chief Officer: Property**

To dispose of land and buildings in order to obtain maximum benefit to the Council taking into account current economic and market conditions and the Medium Term Objectives of the Council within the officer delegations for this post set out in the Constitution.

#### **Responsibilities of Directors**

To seek advice from purchasing advisors on the disposal of surplus or obsolete assets (other than land and buildings).

To ensure that income received for the disposal of an asset (other than land and buildings) is properly banked and coded.

### 3.8 TREASURY MANAGEMENT

#### Why is this important?

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

#### Key controls

That the authority's borrowings and investments comply with the CIPFA Code of Practice on Treasury Management and with the Council's Treasury Management Strategy Statement.

#### Responsibilities of Borough Treasurer

Treasury management and banking:

- 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 Capital Prudential Indicators, Treasury Management Strategy Statement and Investment Strategy.
- To report annually on treasury management activities to the Executive.
- To operate bank and credit card accounts as are considered necessary - opening or closing any bank or credit card account shall require the approval of the Borough Treasurer.
- To regularly review the Council's Capital Prudential Indicators, Treasury Management Strategy Statement and Investment Strategy and seek approval for changes from the Full Council.

Investments and borrowing:

- 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.
- To ensure that all securities that are the property of the authority or its nominees and deeds relating to land in the authority's ownership are held in the custody of the Borough Solicitor.
- To effect all borrowings in the name of the authority.
- To act as the authority's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the authority.
- To authorise loans to third parties in accordance with the Councils budgets.

Imprest accounts:

- 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 the prescribed amount.
- To determine the petty cash limit and to maintain a record of all transactions and petty cash advances made, and periodically to review the arrangements for the safe custody and control of these advances.
- To reimburse imprest holders as often as necessary to restore the imprests.

### **Responsibilities of Directors**

Treasury management and banking:

- To follow the instructions on banking issued by the Borough Treasurer.

Investments and borrowing:

- To ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises.

Trust funds and funds held for third parties:

- 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 Borough Treasurer, unless the deed otherwise provides.
- To arrange for the secure administration of funds are held on behalf of third parties and to maintain written records of all transactions.
- To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.

Imprest accounts

To ensure that employees operating an imprest account:

- (a) obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained
- (b) make adequate arrangements for the safe custody of the account
- (c) produce upon demand by the Borough Treasurer cash and all vouchers to the total value of the imprest amount
- (d) record transactions promptly

- (e) reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder
- (f) provide the Borough Treasurer with a certificate of the value of the account held at 31 March each year
- (g) ensure that the float is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made
- (h) on leaving the authority's employment or otherwise ceasing to be entitled to hold an imprest advance, an employee shall account to the Borough Treasurer for the amount advanced to him or her.

### 3.9 STAFFING

#### Why is this important?

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

#### Key controls

The key controls for staffing are:

- (a) an appropriate staffing strategy and policy exists, in which staffing requirements and budget allocation are matched
- (b) procedures are in place for forecasting staffing requirements and cost
- (c) controls are implemented that ensure that staff time is used efficiently and to the benefit of the authority
- (d) checks are undertaken prior to employing new staff to ensure that they are competent, appropriately qualified, experienced and trustworthy
- (e) all staff are to be paid through the payroll unless the Director can demonstrate that the person meets the HM Revenues and Customs criteria for self employed persons.

#### Responsibilities of the Borough Treasurer

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

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

#### Responsibilities of Chief Officer: Human Resources

To act as an advisor to Directors to ensure that measures are in place to ensure that the key controls are implemented, monitored and effective.

#### Responsibilities of Directors

To comply with the Personnel Guide for Managers and to seek advice as appropriate from the Borough Treasurer and Chief Officer: Human Resources on staffing issues.

To produce an annual staffing budget (Devolved Staffing Budget).

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

To monitor staff activity to ensure adequate control over all staffing costs including authorised and unauthorised absences.

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.

Use of agency or casual staff may be made in covering posts that are vacant (permanently or temporarily), or to undertake special projects. Directors shall first ensure they have adequate budgetary provision, but shall not contravene any directive or policy in force at the time. Payment of such staff shall be in accordance with the requirements of the Borough Treasurer.

To ensure that checks are undertaken prior to employing new staff to ensure that they are competent, appropriately qualified, experienced and trustworthy.

To ensure that there is a regular review of the employment status of the workforce which is not paid through payroll.

## 4.1 FINANCIAL SYSTEMS AND PROCEDURES - GENERAL

### Why is this important?

Departments have many systems and procedures relating to the control of the authority's assets, including purchasing, costing and management systems. Departments are reliant on computers for their financial management information. The information must be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.

The Borough Treasurer has a professional responsibility to ensure that the authority's financial systems are sound and should therefore be notified of any new developments or changes.

### Key controls

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) financial performance is communicated to the appropriate managers on an accurate, complete and timely basis
- (c) early warning is provided of deviations from plans and budgets that require management attention
- (d) financial operating systems and procedures are secure.

### Responsibilities of the Borough Treasurer

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.

### Responsibilities of Directors

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

To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with the Councils Records Retention and Destruction Schedule/Information Asset Register.

To ensure that a complete management trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained.

To incorporate appropriate controls to ensure that, where relevant:

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

To ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice.

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

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

To consult with the Borough Treasurer before changing any existing system or introducing new systems.

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

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

To ensure that effective contingency arrangements, including back-up procedures, exist for computer systems. Wherever possible, back-up information should be securely retained in a fireproof location, preferably off site or at an alternative location within the building.

The Director will ensure that only bona fide data is transferred between subsidiary systems and the Financial Management System. Directors shall ensure that there are adequate controls to verify correct transfer of data has taken place and shall ensure that systems under their control are fully, and regularly reconciled.

## 4.2 INCOME

### Why is this important?

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

### Key controls

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 fees and charges are subject to at least annual review and approval by the Full Council. In determining charges, the Council, shall have regard to
  - current legislation
  - the need to cover the cost of the service, as a minimum
  - market rates, where a service operates in free market conditions
  - the value of the service to users
  - the cost of collecting the income
  - the advice of the Director and Borough Treasurer
- (c) all income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery
- (d) all money received by an employee on behalf of the authority is paid without delay to the Borough Treasurer or, as he or she directs, to the authority's bank, and properly recorded. The responsibility for cash collection should be separated from that:
  - for identifying the amount due
  - for reconciling the amount due to the amount received
- (e) prompt and 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 Records Retention and Destruction Schedule/Information Asset Register
- (j) money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.

## **Responsibilities of the Borough Treasurer**

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

To provide advice, set the framework, collect and review annually proposals for fees and charges from each Director for submission to the Executive and Full Council for approval.

To approve all debts to be written-off up to £50,000 in consultation with the relevant Director and to keep a record of all sums written off up to the approved limit and to adhere to the requirements of the Accounts and Audit (England) Regulations 2011.

To obtain the approval of the Executive in consultation with the relevant Director for writing off debts in excess of £50,000.

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

To approve arrangements for the submission of all claims for grants to Government Departments and other outside bodies.

## **Responsibilities of Directors**

To review annually the fees, charges and concessions including the appropriate charging of VAT in line with the Council's policies.

Where charges are assessed according to ability to pay, the Director may make arrangements for the reduction of charges in accordance with policies approved by the Council or the Executive.

Directors may make variations to charges which are set in order to cover specified costs, in consultation with the Borough Treasurer.

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

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

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

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

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

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

To ensure 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.

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

To supply the Borough Treasurer with details relating to work done, goods supplied, services rendered or other amounts due, to enable the Borough Treasurer to record correctly the sums due to the authority and to ensure accounts are sent out promptly.

Directors have a responsibility to assist the Borough Treasurer and Borough Solicitor in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the authority's behalf.

Ensure that cash held on any Council premise is in accordance with the agreed levels of insurance cover approved by the Borough Treasurer.

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.

To recommend to the Borough Treasurer all debts to be written off and to keep a record of all sums written off up to the approved limit. Once raised, no bona fide debt may be cancelled, except by full payment or by its formal writing off. A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt.

To obtain the approval of the Borough Treasurer when writing off debts in excess of the approved limit, and the approval of the Executive where required.

To notify the Borough Treasurer of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Borough Treasurer and not later than 30 April.

## 4.3 ORDERING AND PAYING FOR WORK, GOODS AND SERVICES

### Why is this important?

Public money should be spent with demonstrable probity and in accordance with the authority's policies. Authorities have a statutory duty to achieve best value in part through economy and efficiency. The authority's procedures should help to ensure that services obtain value for money from their purchasing arrangements. These procedures should be read in conjunction with the Council's Contract Standing Orders and Procurement Manual.

### General

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.

Official orders must be in a form approved by the Borough Treasurer. Official orders must be issued for all work, goods or services to be supplied to the authority, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions specified by the Borough Treasurer.

Each order must conform with Contract Standing Orders and any relevant category strategy. Standard terms and conditions must not be varied without the prior approval of the Borough Solicitor.

The normal method of payment from the authority shall be by BACS.

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

### Key controls

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

- (a) all works, goods and services are ordered only by persons with appropriate delegated authority and are correctly recorded in accordance with the Procurement Manual.
- (b) all works, goods and services shall be ordered in accordance with the authority's Contract Standing Orders
- (c) works, goods and services received are checked to ensure they are in accordance with the order or contract
- (d) payments are not made unless the goods services or works have been received by the authority in the correct quantity, at the correct quality standards and at the correct price. Payments in advance should only be made in exceptional circumstances.
- (e) all invoices are authorised by the relevant cost centre manager and that the authoriser cannot order or receive the goods and services

- (f) all payments are made to the correct person/organisation, for the correct amount and are properly recorded, regardless of the payment method
- (g) all appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the Records Retention and Destruction Schedule/Information Asset Register
- (h) all expenditure, including VAT, is accurately recorded against the right budget and any exceptions are corrected
- (i) that processes are in place to maintain the security and integrity of data for transacting business electronically.

### **Responsibilities of the Borough Treasurer**

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

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

To make payments from the authority's funds on a Director's authorisation that the expenditure has been duly incurred in accordance with financial regulations.

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.

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

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

To ensure that a budgetary control system is established that enables commitments incurred by placing orders to be shown against the appropriate budget allocation.

### **Responsibilities of the Borough Solicitor**

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

### **Responsibilities of Directors**

To ensure that an Agresso purchase requisition is raised for all goods and services, other than where it has been agreed with the Borough Treasurer that manual orders can be issued.

To ensure that orders are only used for goods and services provided to the Directorate.

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 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. Value for money should

underpin the authority's approach to purchasing. Value for money should always be achieved.

To ensure that goods and services are checked on receipt to verify that they are in accordance with the order and are entered into Agresso. This check should be carried out by a different officer from the person who authorised the order. Appropriate entries should then be made in inventories or stores records.

To ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment, confirming:

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

To ensure that at least two authorised members of staff are involved in the ordering, receiving and payment process. A different officer from the person who authorised the order, and in every case, a different officer from the person checking a written invoice, should authorise the invoice.

To ensure that the department maintains and reviews periodically a list of staff approved to authorise invoices. Names of authorising officers and details of the limits of their authority shall be forwarded to the Borough Treasurer.

To encourage suppliers of goods and services to receive payment by the most economical means for the authority. All payments made by direct debit must have the prior approval of the Borough Treasurer.

To secure compliance with the Council's Contract Standing Orders.

To adhere to the procedures established in the Council's various category management strategies and by putting purchases, where appropriate, out to competitive quotation or tender.

To ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the Borough Treasurer. 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.

To notify the Borough Treasurer of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Borough Treasurer.

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

To notify the Borough Treasurer immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.

To ensure that all appropriate payment records are retained and stored for the defined period, in accordance with the Records Retention and Destruction Schedule/information Asset Register.

#### 4.4 PAYMENTS TO EMPLOYEES AND MEMBERS

##### Why is this important?

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

##### Key controls

The key controls for payments to employees and Members are:

- (a) having a scheme of Members Allowances approved in accordance with the relevant statutory procedures
- (b) 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

- (c) frequent and regular reconciliation of payroll expenditure against approved budget and bank account
- (d) all appropriate payroll documents are retained and stored for the defined period in accordance with the Records Retention and Destruction Schedule/information Asset Register.
- (e) that HM Revenue and Customs regulations are complied with.

##### Responsibilities of the Borough Treasurer

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

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

To make arrangements for payment of all travel and subsistence claims.

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

To ensure that there are adequate arrangements for administering superannuation matters on a day-to-day basis within the terms of the Service Level Agreement with the Pension Fund Managers.

### **Responsibilities of Chief Officer: Human Resources**

The Chief Officer: Human Resources shall maintain a list of authorised permanent posts. This list shall include all relevant details regarding the grade and pay range of the job, the hours contracted (expressed as a percentage of a "full time equivalent"), the post holder and their start date and actual spinal point, plus details of other allowances.

To notify the Borough Treasurer following the receipt of the information from Directors 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 Borough Treasurer.

### **Responsibilities of Directors**

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

To notify the Chief Officer: Human Resources of all appointments, terminations or variations which may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Chief Officer: Human Resources.

To ensure that adequate and effective systems and procedures are operated, so that:

- payments are only authorised to bona fide employees
- payments are only made where there is a valid entitlement
- conditions and contracts of employment are correctly applied
- employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness

To maintain and regularly update a list of the names of officers authorised to sign records associated with the payment to employees to the Borough Treasurer, together with specimen signatures.

To ensure that payroll transactions are processed only through the payroll system. Directors should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. The HM Revenue and Customs applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Borough Treasurer.

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 Borough Treasurer is informed where appropriate.

To ensure that the Borough Treasurer is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.

To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the Records Retention and Destruction Schedule/information Asset Register.

## 4.5 TAXATION

### Why is this important?

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

### Key controls

The key controls for taxation are:

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

### Responsibilities of the Borough Treasurer

To complete all HM Revenue and Customs returns regarding PAYE.

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

To provide details to the HM Revenue and Customs regarding the construction industry tax deduction scheme.

To maintain up-to-date guidance for authority employees on taxation issues.

### Responsibilities of Directors

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

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

To ensure that all persons employed by the 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.

To follow the guidance on taxation issued by the Borough Treasurer.

## 5.1 PARTNERSHIPS

### Why is this important?

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

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

### General

The main reasons for entering into a partnership are:

- (a) the desire to find new ways to share risk
- (b) the ability to access new resources
- (c) to provide new and better ways of delivering services
- (d) to forge new relationships.

A partner is defined as either:

- (a) an organisation (private or public) undertaking, part funding or participating as a beneficiary in a project
- (b) a body whose nature or status give it a right or obligation to support the project.

Or, Partners participate in projects by:

- (a) acting as a project deliverer or sponsor, solely or in concert with others
- (b) acting as a project funder or part funder
- (c) being the beneficiary group of the activity undertaken in a project.

Partners have common responsibilities:

- (a) to be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation
- (b) to act in good faith at all times and in the best interests of the partnership's aims and objectives
- (c) be open about any conflict of interests that might arise

- (d) to encourage joint working and promote the sharing of information, resources and skills between public, private and community sectors
- (e) to hold confidentially any information received as a result of partnership activities or duties that is of a confidential or commercially sensitive nature
- (f) to act wherever possible as ambassadors for the project.

### **Key controls**

The key controls for working with authority partners are:

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

### **Responsibilities of the Borough Treasurer**

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

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

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

To ensure that the accounting arrangements are satisfactory.

### **Responsibilities of Directors**

To maintain a register of all contracts entered into with external bodies in accordance with procedures specified by the Borough Treasurer.

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

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

To ensure that all agreements and arrangements are properly documented.

To provide appropriate information to the Borough Treasurer to enable a note to be entered into the authority's statement of accounts concerning material items.

To ensure that partnerships are established and operated having regard to the Council's partnership toolkit.

## 5.2 EXTERNAL FUNDING

### Why is this important?

External funding is potentially a very important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the authority. Local authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers. Funds from third parties such as the National Lottery or Developers (S106) provide additional resources to enable the authority to deliver services to the local community. However, in some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the authority's overall plan.

### Key controls

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.

### Responsibilities of the Borough Treasurer

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

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

To ensure that audit requirements are met.

### Responsibilities of Directors

To inform the Borough Treasurer of all claims for funds and that they are made by the due date.

To ensure that the project progresses in accordance with any agreement with the third party and that all expenditure is properly incurred and recorded.

To ensure that future financial commitments arising from external funded schemes are incorporated into the Council's Medium Term Financial Plan.

## 5.3 WORK FOR THIRD PARTIES

### Why is this important?

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

### Key controls

The key controls for working with third parties are:

- (a) to ensure that proposals are costed properly in accordance with guidance provided by the Borough Treasurer
- (b) to ensure the Borough Solicitor is consulted in cases of doubt or difficulty as to the power to undertake the work
- (c) to ensure that contracts are drawn up using guidance provided by the Borough Solicitor and that the formal approvals process is adhered to
- (d) to issue guidance with regard to the financial aspects of third party contracts.

### Responsibilities of Borough Treasurer

To issue guidance with regard to the financial aspects of third party contracts.

### Responsibilities of Directors

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

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

To ensure that appropriate insurance arrangements are made.

To ensure that the authority is not put at risk from any bad debts.

To ensure that no contract is subsidised by the authority unless approved by the Executive or the Full Council.

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

To ensure that the department/unit has the appropriate expertise to undertake the contract.

To ensure that such contracts do not impact adversely upon the services provided for the authority.

To ensure that all contracts are properly documented.

To provide appropriate information to the Borough Treasurer to enable a note to be entered into the statement of accounts.

To ensure that the Council has the legal power to enter into the contract by consulting the Borough Solicitor in cases of doubt or difficulty.