

APPENDIX G

FINANCIAL PROCEDURE RULES

1. FINANCIAL ADMINISTRATION

- 1.1 The Policy, Finance and Administration Committee is responsible to the Council for regulating and controlling the finances of the Council.
- 1.2 The Head of Central Services is for the purposes of Section 151 of the Local Government Act 1972 the “designated” officer responsible for the proper administration of the Council’s financial affairs.
- 1.3 The Head of Central Services shall make a report to the Council under the requirements of Section 114 of the Local Government Finance Act 1988, if it appears to him/her that the Council, a Committee, or Officer of the Council or a Joint Committee on which the Council is represented:
 - (i) has made or is about to make a decision which involves or would involve the Council incurring expenditure which is unlawful;
 - (ii) has taken or is about to take a course of action which if pursued to its conclusion would be unlawful and likely to cause a loss or deficiency on the part of the Council;
 - (iii) is about to enter an item of account the entry of which is unlawful; or
 - (iv) has incurred expenditure, or proposes to incur expenditure, in a financial year in excess of the resources (including sums borrowed) available to it to meet that expenditure.
- 1.4 The Council’s Contract Procedure Rules will apply to every Committee, and employee of the Council or other person acting on behalf of the Council.
- 1.5 All Directors and Heads of Service are responsible for the accountability and control of staff and the security, custody and control of all other resources including plant, buildings, materials, cash and stores appertaining to their directorate.

2. FINANCIAL PLANNING

- 2.1 Each Committee shall submit to the Policy, Finance and Administration Committee a programme of capital expenditure and revenue estimates for such future periods and in such form and by such dates as the Policy, Finance and Administration Committee shall require.
- 2.2 The Policy, Finance and Administration Committee shall consider the aggregate effect of these programmes and estimates upon the Council’s financial resources, and, after consultation on any proposed amendment, shall submit them to the Council for approval with a recommendation as to the level of the Council Tax to be levied for the ensuing financial year.

2.3 Each Member of the Council shall be provided with a copy of the proposed capital programme and revenue estimates together with a statement by the Head of Central Services of their effect on the Council's finances and the Council Tax to be levied at least seven days before the meeting of the Council at which such matters will be considered.

3. BUDGETARY CONTROL

3.1 It shall be the duty of every Committee to monitor and regulate its financial performance during the currency of each estimate period.

3.2 A Committee may not incur expenditure which cannot be met from the amount provided in the revenue estimates under a head of estimate (including any virement made in accordance with Standing Order 3.3 below) to which that expenditure would be charged or would result in any over-spending in the year on that head of estimate unless a supplementary estimate request has been submitted to and approved by the Policy, Finance and Administration Committee. This shall apply equally both to increases in expenditure and reductions in income.

3.3 Amounts provided in the approved annual revenue estimates under particular heads of expenditure shall not be diverted to other purposes by the Committee concerned without the approval of the Policy, Finance and Administration Committee save that such approval is not required when the amount for any single purpose does not exceed £20,000 and does not involve a new policy or a variation or extension of an existing policy. A Committee shall not vary the permanent establishment without the prior approval of the Policy, Finance and Administration Committee.

3.4 Every Committee shall follow the procedure set out in the latest Project Management System as regards the inclusion of new schemes in its Capital Programme and in seeking funding from the Policy, Finance and Administration Committee in respect of such schemes.

3.5 A Committee proposing to vary its approved programme of capital expenditure by the addition, deletion or material modification of a project in that programme shall submit a recommendation to the Policy, Finance and Administration Committee. The Policy, Finance and Administration Committee may approve, but not disapprove, the proposal on the Council's behalf. Such approval shall not be required where a Committee wishes to transfer an amount not exceeding £50,000 from one head of the capital programme to another.

3.6 Nothing in these Procedure Rules shall prevent a Committee from incurring expenditure which is essential to meet any immediate needs created by a sudden emergency or which is referable to Section 138 of the Local Government Act 1972 subject to its action being reported subsequently to the Policy, Finance and Administration Committee.

3.7 The inclusion of items in approved revenue estimates or capital programmes shall constitute authority to incur such expenditure save to the extent to which the Policy, Finance and Administration Committee or the Council shall place a reservation on any such item or items. Expenditure on any such reserved

items may be incurred only when and to the extent that such reservation has been removed.

3.8 The Policy, Finance and Administration Committee shall, from time to time, keep the Council informed as to the state of the Council's finances and shall report on the accounts of each financial year as soon as possible, ~~but not later than 30 June in the succeeding financial year.~~

3.9 Where a Committee proposes:-

- (i) a new policy; or
- (ii) a variation of existing policy; or
- (iii) a variation in the means or time-scale of implementing existing policy

which significantly affects or may significantly affect the Council's finances, it shall submit a report to the Policy, Finance and Administration Committee before the proposal is implemented and the Policy, Finance and Administration Committee shall report thereon to the Council.

SECTION 1 - FINANCIAL MANAGEMENT

1. FINANCIAL MANAGEMENT STANDARDS

Why is this important?

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

Key controls

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

Responsibilities of the Head of Central Services

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

Responsibilities of Directors/Heads of Service

- 1.8 To promote the financial management standards set by the Head of Central Services in their directorates/sections and to monitor adherence to the standards and practices, liaising as necessary with the Head of Central Services.
- 1.9 To promote sound financial practices in relation to the standards, performance and development of staff in their directorates/sections.

2. MANAGING EXPENDITURE

SUPPLEMENTARY ESTIMATES

Why is it important?

- 2.1 To ensure that procedures are in place to approve additional spending where amounts cannot be met from amounts provided in the revenue estimates under a budget head.
- 2.2 The Budget is set on an annual basis and events do occur that require additional spending within the year. This is particularly the case where there is a statutory requirement which cannot be avoided.

Key Controls

- 2.3 The key controls for supplementary estimates are:
- (a) Accounting procedures that identify prior to a commitment being made the potential overspend against the approved budget.
 - (b) Approval by the Policy, Finance and Administration Committee of any new policy or extension of an existing policy which would result in additional expenditure.
 - (c) The approval by the Head of Central Services~~Chief Executive~~ in consultation with the Strategic Management Team of supplementary estimates requested from budget holders subject to sufficient budget savings having been identified from existing budgets or the Policy, Finance and Administration Committee having allocated a specific budget for this purpose for:
 - Increases in the operating costs or reduction in income for existing services; or
 - Increase in the usage of existing services; and
 - ~~and~~ where any single item does not exceed £520,000.

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Responsibilities of the Head of Central Services

- 2.4 To administer the scheme for approving supplementary estimates within the guidelines approved by the Policy, Finance and Administration Committee.
- 2.5 To report details of supplementary estimates approved by the Head of Central Services~~Chief Executive~~ under delegated authority to the Policy, Finance and Administration Committee.
- 2.6 To provide budget holders with information on spending and commitments against approved budgets.

- 2.7 To prepare jointly with the budget holder a report to the Policy, Finance and Administration Committee where a request for a supplementary estimate is outside of the delegation to the ~~Head of Central Services~~ Chief Executive or the ~~Head of Central Services~~ Chief Executive chooses not to exercise his or her delegation.

Responsibilities of Budget Holders

- 2.8 To keep under constant review spending and commitments against approved budgets and where it appears that spending will exceed the approved budget or where additional expenditure is proposed which is not within the approved budget to seek a supplementary estimate.
- 2.9 To submit such requests in the form and the manner prescribed by the Head of Central Services.
- 2.10 Not to incur expenditure which cannot be met from the approved budget or any supplementary estimates that has been approved for the specific purpose.

SCHEME OF VIREMENT

Why is this important?

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

Key controls

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

Responsibilities of the Head of Central Services

- 2.13 To prepare jointly with the budget holder a report to the Policy, Finance and Administration Committee where a virement in excess of £520,000 is proposed or where a new policy or extension of an existing policy is proposed or where the proposal is to vary the permanent establishment unless the prior approval of the Policy, Finance and Administration Committee has been given.
- 2.14 To report to the Policy, Finance and Administration Committee on the overall amounts vired under this scheme from time to time.

Responsibilities of the Budget Holders

- 2.15 A budget holder may exercise virement on budgets within individual services under his or her control without restriction following notification to the Head of Central Services.
- 2.16 A budget holder may exercise virement on budgets between services subject to the amount for any single purpose not exceeding £520,000, the approval of the budget holder being obtained when the service being vired either to or from is not under his or her control and the approval of the Head of Central Services being obtained. The Head of Central Services in giving approval to have regard to the competing demands on the Council's resources.
- 2.17 Amounts greater than £520,000 or where a new policy or a variation or extension of an existing policy is proposed or where the proposal is to vary the permanent establishment and the prior approval of the Policy, Finance and Administration Committee has not been given require the approval of the Policy, Finance and Administration Committee following a joint report by the Head of Central Services and the budget holder which must specify the proposed expenditure and the source of funding, and must explain the implications in the current and future financial year. ~~Amounts greater than £50,000 shall require the approval of the Council.~~ Where the virement does not affect the nature of the expenditure this procedure rule shall not apply but the approval of the Head of Central Services must be obtained.
- 2.18 Virement that is likely to impact on the level of service activity of another budget holder should be implemented only after agreement with the relevant budget holder.
- 2.19 No virement relating to a specific financial year should be made after 31 March in that year.
- 2.20 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 Policy, Finance and Administration Committee has approved the basis and the terms, including financial limits, on which it will be allocated. Individual allocations in excess of the financial limits should be reported to the Policy, Finance and Administration Committee.

IDENTIFICATION OF SURPLUS MONIES

Why is it important?

- 2.21 To ensure surplus monies are identified at the earliest point possible during the financial year to enable budgets to be adjusted and any resulting savings to be diverted to those service areas which have been identified as high priority for additional funding.

Key Controls

- 2.22 The key controls for identification of surplus monies are:
- (a) Appropriate accounting procedures are in place to identify underspendings against approved budgets.
 - (b) Appropriate procedures are in place for approving supplementary budgets against savings arising from reducing budgets that are underspent.

Responsibilities of Head of Central Services

- 2.23 To administer the process within the guidelines set by the Policy, Finance and Administration Committee.

Responsibilities of Budget Holders

- 2.24 Budget holders are required to provide to the Head of Central Services justifications for any underspendings against approved budgets when requested.
- 2.25 In calculating the underspending the standard service sub-division as defined by CIPFA's Service Expenditure Analysis, i.e. employees, premises, etc. or its equivalent will be used.
- 2.26 At any time any budget holder becoming aware that budget savings have or will be made must surrender the excess budget and notify the Head of Central Services accordingly.
- 2.27 Amounts which become available through these processes will be allocated to those service areas which have been identified as high priority for additional funding through the supplementary estimate process.

TREATMENT OF YEAR-END BALANCES

Why is this important?

- 2.28 To ensure that procedures are in place to provide for the carrying forward of under and overspendings on budget headings at the year end.
- 2.29 The rules below cover arrangements for the transfer of resources between accounting years, i.e. a carry-forward. For the purposes of this scheme, a budget head is considered to be a line in the approved estimates report, or, as a minimum, at an equivalent level to the standard service subdivision as defined by CIPFA's Service Expenditure Analysis, i.e. employees, premises, etc.

Key Controls

- 2.30 The key control for year end balances is:
- (a) Appropriate accounting procedures are in operation to ensure that carried-forward amounts can be identified and totals are correct.

Responsibilities of the Head of Central Services

- 2.31 To administer the scheme of carry-forward within the guidelines approved by the Policy, Finance and Administration Committee.
- 2.32 To report all overspendings and underspendings on service estimates carried forward to the Policy, Finance and Administration Committee.

Responsibilities of Budget Holders

- 2.33 Any overspending on service estimates in total on budgets under the control of a budget holder must be carried forward to the following year unless a supplementary estimate has been approved by the Policy, Finance and Administration Committee and will constitute the first call on service estimates in the following year. The Head of Central Services will report the extent of overspendings carried forward to the Policy, Finance and Administration Committee.
- 2.34 Net underspendings on service estimates under the control of a budget holder may be carried forward, subject to:
- (a) The approval of the Policy, Finance and Administration Committee following a report setting out the source of the underspending or additional income and the proposed application of those resources.
- (b) The approval of the Council where the underspending exceeds £1050,000.
- (c) The approval being given no later than 30 April in any year.
- 2.35 All internal business unit surpluses shall be retained for the benefit of the Council and their application shall require the approval of the Policy, Finance and Administration Committee.

3. ACCOUNTING POLICIES

Why is this important?

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

Key Controls

- 3.2 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 Council and its expenditure and income.

Responsibilities of the Head of Central Services

- 3.3 To select suitable accounting policies and to ensure that they are applied consistently.

Responsibilities of Directors and Budget Holders

- 3.4 To adhere to the accounting policies and guidelines approved by the Head of Central Services.

4. ACCOUNTING RECORDS AND RETURNS

Why is this important?

- 4.1 Maintaining proper accounting records is one of the ways in which the Council discharges its responsibility for stewardship of public resources. The Council 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 arrangements have been made for securing economy, efficiency and effectiveness in the use of the Council's resources.

Key Controls

- 4.2 The key controls for accounting records and returns are:
- (a) all Council committees, finance staff and budget holders operate within the required accounting standards and timetables

- (b) all the Council'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 transaction are correctly recorded
- (e) prime documents are retained in accordance with legislative and other requirements.

Responsibilities of the Head of Central Services

- 4.3 To determine the accounting procedures and records for the Council. Where these are maintained outside the Financial Services Section, the Head of Central Services should consult the director concerned.
- 4.4 To arrange for the compilation of all accounts and accounting records under his or her direction.
- 4.5 To comply with the following principles when allocating accounting duties:
 - (a) separating the duties of providing information about sums due to or from the Council and calculating, checking and recording these sums from the duty of collecting or disbursing them.
 - (b) employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
- 4.6 To make proper arrangements for the audit of the Council's accounts in accordance with the Accounts and Audit Regulations 2011.
- 4.7 To ensure that all claims for funds including grants are made by the due date.
- 4.8 To prepare and publish the audited accounts of the Council for each financial year, in accordance with the statutory timetable and with the requirement for the Council to approve the statement of accounts before 30 June.
- 4.9 To administer the Council's arrangements for under and overspendings to be carried forward to the following year.
- 4.10 To administer the Council's arrangements for approving supplementary estimates and virements and identifying surplus monies.
- 4.11 To ensure the proper retention of financial documents in accordance with best practice and any statutory requirements.

Responsibilities of Directors/Heads of Service

- 4.12 To consult and obtain the approval of the Head of Central Services before making any changes to accounting records and procedures.

- 4.13 To comply with the principles outlined above when allocating accounting duties.
- 4.14 To maintain adequate records to provide an audit trail leading from the source of income/expenditure through to the accounting statements.
- 4.15 To supply information required to enable the statement of accounts to be completed in accordance with guidelines issued by the Head of Central Services.

5. THE ANNUAL STATEMENT OF ACCOUNTS

Why is this important?

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

Key Controls

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

Responsibilities of the Head of Central Services

- 5.3 To select suitable accounting policies and to apply them consistently
- 5.4 To make judgements and estimates that are reasonable and prudent
- 5.5 To comply with the Code.
- 5.6 To sign and date the statement of accounts, stating that it presents fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 20xx.
- 5.7 To draw up the timetable for final accounts preparation and to advise staff and external audit accordingly.

Responsibilities of Directors/Heads of Service

- 5.8 To comply with accounting guidance provided by the Head of Central Services and to supply the Head of Central Services with information when required.

SECTION 2 - FINANCIAL PLANNING

1. PERFORMANCE PLANS

Why is this important?

- 1.1 Each local authority has a statutory responsibility to publish various performance plans, including best value performance plans, community strategies etc. The purpose of performance plans is to explain overall priorities and objectives, current performance, and proposals for further improvement.

Key Controls

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

Responsibilities of the Head of Central Services

- 1.3 To advise and supply the financial information that needs to be included in performance plans in accordance with statutory requirements and agreed timetables.

Responsibilities of the Head of Communications

- 1.4 To contribute to the development of corporate and service targets and objectives and performance information.
- 1.5 To ensure that systems are in place to measure activity and collect accurate information for use as performance indicators.
- 1.6 To ensure that performance information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met.

Responsibilities of Directors/Heads of Service

- 1.7 To contribute to the development of performance plans in line with statutory requirements.
- 1.8 To contribute to the development of corporate and service targets and objectives and performance information.
- 1.9 To ensure that accurate information is collected in accordance with approved systems for the purpose of measuring activity and performance.

2. BUDGETING

FORMAT OF THE BUDGET

Why is this important?

- 2.1 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 and supplementary estimates operate, the operation of cash limits and sets the level at which funds may be reallocated within budgets.

Key Controls

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

Responsibilities of the Head of Central Services

- 2.3 To advise the Policy, Finance and Administration Committee on the format of the budget that is approved by the Council.

Responsibilities of Directors/Heads of Service

- 2.4 To comply with the guidance provided by the Head of Central Services.

REVENUE BUDGET PREPARATION, MONITORING AND CONTROL

Why is this important?

- 2.5 Budget management ensures that once the budget has been approved by the Council, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the Council to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.

- 2.6 By continuously identifying and explaining variances against budgetary targets, the Council can identify changes in trends and resource requirements at the earliest opportunity. The Council itself operates within an annual cash limit, approved when setting the overall budget. To ensure that the Council in total does not overspend, each service is required to manage its own expenditure within the cash-limited budget allocated to it.
- 2.7 For the purposes of budgetary control by budget holders, 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 Policy, Finance and Administration Committee or by the Scheme of Delegation.

Key Controls

- 2.8 The key controls for managing and controlling the revenue budget are:
- (a) budget holders should be responsible only for income and expenditure that they can influence
 - (b) there is a nominated budget holder for each service 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 is properly recorded and accounted for
 - (f) performance levels/levels of service are monitor
 - (g) Compliance with the budget setting, monitoring and control protocol.

Responsibilities of the Head of Central Services

- 2.9 To establish an appropriate framework of budgetary management and control that ensures that:
- (a) budget management is exercised within annual cash limits unless the Council agrees otherwise
 - (b) each director and budget holder has available timely information on receipts and payments and commitments 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 financial procedure rules
 - (e) each service/cost centre has a named budget and deputy budget holder, 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 holders regularly
- 2.10 To administer the Council's schemes for approving virements, supplementary estimates and identifying surplus monies.
 - 2.11 To submit reports to the Policy, Finance and Administration Committee 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.
 - 2.12 To prepare and submit reports to the Policy, Finance and Administration Committee on the Council's projected income and expenditure compared with the budget on a regular basis.

Responsibilities of Directors/Heads of Service

- 2.13 To maintain budgetary control within their service areas, and to ensure that all income and expenditure is properly recorded and accounted for.
- 2.14 To ensure that an accountable budget and deputy budget holder is identified for each item of income and expenditure under the services they control. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.
- 2.15 To ensure that a monitoring process is in place to review performance levels/level of service in conjunction with the budget and is operating effectively.

Responsibilities of Budget Holders

- 2.16 To ensure that spending remains within a service's overall cash limit, and that individual budget heads are not overspent by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast.
- 2.17 To prepare and submit to the Policy, Finance and Administration Committee reports on the service's projected expenditure compared with its budget and its performance in consultation with the Head of Central Services.
- 2.18 To ensure prior approval by the Council or Policy, Finance and Administration Committee (as appropriate) for new proposals of whatever amount, that:
 - (a) create financial commitments in future years
 - (b) change existing policies, initiate new policies or cease existing policies
 - (c) materially extend or reduce the authority's services.
- 2.19 To ensure compliance with the schemes for approving virements, supplementary estimates or identifying surplus monies.
- 2.20 To agree with the relevant budget holder where it appears that a budget proposal, including a virement or supplementary estimate proposal, may

impact materially on another service area or budget holder's level of service activity.

BUDGETS AND MEDIUM-TERM FINANCIAL PLANNING

Why is this important?

- 2.21 The Council 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 Council's plans and policies.
- 2.22 The revenue budget must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of the Council. Budgets (spending plans) are needed so that the Council can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for an authority to budget for a deficit.
- 2.23 Medium-term financial planning (or a three-to-five-year planning system) involves looking forward over a given period to assess the impact of known or likely changes on the Council's financial position. As each year passes, another future year will be added to the medium-term plan. This ensures that the Council is always preparing for events in advance.

Key Controls

- 2.24 The key controls for budgets and medium-term planning are:
- (a) specific budget approval for all expenditure
 - (b) budget holders are consulted in the preparation of the budgets for which they will be held responsible and accept accountability within delegations set by the Council or Policy, Finance and Administration Committee 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.
 - (d) the medium-term financial plan is reviewed and updated on a regular basis.

Responsibilities of the Head of Central Services

- 2.25 To prepare and submit reports on budget prospects to the Policy, Finance and Administration Committee including resource constraints set by the Government. Reports should take account of medium-term prospects, where appropriate.
- 2.26 To determine the detailed form of revenue estimates and the methods for their preparation, consistent with the budget approved by the Council, and after consultation with the Policy, Finance and Administration Committee and Directors.

- 2.27 To prepare and submit reports to the Policy, Finance and Administration Committee on the aggregate spending plans and on the resources available to fund them, identifying, where appropriate, the implications for the level of Council Tax to be levied.
- 2.28 To advise on the medium-term financial implications of spending decisions.
- 2.29 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.

Responsibilities of Directors/Heads of Service

- 2.30 To prepare estimates of income and expenditure and budgets that are consistent with any relevant cash limits, with the Council's annual budget cycle, and with the medium-term financial plan guidelines issued by the Policy, Finance and Administration Committee for submission to the Policy, Finance and Administration Committee. The format will be prescribed by the Head of Central Services.
- 2.31 To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.
- 2.32 When drawing up draft budget requirements, to have regard to:
- (a) spending patterns and pressures revealed through the budget monitoring process
 - (b) legal requirements
 - (c) policy requirements as defined by the Council in the approved policy framework
 - (d) initiatives already under way

RESOURCE ALLOCATION

Why is this important?

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

Key Controls

- 2.34 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.
- (e) resources are allocated having regard to the relative priorities of the competing demands.

Responsibilities of the Head of Central Services

- 2.35 To advise on opportunities for funding from all sources, such as grants from central government or other external bodies, leasing and borrowing etc.
- 2.36 To assist in the allocation of resources to budget holders.
- 2.37 To administer schemes for assisting with the determination of the relative priorities of competing demands for service resources.

Responsibilities of Directors/Heads of Service

- 2.38 To work within budget limits and to utilise resources allocated in the most efficient, effective and economic way.
- 2.39 To identify opportunities to minimise or eliminate resource requirements or consumption without having a detrimental effect on service delivery.
- 2.40 To identify in consultation with the Head of Central Services, opportunities for funding from external sources.

CAPITAL PROGRAMMES

Why is this important?

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

Key Controls

- 2.43 The key controls for capital programmes are:
 - (a) specific approval by the Council for the programme of capital expenditure
 - (b) expenditure on capital schemes is within approved budgets.

- (c) every committee/director/manager will follow the procedure set out in the latest Project Management System as regards the inclusion of new schemes in the Programme, in seeking funding for its programme of capital works and in reporting variations and seeking approval to changes in the work of individual services.
- (d) The development and implementation of capital strategies and asset management plans
- (e) accountability for each proposal is accepted by a named manager
- (f) monitoring of progress in conjunction with expenditure and comparison with approved budget.

Responsibilities of the Head of Central Services

- 2.44 To prepare capital estimates jointly with directors and to report them to the Policy, Finance and Administration Committee for approval. The Policy, Finance and Administration will make recommendations on the capital estimates and on any associated financing requirements to the Council.
- 2.45 To prepare and submit reports to the Policy, Finance and Administration Committee on the projected income, expenditure and resources compared with the approved estimates.
- 2.46 To issue guidance concerning capital schemes and controls, for example, on project appraisal techniques or the operation of the Project Management System. The definition of 'capital' will be determined by the Head of Central Services, having regard to Government regulations and accounting requirements.
- 2.47 To obtain authorisation from the Policy, Finance and Administration Committee for individual schemes where the estimated expenditure exceeds the limits set out in the Project Management System.

Responsibilities of Directors/Heads of Service

- 2.48 To comply with guidance concerning capital schemes and controls issued by the Head of Central Services.
- 2.49 To ensure that all capital proposals comply with the Project Management System and any guidance issued by the Head of Central Services.
- 2.50 To ensure that adequate records are maintained for all capital contracts.
- 2.51 To proceed with projects only when there is adequate provision in the capital programme.
- 2.52 To prepare and submit reports, jointly with the Head of Central Services, to the Policy, Finance and Administration Committee, of any variation in individual scheme costs greater than the approved limits.
- 2.53 To ensure that credit arrangements, such as leasing arrangements, are not entered into without the prior approval of the Head of Central Services and, if applicable, approval of the scheme through the capital programme.

- 2.54 To consult with the Head of Central Services and to seek Policy, Finance and Administration Committee's approval where the director/head of service proposes to bid for supported capital expenditure (Revenue) to be issued by Government departments to support expenditure that has not been included in the current year's capital programme.
- 2.55 To ensure that the reporting and monitoring arrangements set out in the Project Management System are complied with regarding progress and completion of individual schemes.

3. MAINTENANCE OF RESERVES

Why is this important?

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

Key Controls

- 3.2 The key controls for reserves are:
- (a) To maintain reserves in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom* (CIPFA/LASAAC) and agreed accounting policies.
 - (b) For each reserve established, the purpose, usage and basis of transactions should be clearly identified.
 - (c) Authorisation and expenditure from reserves by the Policy, Finance and Administration Committee following a report by the appropriate head of service after consultation with the Head of Central Services.

Responsibilities of the Head of Central Services

- 3.3 To advise the Policy, Finance and Administration Committee and/or the Council on prudent levels of reserves for the Council, and to take account of agreed accounting policies and the advice of the external auditor in this matter.

Responsibilities of Directors/Heads of Service

- 3.4 To ensure that resources are used only for the purpose for which they were intended.

SECTION 3 - FINANCIAL SYSTEMS AND PROCEDURES

1. GENERAL

Why is this important?

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

Key Controls

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

Responsibilities of the Head of Central Services

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

Responsibilities of Directors/Heads of Service

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

- 1.6 To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Head of Central Services.
- 1.7 To ensure that a complete audit trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained.
- 1.8 To incorporate appropriate controls to ensure that, where relevant:
 - (a) all input is genuine, complete, accurate, timely and not previously processed
 - (b) all processing is carried out in an accurate, complete and timely manner
 - (c) output from the system is complete, accurate and timely.
- 1.9 To ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice.
- 1.10 To ensure there is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption.
- 1.11 To ensure that systems are documented and staff trained in operations.
- 1.12 To consult with the Head of Central Services before changing any existing system or introducing new systems.
- 1.13 To identify 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.
- 1.14 To supply lists of authorised officers, with specimen signatures and delegated limits, to the Head of Central Services together with any subsequent variations.
- 1.15 To ensure that effective contingency arrangements, including back-up procedures, exist for computer systems. Wherever possible, back-up information should be securely retained in a fireproof location, preferably off site or at an alternative location within the building.
- 1.16 To ensure that, where appropriate, computer systems are registered in accordance with data protection legislation and that staff are aware of their responsibilities under the legislation.
- 1.17 To ensure that relevant standards and guidelines for computer systems are observed.
- 1.18 To ensure that computer equipment and software are protected from loss and damage through theft, vandalism etc.

- 1.19 To comply with the copyright, designs and patents legislation and, in particular, to ensure that:
- (a) only software legally acquired and installed by the Council is used on its computers
 - (b) staff are aware of legislative provisions
 - (c) in developing systems, due regard is given to the issue of intellectual property rights.

2. INCOME AND EXPENDITURE

INCOME

Why is this important?

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

Key Controls

- 2.2 The key controls for income are:
- (a) all income due to the Council is identified and charged correctly, in accordance with an approved charging policy, which is regularly reviewed
 - (b) all income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery
 - (c) all money received by an employee on behalf of the Council is paid without delay to the Head of Central Services or, as he or she directs, to the Council's Bank or National Giro account, and properly recorded. The responsibility for cash collection should be separated from that:
 - for identifying the amount due
 - for reconciling the amount due to the amount received
 - (d) effective action is taken to pursue non-payment within defined timescales
 - (e) formal approval for debt write-off is obtained
 - (f) appropriate write-off action is taken within defined timescales
 - (g) appropriate accounting adjustments are made following write-off action
 - (h) all appropriate income documents are retained and stored for the defined period in accordance with the document retention schedule

- (i) money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process
- (j) to maintain records/identification procedures if there is a suspicion of money laundering or a payment of more than 15,000 Euros in one or more linked transactions.

Responsibilities of the Head of Central Services

- 2.3 To agree arrangements for the collection of all income due to the Council and to approve the procedures, systems and documentation for its collection.
- 2.4 To agree the system for the supply to departments of all receipt forms, books or tickets and similar items and to satisfy himself or herself regarding the arrangements for their control.
- 2.5 To write-off bad debts up to an approved limit in each case and to refer larger sums to the Policy, Finance and Administration Committee 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 Regulations 2003.
- 2.6 To ensure that appropriate accounting adjustments are made following write-off action.

Responsibilities of Directors/Heads of Service

- 2.7 To establish a charging policy for the supply of goods or services, including the appropriate charging of VAT, and to review it regularly, in line with corporate policies.
- 2.8 To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable.
- 2.9 To collect amounts due in advance of providing services wherever possible. Where this is not possible to ensure credit checks are run for all commercial debtors in excess of £1,000. Debtor invoices will not be raised for amounts below £10, unless there is a legal requirement to recover e.g. ground rents, as below this amount it is not cost-effective to collect.
- 2.10 To issue official receipts or to maintain other documentation for income collection.
- 2.11 To ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded.
- 2.12 To hold securely receipts, tickets and other records of income for the appropriate period.
- 2.13 To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling.
- 2.14 To ensure that income is paid fully and promptly into the appropriate Council bank account in the form in which it is received. Appropriate details should be

recorded on to paying-in slips to provide an audit trail. Money collected and deposited must be reconciled to the bank account on a regular basis.

- 2.15 To ensure income is not used to cash personal cheques or other payments.
- 2.16 To supply the Head of Central Services with details relating to work done, goods supplied, services rendered or other amounts due, to enable the Head of Central Services to record correctly the sums due to the Council and to ensure accounts are sent out promptly. Heads of Service have a responsibility to assist the Head of Central Services and Head of Communities in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf.
- 2.17 To ensure a record of every transfer of money between employees of the Council is kept. The receiving officer must sign for the transfer and the transferor must retain a copy.
- 2.18 To write-off debts up to an approved limit in each case and to refer larger sums to the Head of Central Services and to keep a record of all sums written-off. Once raised, no bona fide debt may be cancelled, except by full payment or by its formal writing-off. A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt.
- 2.19 To notify the Head of Central Services of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Head of Central Services and not later than 30 April.

ORDERING AND PAYING FOR WORK, GOODS AND SERVICES

Why is this important?

- 2.20 Public money should be spent with demonstrable probity and in accordance with the Council's policies. The Council has a statutory duty to achieve Best Value in part through economy and efficiency. The Council's procedures should help to ensure that services obtain value for money from their purchasing arrangements. These procedures should be read in conjunction with the Council's Contract Procedure Rules.

General

- 2.21 Every officer and member of the Council has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the Council, in accordance with appropriate codes of conduct.
- 2.22 Official orders must be in a form approved by the Head of Central Services. 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 Head of Central Services.

- 2.23 Apart from petty cash and other payments from imprest accounts, the normal method of payment from the Council shall be by cheque or BACS or other instrument or approved method, drawn on the Council's bank account by the Head of Central Services. The use of direct debit shall require the prior agreement of the Head of Central Services.
- 2.24 Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of Council contracts.

Key Controls

- 2.25 The key controls for ordering and paying for work, goods and services are:
- (a) all goods and services are ordered only by appropriate persons and are correctly recorded
 - (b) all goods and services shall be ordered in accordance with any guidelines or procedures established for the purpose and the Contract Procedure Rules where these are applicable
 - (c) goods and services received are checked to ensure they are in accordance with the order. Goods should not be received by the person who placed the order
 - (d) payments are not made unless goods have been received by the Council to the correct price, quantity and quality standards
 - (e) all payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method
 - (f) all appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the good practice and any statutory requirements
 - (g) all expenditure, including VAT, is accurately recorded against the right budget and any exceptions are corrected as soon as possible
 - (h) in addition, the effect of e-business/e-commerce and electronic purchasing requires that processes are in place to maintain the security and integrity of data for transacting business electronically.
 - (i) contract payments are recorded in the Contracts Register

Responsibilities of the Head of Central Services

- 2.26 To ensure that all the Council's financial systems and procedures are sound and properly administered.
- 2.27 To approve any changes to existing financial systems and to approve any new systems before they are introduced.
- 2.28 To approve the form of official orders and associated terms and conditions in consultation with the Solicitor to the Council.

- 2.29 To make payments from the Council's funds on the Directors' authorisation, or on the authorisation of a person appointed by the Director to act on his/her behalf, that the expenditure has been duly incurred in accordance with financial procedure rules.
- 2.30 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.
- 2.31 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.
- 2.32 To provide advice and encouragement on making payments by the most economical means.
- 2.33 To ensure that a budgetary control system is established that enables commitments incurred by placing orders to be shown against the appropriate budget allocation so that they can be taken into account in budget monitoring reports.

Responsibilities of Directors/Heads of Service

- 2.34 To ensure that unique pre-numbered official orders are used for all goods and services, other than the exceptions specified in paragraph 2.22.
- 2.35 To ensure that orders are only used for goods and services for the provision of Council's services. Individuals must not use official orders to obtain goods or services for their private use.
- 2.36 To ensure that only those staff authorised sign requisitions and to maintain an up-to-date list of such authorised staff, including specimen signatures identifying in each case the limits of their authority. The authoriser of the requisition 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 or tenders have been obtained if necessary. Best Value principles should underpin the Council's approach to procurement. Value for money should always be achieved.
- 2.37 To ensure that goods and services are checked on receipt to verify that they are in accordance with the order. This check should, where possible, be carried out by a different officer from the person who authorised the order. Appropriate entries should then be made in inventories or stores records.
- 2.38 Payment shall only be made on receipt of bona fide invoices, a goods received note duly certified, or on requisitions for payment in appropriate cases prepared and certified by Directors or such other officers as delegated by them.
- 2.39 All payments related to contracts are recorded as appropriate in the Contracts Register in line with procedures issued by the Head of Central Services
- 2.40 The certification of an amount on an invoice by or on behalf of the Director of a department shall mean:

- (a) that the materials have been supplied, the work performed or the services rendered and that they are satisfactory as to quality and correct as to quantity;
 - (b) that the price is in accordance with the quotation, contract, agreement or current market value, whichever is applicable;
 - (c) that the account is allocated to the correct expenditure heading and is within the amount provided for that purpose;
 - (d) that the expenditure has been properly incurred and that where necessary committee approval has been obtained;
 - (e) that the price, extensions, calculations, trade discounts, other allowances, credits and tax are correct;
 - (f) that the account has not been previously passed for payment and is a proper liability of the Council.
- 2.41 The certification of a goods received note by or on behalf of the director shall mean:
- (a) that the materials have been supplied, the work performed or the services rendered and that they are satisfactory as to quality and correct as to quantity;
 - (b) that the expenditure has been properly incurred and that where necessary committee approval has been obtained.
- 2.42 Duly certified accounts and goods received notes shall be passed without delay to the Head of Central Services who shall examine them to the extent that he/she considers necessary, for which purpose he/she shall be entitled to make such enquiries and to receive such information and explanations as he/she may require.
- 2.43 Any amendment to an invoice shall be made in ink and initialled by the officer making it, stating briefly the reason where it is not self evident.
- 2.44 To ensure that at least two authorised members of staff are involved in the ordering, receiving and payment process. If possible, a different officer from the person who signed the order, and in every case, a different officer from the person checking a written invoice, should authorise the invoice.
- 2.45 To ensure that the department maintains and reviews periodically a list of staff approved to authorise invoices. Names of authorising officers together with specimen signatures and details of the limits of their authority shall be forwarded to the Head of Central Services.
- 2.46 To ensure that payments are not made on a photocopied or faxed invoice, statement or other document other than the formal invoice. Any instances of these being rendered should be reported to Internal Audit.

- 2.47 To encourage suppliers of goods and services to receive payment by the most economical means for the Council. It is essential, however, that payments made by direct debit have the prior approval of the Head of Central Services.
- 2.48 To ensure that the department obtains Best Value from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality, which are in line with Best Value principles and the Contract Procedure Rules as applicable.
- 2.49 Where appropriate, to put purchases out to competitive quotation or tender. These will comply with the Contract Procedure Rules.
- 2.50 To ensure that employees are aware of the National Code of Conduct for local government employees.
- 2.51 To ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the Head of Central Services. This is to protect the Council against entering into unapproved credit arrangements and to ensure that value for money is being obtained.
- 2.52 To notify the Head of Central Services of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Head of Central Services and, in any case, not later than 30 April.
- 2.53 With regard to contracts for construction and alterations to buildings and for civil engineering works, to document and agree with the Head of Central Services the systems and procedures to be adopted in relation to financial aspects, including certification on interim and final payments, checking, recording and authorising payments, the system for monitoring and controlling capital schemes and the procedures for validation of sub-contractors' tax status.
- 2.54 To notify the Head of Central Services immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.
- 2.55 To ensure that all appropriate payment records are retained and stored for the defined period, in accordance with good practice and any statutory requirements.

USE OF CREDIT AND PROCUREMENT CARDS

2.56 General

All staff proposing to use a credit or procurement card must obtain approval from the Head of Central Services (HCS) to be an authorised user.

The following will apply to all cards issued:

- (a) The account will be in the name of Melton Borough Council with the authorised member of staff as the named user.

- (b) All authorised staff must complete and sign a card agreement to confirm that they accept the terms and conditions of the use, prior to using the card.
- (c) All cards must have an agreed spending limit and a set expiry date not exceeding two years.
- (d) Records and receipts must be retained to support all transactions.
- (e) Statements must be requested on a monthly basis, reconciled to a record of purchases made and submitted to Financial Services within 14 days of receipt.

2.57 **Responsibility of the Head of Central Services**

The HCS will act as the Credit/Procurement Card Controller.

Liaise with the relevant officer to determine an upper spending limit for the card.

The HCS should be notified and maintain a log of the following details of all cards:

- (a) Card number
- (b) Authorised user
- (c) Valid/expiry dates of the card
- (d) Card limits
- (e) Copy of signed agreement.

Verify accuracy and completeness of reconciliation of monthly statements to receipts as submitted by the authorised officer.

Request investigation into any significant issues that has a financial implication for the Council.

Establish a system for reviewing limits on cards, up or down or cancelling a card where the limit has been exceeded on more than one occasion. All changes to card limits etc. must be authorised.

Request/implement a spending freeze on all lost or stolen cards.

2.58 **Responsibility of the Authorised User**

Maintain a record of all card purchases.

Reconcile the monthly statement to the purchase record.

Attach copies of the statement and reconciliation to the purchase record and forward for certification to the Head of Service.

Ensure safe custody of the card at all times.

Ensure via close monitoring that spending does not exceed the card's agreed limit.

Sign a card agreement accepting to adhere to the Council's terms and conditions of use.

Notify HCS in writing immediately the card is lost or stolen.

2.59 Accounting Procedure for Card Statements

Individual cardholder statements will be sent to Financial Services on a monthly basis.

On receipt, statements will be despatched to cardholders, for assessment, coding and authorisation.

On receipt, Service Departments should verify and authorise all entries against invoices, receipts and supplier statements.

All invoices, receipts and supplier statements must show any VAT payable separately. If in doubt, always ask for a VAT receipt/invoice/statement.

A payment slip(s) should be completed, detailing the appropriate general ledger codes to be used for processing.

All relevant paperwork to accompany Card statements should be forwarded to Financial Services within 14 days of receipt, for posting to the Financial Management System.

PAYMENTS TO EMPLOYEES AND MEMBERS

Why is this important?

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

Key Controls

- 2.61 The key controls for payments to employees and Members are:
- (a) proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to:
- starters
 - leavers
 - variations
 - enhancements
- and that payments are made in accordance with contracts of employment and where applicable on the basis of timesheets or claims

- (b) frequent reconciliation of payroll expenditure against approved budget and bank account
- (c) all appropriate payroll documents are retained and stored for the defined period in accordance with good practice and any statutory requirements
- (d) that Inland Revenue regulations are complied with.

Responsibilities of the Head of Central Services

- 2.62 To arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees, in accordance with procedure prescribed by him or her, on the due date.
- 2.63 To record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions.
- 2.64 To make arrangements for payment of all travel and subsistence claims or financial loss allowance. To approve the payment of urgent/emergency out of pocket expenses to staff where deemed appropriate. Where evidence is not provided by the service area within 1 week of the employee's return to work to consider if this should be recovered through the payroll system until such evidence is provided.
- 2.65 To make arrangements for paying Members' travel and other allowances upon receiving the prescribed form duly completed and authorised.
- 2.66 To provide advice and encouragement to secure payment of salaries and wages by the most economical means.
- 2.67 To ensure that there are adequate arrangements for administering superannuation matters on a day-to-day basis.

Responsibilities of Directors/Heads of Service

- 2.68 To ensure appointments are made in accordance with the regulations of the Council and approved establishments, grades and scale of pay and that adequate budget provision is available.
- 2.69 To notify the Head of Central Services of all appointments, terminations or variations which may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Head of Central Services.
- 2.70 To ensure that adequate and effective systems and procedures are operated, so that:
 - (a) payments are only authorised to bona fide employees
 - (b) payments are only made where there is a valid entitlement
 - (c) conditions and contracts of employment are correctly applied
 - (d) employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.

- 2.71 To maintain and provide the Head of Central Services with an up-to-date list of the names of officers (together with specimen signatures) authorised to sign timesheets and other personnel documents.
- 2.72 To ensure that payroll transactions are processed only through the payroll system. Careful consideration should be given to the employment status of individuals employed on a self-employed consultant or subcontract basis. The Inland Revenue applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Head of Central Services.
- 2.73 To certify travel and subsistence claims and other allowances. Certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred, and that allowances are properly payable by the Council, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and that the Head of Central Services should be consulted where appropriate.
- 2.74 To ensure any urgent/emergency payments approved by the Head of Central Services are evidenced and certified within 1 week of an employees return to work.
- 2.75 To ensure that the Head of Central Services is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.
- 2.76 To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the best practice and any statutory requirements.

Responsibilities of Members

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

3. TAXATION

Why is this important?

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

Key Controls

- 3.2 The key controls for taxation are:
- (a) budget holders are provided with relevant information and kept up-to-date on tax issues
 - (b) budget holders 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 Head of Central Services

- 3.3 To complete all Inland Revenue returns including PAYE.
- 3.4 To complete a monthly return of VAT inputs and outputs to HM Customs and Excise.
- 3.5 To provide details to the Inland Revenue regarding the construction industry tax deduction scheme.
- 3.6 To maintain up-to-date guidance for Council employees on taxation issues in the budget and VAT manuals.

Responsibilities of Directors/Heads of Service

- 3.7 To ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Customs and Excise regulations.
- 3.8 To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.
- 3.9 To ensure that all persons employed by the Council are added to the Council's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised employment agency.
- 3.10 The Chief Executive, Directors and Heads of Service should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. The Inland Revenue applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Head of Central Services
- 3.11 To follow the guidance on taxation issued by the Head of Central Services in the Council's budget and VAT manuals.

4. TRADING ACCOUNTS AND BUSINESS UNITS

Why is this important?

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

Responsibilities of the Head of Central Services

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

Responsibilities of Directors/Managers

- 4.3 To consult with the Head of Central Services where a business unit wishes to enter into a contract with a third party where the contract expiry date exceeds the remaining life of their main contract with the Council. In general, such contracts should not be entered into unless they can be terminated within the main contract period without penalty.
- 4.4 To observe all statutory requirements in relation to business units, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs, is charged, and to produce an annual report in support of the final accounts.
- 4.5 To ensure that the same accounting principles are applied in relation to trading accounts or business units as for other services.
- 4.6 To ensure that each business unit prepares an annual business plan.

SECTION 4 – RISK MANAGEMENT AND CONTROL OF RESOURCES

1. RISK MANAGEMENT

Why is this important?

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

Key Controls

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

Responsibilities of the Head of Central Services

- 1.3 To prepare and promote the Council's Risk Management Policy Statement.
- 1.4 To develop risk management controls in conjunction with other Heads of Service.

- 1.5 To include all appropriate employees of the Council in a suitable fidelity guarantee insurance policy.
- 1.6 To effect appropriate insurance cover, through external insurance and internal funding, and to negotiate all claims in consultation with other officers, where necessary.

Responsibilities of Directors/Heads of Service

- 1.7 To notify the Head of Central Services immediately of any loss, liability or damage that may lead to a claim against the Council, together with any information or explanation required by the Head of Central Services or the Council's insurers.
- 1.8 To take responsibility for risk management, in line with the Risk Management Strategy Policy, having regard to advice from the Head of Central Services and other specialist officers (e.g. crime prevention, fire prevention, health and safety).
- 1.9 To ensure that there are regular reviews of risk within their departments.
- 1.10 To notify the Head of Central Services promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.
- 1.11 To consult the Head of Central Services and the Solicitor to the Council on the terms of any indemnity that the Council is requested to give.
- 1.12 To ensure that employees, or anyone covered by the Council's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

2. INTERNAL CONTROLS

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

- (d) risk management
- (e) protection of asset.

Key Controls

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

- (a) key controls should be reviewed on a regular basis and the Council should be satisfied that the systems of internal control are operating effectively
- (b) managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities
- (c) financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems
- (d) an effective internal audit function that is properly resourced. It should operate in accordance with the principles contained in the Auditing Practices Board's auditing guideline *Guidance for Internal Auditors*, as interpreted by CIPFA's *Code of Practice for Internal Audit in Local Government in the United Kingdom* and with any other statutory obligations and regulations.

Responsibilities of the Head of Central Services

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

Responsibilities of Directors/Heads of Service

- 2.7 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.
- 2.8 To review existing controls in the light of changes affecting the Council and to establish and implement new ones in line with guidance from the Head of Central Services. Directors should also be responsible for removing controls that are unnecessary or not cost or risk effective – for example, because of duplication.
- 2.9 To ensure staff have a clear understanding of the consequences of lack of control.

3. AUDIT REQUIREMENTS

INTERNAL AUDIT

Why is this important?

- 3.1 The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit Regulations 1996 (SI 1996/590), regulation 5, more specifically require that a “relevant body shall maintain an adequate and effective system of internal audit of their accounting records and control systems”.
- 3.2 Accordingly, internal audit is an independent and objective appraisal function established by the Council for reviewing the system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

Key Controls

- 3.3 The key controls for internal audit are:
- (a) that it is independent in its planning and operation
 - (b) the Head of Internal Audit has direct access to the Head of Paid Service, all levels of management and directly to Elected Members
 - (c) the internal auditors comply with the Auditing Practices Board’s guideline *Guidance for Internal Auditors*, as interpreted by CIPFA’s *Code of Practice for Internal Audit in Local Government in the United Kingdom*.

Responsibilities of the Head of Central Services in liaison with Internal Audit.

- 3.4 The provision of an effective and efficient internal audit function.
- 3.5 To ensure that internal auditors have the authority to:
- (a) access Council premises at reasonable times
 - (b) access all assets, records, documents, correspondence and control systems
 - (c) receive any information and explanation considered necessary concerning any matter under consideration
 - (d) require any employee of the Council to account for cash, stores or any other authority asset under his or her control
 - (e) access records belonging to third parties, such as contractors, when required
 - (f) directly access the Head of Paid Service, the Policy, Finance and Administration Committee and the Governance Committee.

- 3.6 To approve, following consultation with the Management Team, the strategic and annual audit plans prepared by the Internal Audit, which take account of the characteristics and relative risks of the activities involved.
- 3.7 To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

Responsibilities of Directors/Heads of Service

- 3.8 To notify the Head of Central Services immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Council's property or resources. Pending investigation and reporting, the director/head of service should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- 3.9 To ensure that new systems, are discussed with and agreed by Internal Audit prior to implementation.

EXTERNAL AUDIT

Why is this important?

- 3.10 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.
- 3.11 The basic duties of the External Auditor are defined in the Audit Commission Act 1998 and the Local Government Act 1999. In particular, section 4 of the 1998 Act requires the Audit Commission to prepare a code of audit practice, which external auditors follow when carrying out their duties. The Code of Audit Practice issued in March 2000 sets out the Auditor's objectives to review and report upon:
 - (a) the financial aspects of the audited body's corporate governance arrangements
 - (b) the audited body's financial statements
 - (c) aspects of the audited body's arrangements to manage its performance, including the preparation and publication of specified information and compliance in respect of the preparation and publication of the Best Value Performance Plan.
- 3.12 The Council's accounts are scrutinised by external auditors, who must be satisfied that the statement of accounts 'presents fairly' the financial position of the Council and its income and expenditure for the year in question and complies with the legal requirements.

Key Controls

- 3.13 The key control for external audit is:

- (a) 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 Head of Central Services

- 3.14 To ensure that External Auditors are given access at all reasonable times to premises, personnel, documents and assets that the External Auditors consider necessary for the purposes of their work.
- 3.15 In conjunction with Internal Audit to ensure there is effective liaison between External and Internal Audit.
- 3.16 To work with the External Auditor and advise the Council, Policy, Finance and Administration Committee, Directors and Heads of Service on their responsibilities in relation to external audit.

Responsibilities of Directors/Heads of Service

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

4. PREVENTING FRAUD AND CORRUPTION

Why is it this important?

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

Key Controls

- 4.4 The key controls regarding the prevention of financial irregularities are that:
 - (a) the Council has an effective anti-fraud and corruption policy and maintains a culture that will not tolerate fraud or corruption
 - (b) all Members and staff act with integrity and lead by example

- (c) senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the Council or who are corrupt
- (d) high standards of conduct are promoted amongst members by the Standards Committee/Governance Committee and Ethical Governance Panel
- (e) the maintenance of a register of interests in which any hospitality or gifts accepted must be recorded
- (f) whistle blowing procedures are in place and operate effectively
- (g) legislation including the Public Interest Disclosure Act 1998 is adhered to.

Responsibilities of the Head of Central Services in conjunction with Internal Audit.

- 4.5 To develop and maintain an anti-fraud and corruption policy.
- 4.6 To maintain adequate and effective internal control arrangements.
- 4.7 To ensure that all suspected irregularities are reported in accordance with the procedures set out in the Anti-Fraud and Corruption Response Plan.

Responsibilities of Directors/Heads of Service

- 4.8 To ensure that all suspected irregularities are reported to the Internal Audit and Performance Officer.
- 4.9 To instigate the Council's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.
- 4.10 To ensure that where financial impropriety is discovered, the Head of Central Services is informed without delay.

5. ASSETS

SECURITY

Why is this important?

- 5.1 The Council 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

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

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

Responsibilities of the Head of Central Services

- 5.3 To ensure that an asset register is maintained in accordance with good practice for all fixed assets. The function of the asset register is to provide the Council with information about fixed assets so that they are:
- safeguarded
 - used efficiently and effectively
 - adequately maintained
- 5.4 To receive the information required for accounting, costing and financial records from each director.
- 5.5 To ensure that assets are valued in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom* (CIPFA/LASAAC).

Responsibilities of Directors/Heads of Service

- 5.6 A property database (asset register) should be maintained in a form approved by the Head of Central Services for all properties, plant and machinery and moveable assets currently owned or used by the Council. Any use of property by a department or establishment other than for direct service delivery should be supported by documentation identifying terms, responsibilities and duration of use.
- 5.7 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 director in consultation with the Solicitor to the Council has been established as appropriate.

- 5.8 To ensure the proper security of all buildings and other assets under their control.
- 5.9 Where land or buildings are surplus to requirements, a recommendation for sale should be the subject of a report by the director to the Policy, Finance and Administration Committee after consultation with the Head of Central Services and the Solicitor to the Council.
- 5.10 To pass Title Deeds to the Solicitor of the Council who is responsible for custody of all Title Deeds.
- 5.11 To ensure that no Council asset is subject to personal use by an employee without proper authority.
- 5.12 To ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the Council.
- 5.13 To ensure that the department maintains an inventory of moveable assets in accordance with arrangements defined by the Head of Central Services.
- 5.14 To ensure that assets are identified, their location recorded and that they are appropriately marked and insured.
- 5.15 To consult the Head of Central Services in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- 5.16 To ensure cash holdings on premises are kept to a minimum.
- 5.17 To ensure that keys to safes and similar receptacles are securely held by those responsible at all times; loss of any such keys must be reported to the Head of Central Services as soon as possible.
- 5.18 To record all disposal or part exchange of assets that should normally be by competitive tender or public auction, unless, following consultation with the Head of Central Services, the Policy, Finance and Administration Committee agrees otherwise.
- 5.19 To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Head of Central Services.
- 5.20 To ensure that all employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the Council in some way.

INVENTORIES

Why is it important?

- 5.21 To safeguard the Council's assets and ensure that proper records are kept of all of the Council's assets. Assets included in the inventory are generally those of a relatively low value, are moveable and have not been included in the Asset Register.

Key Controls

- 5.22 The key controls for the maintenance of inventories are:
- (a) inventories are maintained in the prescribed format
 - (b) acquisitions and disposals are recorded at the time the event occurs
 - (c) a physical check against the inventory is made at least once in any twelve month period.

Responsibilities of the Head of Central Services

- 5.23 To prescribe the format and method for maintaining inventories.
- 5.24 To ensure inventories are maintained and are up to date.
- 5.25 To ensure items are included on the Council's insurance policies where appropriate.

Responsibilities of Directors/Heads of Service

- 5.26 To maintain inventories and record an adequate description of furniture, fittings, equipment, plant and machinery above £100 in value for any single item in the manner prescribed by the Head of Central Services.
- 5.27 To carry out an annual check of all items on the inventory in order to verify location, review condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the Council.
- 5.28 To make sure that property is only used in the course of the Council's business, unless the director concerned has given permission otherwise.

STOCKS AND STORES

Why is this important?

- 5.29 To ensure stock and stores which are held by the Council are only used for the purpose of providing Council services, that they are safeguarded from theft or misappropriate and are maintained at reasonable levels.

Key Controls

- 5.30 The key controls for stocks and stores are:
- (a) stock records are maintained in prescribed format
 - (b) stock levels are set at appropriate levels

- (c) a regular independent physical check is carried out
- (d) adequate physical security is provided for stock and stores whilst awaiting use
- (e) processes are in place to deal with discrepancies and the disposal of surplus of obsolete stock.

Responsibilities of Head of Central Services

- 5.31 To provide the format and method for maintaining records of stocks and stores.
- 5.32 To review from time to time the adequacy and frequency of stock checks.
- 5.33 To maintain appropriate accounting records and to obtain at the year end a certificate from the responsible officer of the value of stock held.

Responsibilities of Directors/Heads of Service

- 5.34 To make arrangements for the care and custody of stocks and stores in the department.
- 5.35 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.
- 5.36 To investigate and remove from the Council's records (i.e. write-off) discrepancies and redundant stocks and equipment as necessary, or to obtain approval if they are in excess of £100.
- 5.37 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 Head of Central Services, the Management Team decides otherwise in a particular case.

INTELLECTUAL PROPERTY

Why is this important?

- 5.39 Intellectual property is a generic term that includes inventions and writing. If these are created by the employee during the course of employment, then, as a general rule, they belong to the employer, not the employee. Various acts of Parliament cover different types of intellectual property.
- 5.40 Certain activities undertaken within the Council may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property.

Key Controls

- 5.41 The key control for intellectual property is:

- (a) in the event that the Council decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with the Council's approved intellectual property procedures.

Responsibilities of the Head of Central Services

- 5.42 To develop and disseminate good practice through the Council's intellectual property procedures.

Responsibilities of Directors/Managers

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

ASSET DISPOSAL

Why is this important?

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

Key Controls

- 5.45 The key controls for asset disposal are:
 - (a) assets for disposal are identified and are disposed of at the most appropriate time, and only when it is in the best interests of the Council, and best price is obtained, bearing in mind other factors, such as environmental issues. For items of significant value, disposal should be by competitive tender or public auction. Any disposals of land should be in line with the Land Acquisition & Disposal Policy.
 - (b) procedures protect staff involved in the disposal from accusations of personal gain.

Responsibilities of the Head of Central Services

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

Responsibilities of Directors/Heads of Service

- 5.48 To seek advice on the disposal of surplus or obsolete materials, stores or equipment as necessary.
- 5.49 To dispose of surplus assets in accordance with any guidelines on best practice issued by the Head of Central Services.

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

5.51 To ensure that the Asset Register or inventory is updated following a disposal.

6. TREASURY MANAGEMENT

Why is this important?

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

Key Controls

6.2 The key controls for treasury management are:

- (a) that the authority's borrowings and investments comply with the CIPFA *Code of Practice on Treasury Management*, with the Council's Treasury Policy Statement and Treasury Management Practices.
- (b) to report on treasury management activities to the Policy, Finance and Administration Committee on a regular basis
- (c) the Treasury Management Strategy and policies are scrutinised by the Budget and Strategic Planning Working Group on a regular basis.
- (d) to operate bank accounts as are considered necessary.

Responsibilities of Directors/Heads of Service – Treasury Management and Banking

6.3 To follow the instructions on banking issued by the Head of Central Services.

Responsibilities of the Head of Central Services – Investments and Borrowing

6.4 To ensure that all investments of money are made in the name of the Council or in the name of nominees approved by the Policy, Finance and Administration Committee.

6.5 To ensure that all securities that are the property of the Council or its nominees and the Title Deeds of all property in the Council's ownership are held in the custody of the Solicitor to the Council.

6.6 To effect all borrowing in the name of the Council.

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

Responsibilities of Directors/Heads of Service – Investments and Borrowing

- 6.8 To ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the Policy, Finance and Administration Committee following consultation with the Head of Central Services.

Responsibilities of Directors/Heads of Service – Trust Funds and Funds held for Third Parties

- 6.9 To arrange for all trust funds to be held, wherever possible, in the name of the Council. All officers acting as trustees by virtue of their official position shall deposit securities, etc relating to the trust with the Solicitor to the Council unless the deed otherwise provides.
- 6.10 To arrange, where funds are held on behalf of third parties, for their secure administration, such arrangements to be approved by the Head of Central Services and to maintain written records of all transactions.
- 6.11 To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.

Responsibilities of the Head of Central Services – Imprest Accounts

- 6.12 To provide employees of the Council with cash, bank imprest or credit card accounts to meet minor expenditure on behalf of the Council and to prescribe rules for operating these accounts. Minor items of expenditure should not exceed the prescribed amount.
- 6.13 To determine the imprest account limits and to ensure records of all transactions on imprest accounts are maintained and periodically to review the arrangements for the safe custody and control of these imprest accounts.
- 6.14 To reimburse imprest holders as often as is necessary to restore the imprests, but normally not more than monthly.

Responsibilities of Directors/Heads of Service – Imprest Accounts

- 6.15 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 Head of Central Services cash and all vouchers to the total value of the imprest account
 - (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 Head of Central Services with a certificate of the value of the account held at 31 March each year
- (g) ensure that the imprest 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 imprest and change relating to purchases where an advance has been made
- (h) on leaving the Council's employment or otherwise ceasing to be entitled to hold an imprest advance, an employee shall account to the Head of Central Services for the amount advanced to him or her.

7. STAFFING

Why is this important?

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

Key Controls

- 7.2 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 Council
- (d) checks are undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced and trustworthy
- (e) the appropriate procedures are in place to identify the training needs of staff appropriate training programmes/courses etc.

Responsibilities of the Head of Central Services

- 7.3 To ensure that budget provision exists for all existing and new employees.
- 7.4 To act as an advisor to directors on areas such as National Insurance and pension contributions, as appropriate.

Responsibilities of Directors/Heads of Service

- 7.5 To produce an annual staffing budget.
- 7.6 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).

- 7.7 To monitor staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff.
- 7.8 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.
- 7.9 To ensure that the Assistant Chief Executive and the Head of Financial Services are immediately informed if the staffing budget is likely to be materially over or underspent.

SECTION 5 – EXTERNAL ARRANGEMENTS

1. PARTNERSHIPS

Why is this important?

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

General

- 1.3 The main reasons for entering into a partnership are:
- (a) the desire to find new ways to share risk
 - (b) the ability to access new resources
 - (c) to provide new and better ways of delivering services
 - (d) to forge new relationships.
- 1.4 A partner is defined as either:
- (a) an organisation (private or public) undertaking, part funding or participating as a beneficiary in a project, or
 - (b) a body whose nature or status give it a right or obligation to support the project.
- 1.5 Partners participate in projects by:
- (a) acting as a project deliverer or sponsor, solely or in concert with others
 - (b) acting as a project funder or part funder
 - (c) being the beneficiary group of the activity undertaken in a project.
- 1.6 Partners have common responsibilities:
- (a) to be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation
 - (b) to act in good faith at all times and in the best interests of the partnership's aims and objectives
 - (c) be open about any conflict of interests that might arise

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

Key Controls

1.7 The key controls for external partners are:

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

Responsibilities of the Head of Central Services

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

1.9 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.

1.10 To ensure that the accounting arrangements are satisfactory.

Responsibilities of Directors/Managers

1.11 To maintain a register of all contracts entered into with external bodies in accordance with procedures specified by the Head of Central Services.

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

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

- 1.14 To ensure that all agreements and arrangements are properly documented.
- 1.15 To provide appropriate information to the Head of Central Services to enable a note to be entered into the Council's statement of accounts concerning material items.

2. **EXTERNAL FUNDING**

Why is this important?

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

Key Controls

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

Responsibilities of the Head of Central Services

- 2.3 To ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts.
- 2.4 To ensure that the match-funding requirements are clearly understood and are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.
- 2.5 To ensure that audit requirements are met.

Responsibilities of Directors/Managers

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

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

3. **WORK FOR THIRD PARTIES**

Why is this important?

3.1 Current legislation enables the Council 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

3.2 The key controls for working with third parties are:

- (a) to ensure that proposals are costed properly in accordance with any guidance provided by the Head of Central Services
- (b) to ensure that contracts are drawn up using any guidance provided by the Solicitor to the Council and that formal approval is sought when amounts are significant
- (c) maintenance of proper financial records of all transactions with third parties.

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

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

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

3.6 To ensure that following consultation with the Solicitor to the Council all contracts are properly documented.

3.7 To provide appropriate information to the Head of Central Services to enable a note to be entered into the statement of accounts.