

# Financial Regulations

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## 1 Introduction

- 1.1. Financial Regulations provide the framework for managing the Council's financial affairs. They apply to every Councillor and Officer of the Council and anyone acting on its behalf. All Councillors and Officers have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, is properly authorised, provides value for money and achieves best value.
- 1.2. The Section 151 Officer is responsible for maintaining a continuous review of the Financial Regulations and submitting any additions or changes necessary to the Full Council for approval. They are also responsible for reporting, where appropriate, breaches of the Financial Regulations to the Council.
- 1.3. Members of the Senior Management Board are responsible for ensuring that all staff are aware of the existence and content of the Financial Regulations and other internal regulatory documents and that they comply with them. They must also ensure that there is adequate access to Financial Regulations within all of the service areas of the Council.
- 1.4. The Section 151 Officer is responsible for issuing advice and guidance to underpin the Financial Regulations that Councillors, Officers and others acting on behalf of the Council must follow.

# Financial Regulations

## (Part A) Financial Management

### 2 Financial Management – Roles

#### 2.1. The Statutory Officers

- a) The Head of Paid Service (Chief Executive) is responsible for the corporate and overall strategic management of the Council as a whole. They must report to, and provide information for, the Full Council, Cabinet, the Audit and Standards Committee and other Committees. They are responsible for establishing a framework for the management, direction, style and standards to be achieved by the Council.
- b) The Monitoring Officer (Director of Governance and Corporate Services) is responsible for reporting (and wherever possible preventing) any actual or potential breaches of the law or maladministration to the Full Council.
- c) The Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the Council. This statutory responsibility cannot be overridden. The statutory duties arise from:
  - i) Section 151 of the Local Government Act 1972
  - ii) The Local Government Finance Act 1988
  - iii) The Local Government and Housing Act 1989
  - iv) The Accounts and Audit (England) Regulations 2011.
- d) The Section 151 Officer is responsible for:
  - i) the proper administration of the Council's financial affairs
  - ii) setting and monitoring compliance with financial management standards

- iii) advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
  - iv) providing financial information
  - v) preparing the revenue budget and capital programme
  - vi) treasury management.
- e) Section 114 of the Local Government Finance Act 1988 requires the Section 151 Officer to report to the Full Council and external auditor if the Council or one of its Officers:
- i) has made, or is about to make a decision, which involves incurring unlawful expenditure
  - ii) has taken, or is about to take an unlawful action, which has resulted or would result in a loss or deficiency to the Council
  - iii) is about to make an unlawful entry in the Council's accounts.

## 2.2. Senior Managers

- a) In the context of the Financial Regulations, the term 'Senior Managers' refers to members of the Senior Management Board and the Heads of Service. Senior Managers are responsible for:
- i) ensuring that Councillors are advised of the financial implications of all proposals and that the financial implications have been agreed by the Section 151 Officer
  - ii) signing contracts on behalf of the Council.
- b) It is the responsibility of Senior Managers to consult the Section 151 Officer to seek approval on any matter liable to affect the Council's finances materially, before any commitments are incurred.

## 3 Financial Management Standards

### 3.1. Why are these important?

- a) All Officers and Councillors have a duty to abide by the highest standards of probity. Clear standards and effective controls for all financial management work make it straightforward to maintain the necessary probity.

### 3.2. Key controls

- a) Senior Managers promote Financial Management Standards throughout the Council.

- b) A monitoring system to review compliance with financial standards, and regular comparisons of performance indicators and benchmark standards, are reported to Councillors.

### 3.3. Responsibilities of the Section 151 Officer

- a) The Section 151 Officer's responsibilities are as set out in paragraph 2.1 d) above.

### 3.4. Responsibilities of Senior Managers

- a) To promote the financial management standards set by the Section 151 Officer in their service areas and to monitor adherence to the standards and practices, liaising as necessary with the Section 151 Officer.
- b) To promote sound financial practices in relation to the standards, performance and development of Officers in their sections.

## 4 Internal controls

### 4.1. What are they?

- a) Internal controls are measures (such as reviews, checks and balances, methods and procedures) which are put in place in a system so that the Council can conduct its business in an orderly and efficient manner, manage risk, safeguard its assets and resources, deter and detect errors, fraud, and theft, ensure accuracy and completeness of its accounting data, produce reliable and timely financial and management information, and ensure adherence to its policies and plans.

### 4.2. Why are these important?

- a) The Council requires internal controls to manage and monitor progress towards its strategic objectives.
- b) The Council has statutory obligations that require internal controls to identify, meet and monitor compliance with these obligations.
- c) The Council faces a wide range of financial, administrative and commercial risks, from both internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to manage these risks.
- d) The system of internal controls is established to provide measurable achievement of:
  - i) efficient and effective operations

- ii) reliable financial information and reporting
- iii) compliance with laws and regulations
- iv) risk management.

#### 4.3. Key controls

- a) Regular review of the key controls in each system.
- 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 CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom and with any statutory obligations and regulations.

#### 4.4. Responsibilities of the Audit Manager

- a) The Audit Manager role is to assist the Council to set up and maintain an appropriate control environment and effective internal controls which provide assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations. It is also the role of the Audit Manager to advise of concerns where such assurance cannot be given.

#### 4.5. Responsibilities of Senior Managers

- a) To manage processes to check that established controls are being adhered to, and to evaluate their effectiveness, in order to be confident of the proper use of resources, the achievement of objectives and the management of risks.
- b) 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 Audit Manager. Senior Managers should also be responsible for removing controls that are unnecessary or not cost or risk effective – for example, because of duplication.

- c) To ensure staff have a clear understanding of the consequences of lack of operating in an appropriate control system.

## **5 Virement**

### 5.1. What is it?

- a) Virement is the approved transfer of money from the budget heading to which it has been allocated to another budget heading.

### 5.2. Why is this important?

- a) The scheme of virement is intended to allow a degree of flexibility in managing budgets within the overall policy framework determined by the Full Council. It seeks to enable Senior Managers and other Officers with appropriate delegated authority, to optimise the use of resources.
- b) Virement is defined as switching resources between approved expenditure heads. 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. A virement does not create an additional budget, otherwise known as a 'Supplementary Estimate'.

### 5.3. Key controls

- a) Virement is administered by the Section 151 Officer within guidelines set by the Cabinet. Any variation from this scheme requires the approval of Full Council.
- b) The overall budget is agreed by the Cabinet and approved by the Full Council. Senior Managers and budget managers are authorised to spend in line with the budgeted estimates.
- c) Senior Managers and their Officers are expected to exercise their discretion in managing their budgets responsibly and prudently. They should not support recurring expenditure from one-off savings or additional income; or create future commitments (including full-year effects of decisions made part way through a year) for which they have not identified future resources. Senior Managers must ensure that the funding of such commitments is accommodated from within their own budgets.

### 5.4. Responsibilities of the Section 151 Officer

- a) To specify the procedure for the authorising of virements.

### 5.5. Responsibilities of Senior Managers



- a) Notify the Section 151 Officer of any intended virements.
- b) Once they have notified the Section 151 Officer, Officers may exercise virement on budgets under their control for amounts up to the limits shown in the Appendix.
- c) Amounts greater than the limits shown for Officers require the approval of the Portfolio Holder, Cabinet or Full Council as appropriate, following a report by the relevant Senior Manager. The report 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 £500,000 require the approval of the Full Council.
- d) Virement that is likely to affect the level of service of another service area should be implemented only after agreement with the relevant Senior Manager.
- e) All virements must be made before the end of a financial year. Retrospective virements for previous financial years are not allowed.
- f) Where an approved budget is a lump-sum or contingency intended for allocation during the year, allocation will not be treated as a virement requiring specific authorisation, provided that it is used in accordance with the purposes for which it has been established.
- g) Amounts below the 'de minimus' level shown in the Appendix will not be transferred between budget lines.

## **6 Carryovers**

### 6.1. What are they?

- a) Carry overs are where approved budget from one year is not used and it is agreed that the budget allocation can be transferred to the subsequent year.

### 6.2. Why is this important?

- a) To allow some flexibility in the timing of expenditure.

### 6.3. Key controls

- a) Appropriate accounting procedures operate to ensure that carry-over totals are correct.

### 6.4. Responsibilities of the Section 151 Officer

- a) To supervise the administration of the scheme of carry-over within the guidelines approved by the Full Council.

## 6.5. Responsibilities of Senior Management Board

- a) The Senior Management Board will agree requests for carry-overs after consultation with the Leader of the Council and make recommendations to Cabinet. These requests will be included in the year-end outturn report to Cabinet.
- b) Each carry-over request (revenue, capital, General Fund and HRA) will be considered on a case by case basis by the Director of Finance in conjunction with SMB. Clear justification must accompany each request, such as:
  - i) why the carry-over occurred
  - ii) whether the proposed carry-over is still required to meet its original purpose
  - iii) the consequences of not spending the carry-over.
- c) Budget holders must not start spending against carryovers until they have been approved.

## 7 Accounting Policies

### 7.1. Why are these important?

- a) The Section 151 Officer 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 CIPFA Code of Practice on Local Authority Accounting in the United Kingdom based on International Financial Reporting Standards (LASAAC), for each financial year ending 31 March.

### 7.2. Key controls

- a) Systems of internal control operate to ensure that financial transactions are lawful.
- b) There are suitable accounting policies, applied consistently.
- c) Proper accounting records are maintained.
- d) Financial statements are prepared which present the financial position of the Council and its expenditure and income fairly.

### 7.3. Responsibilities of the Section 151 Officer

- a) To adopt suitable accounting policies, and ensure that they are applied consistently. The accounting policies are set out in the statement of accounts, which is prepared at 31 March each year.
- 7.4. Responsibilities of Senior Managers

- a) To ensure adherence to the approved accounting policies and guidelines.

## **8 Accounting Records and Returns**

### 8.1. Why are these important?

- a) 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 its operations during the year fairly. 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 sound arrangements have been made for securing economy, efficiency and effectiveness in the use of the Council's resources.

### 8.2. Key controls

- a) The key controls for accounting records and returns are: all Heads of Service, finance staff and budget managers operate within the required accounting standards and timetables:
  - i) all the Council's transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis
  - ii) sound procedures operate to enable accounting records to be reconstituted in the event of systems failure
  - iii) reconciliations are carried out to ensure transactions are correctly recorded
  - iv) prime documents are retained in accordance with legislative and other requirements.

### 8.3. Responsibilities of the Section 151 Officer

- a) To determine the accounting procedures and records for the Council. Where these are maintained outside the Finance Department, the Section 151 Officer should consult the Senior Manager concerned.
- b) To arrange for the compilation of all accounts and accounting records under his direction.

- c) To comply with the following principles when allocating accounting duties:
  - i) 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.
  - ii) employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
- d) Employees must not set or amend their own personal accounts e.g. rent, council tax.
- e) To make proper arrangements for the audit of the Council's accounts in accordance with the Accounts and Audit Regulations 2011.
- f) To ensure that all claims for funds including grants are made by the due date.
- g) To prepare and publish the audited accounts of the Council for each financial year, in accordance with the statutory timetable.
- h) To ensure the proper retention of financial documents in accordance with the requirements set out in the Council's document retention schedule.

#### 8.4. Responsibilities of Senior Managers

- a) To consult and obtain the approval of the Section 151 Officer before making any changes to accounting records and procedures.
- b) To comply, as far as possible, with the principles outlined in paragraph 8.3 c) when allocating accounting duties.
- c) To maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements, and vice versa.
- d) To supply information required to enable the statement of accounts to be completed in accordance with guidelines issued by the Section 151 Officer.

## 9 Annual Statement of Accounts

### 9.1. Why is this important?

- a) The Council has a statutory responsibility to prepare its own accounts to present fairly its operations during the year. The Audit and Standards Committee is responsible for approving the statutory

annual statement of accounts, as well as the accompanying annual governance statement. These documents are signed off by the Chief Executive, Section 151 Officer and the Chair of the Audit and Standards Committee.

## 9.2. Key Controls

- 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. At Harlow Council, that Officer is the Section 151 Officer.
- 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 (CIPFA/LASAAC).

## 9.3. Responsibilities of the Section 151 Officer

- a) To select suitable accounting policies and to apply them consistently.
- b) To make judgements and estimates that are reasonable and prudent.
- c) To comply with the Code of Practice on Local Authority Accounting in England and Wales.
- d) To sign and date the statement of accounts as required by regulations, stating that it presents a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year then ended.
- e) To draw up the timetable for final accounts preparation and to advise staff and external auditors accordingly.

## 9.4. Responsibilities of Senior Managers

- a) To comply with accounting guidance provided by the Section 151 Officer and to supply him information when required.

# Financial Regulations

## (Part B) Financial Planning

### 10 Budgeting – Medium Term Planning

#### 10.1. What is this and why is this important?

- a) The Council is 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.
- b) The revenue budget must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of the Full Council. Budgets (spending plans) are needed so that the Council can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for a council to budget for a deficit.
- c) Medium term planning (or a three to five year planning system) involves a planning cycle in which managers develop their own plans. As each year passes, another future year will be added to the medium term plan. This ensures that the Council is always preparing for events in advance. The Corporate document articulating these plans is the Medium Term Financial Strategy.
- d) The Council has an additional requirement to prepare and present to Councillors annually a 30 year Business Plan to support the operation of, and demonstrate the sustainability of its Housing Revenue Account under self-financing.

#### 10.2. Key controls

- a) The key controls for budgets and medium term planning are:
  - i) specific budget approval for all expenditure
  - ii) budget managers are consulted in the preparation of the budgets for which they will be held responsible
  - iii) there is an effective monitoring process to review the effectiveness and operation of budget preparation regularly, and to ensure that any necessary corrective action is taken.

### 10.3. Responsibilities of the Section 151 Officer

- a) To prepare and submit reports on budget prospects for the Council, including resource constraints set by the Government. Reports should take account of a range of medium term scenarios.
- b) To determine the detailed form of revenue estimates and the methods for their preparation, consistent with the budget approved by the Full Council.
- c) To prepare and submit reports to the Cabinet on the aggregate spending plans of service areas and on the resources available to fund them, identifying, where appropriate, the implications for the level of council tax /rental income to be levied.
- d) To advise on the medium term implications of spending decisions.
- e) To encourage the best value for money by working with Senior Managers 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.
- f) To advise the Full Council on proposals in accordance with his responsibilities under section 151 of the Local Government Act 1972.

### 10.4. Responsibilities of Senior Managers

- a) To prepare estimates of income and expenditure, in consultation with the Section 151 Officer.
- b) To prepare budgets that are consistent with any relevant cash limits, with the Council's annual budget cycle and within guidelines issued by the Section 151 Officer.
- c) To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.
- d) In consultation with the Section 151 Officer and in accordance with the guidance and timetable, to prepare detailed draft revenue and capital budgets for consideration by Councillors.
- e) When drawing up draft budget requirements, to have regard to:
  - i) spending patterns and pressures revealed through the budget monitoring process
  - ii) legal requirements

- iii) policy requirements as defined by the Full Council in the approved policy framework
- iv) initiatives already under way.

## 11 Reserves

### 11.1. Why are these important?

- a) 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.
- b) The Council must also determine a level of general reserves it wishes to maintain in its Housing Revenue Account, known as the 'Minimum Working Balance', The Council should also have regard to the future need to repay HRA debt and make an appropriate annual transfer from its HRA Operating Account to its Major Repairs Reserve Account.

### 11.2. Key controls

- 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 appropriate Senior Manager in consultation with the Section 151 Officer.

### 11.3. Responsibilities of the Section 151 Officer

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

### 11.4. Responsibilities of Senior Managers

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



## **12 Budget – Format**

### 12.1. Why is this important?

- a) 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 virements operate, and how cash limits work. It sets the level at which funds may be reallocated within budgets.

### 12.2. Key controls

- a) The format complies with all legal requirements.
- b) The format follows CIPFA's Best Value Accounting – Code of Practice.
- c) The format reflects the accountabilities of service delivery.

### 12.3. Responsibilities of the Section 151 Officer

- a) To advise the Cabinet on the format of the budget that is approved by Full Council.

### 12.4. Responsibilities of Senior Managers

- a) To comply with accounting guidance provided by the Section 151 Officer.

## **13 Budget – Revenue Budget Preparation, Monitoring and Control**

### 13.1. Why is this important?

- a) Budget management ensures that once the budget has been approved by Full 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. The Budget Management Protocol provides corporate guidance to budget holders.
- b) 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 operates within an annual approved budget. To ensure that the Council in total does not overspend, each service is required to manage its own expenditure within the budget allocated to it.

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

### 13.2. Key control

- a) Budget managers should be responsible only for income and expenditure that they can influence.
- b) There is a nominated budget manager for each cost centre heading.
- c) Budget managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities.
- d) Budget managers follow an approved certification process for all expenditure.
- e) Income and expenditure are properly recorded and accounted for.
- f) Performance levels/levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget.

### 13.3. Responsibilities of the Section 151 Officer

- a) To establish an appropriate framework of budgetary management and control that ensures that:
  - i) budget management is exercised within the overall approved budget
  - ii) each Senior Manager has available timely information on receipts and payments on each budget, which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities
  - iii) expenditure is committed only against an approved budget head
  - iv) all Officers responsible for committing expenditure comply with relevant guidance, and the Financial Regulations
  - v) each cost centre has a single named manager, determined by the relevant Senior Officer. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commits expenditure

- vi) significant variances from approved budgets are investigated and reported by budget managers regularly.
- b) To administer the Council's scheme of virement.
- c) To submit reports to the appropriate Councillor, in consultation with the relevant Senior Manager, where a Senior Manager is unable to balance expenditure and resources within existing approved budgets under his or her control.
- d) To prepare and submit reports on the Council's projected income and expenditure compared with the budget on a regular basis.

#### 13.4. Responsibilities of Senior Managers

- a) To maintain budgetary control within their service areas, in adherence to the principles in 13.3 a), and to ensure that all income and expenditure is properly recorded and accounted for.
- b) To ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the Senior Manager. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.
- c) To ensure that spending remains within the service's overall budget, 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.
- d) To ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and is operating effectively.
- e) To prepare and submit to Cabinet reports on the service's projected expenditure compared with its budget, in consultation with the Section 151 Officer.
- f) To ensure that any overspends or reductions in income are met by virements (see section 5).
- g) To ensure prior approval by Full Council new proposals, of whatever amount, that:
  - i) create financial commitments in future years
  - ii) change existing policies, initiate new policies or cease existing policies
  - iii) materially extend or reduce the Council's services.

- h) All reports to Councillors which have financial implications must be prepared in consultation with the Section 151 Officer and include any comments required by this Officer. Heads of Service must plan to contain the financial implications of such proposals within their budgets.
- i) To agree with the relevant Head(s) of Service where it appears that a budget proposal, including a virement proposal, may materially affect another service area or Senior Manager's level of service activity.

## **14 Capital programme**

### 14.1. Why is this important?

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

### 14.2. Key controls

- a) The key controls for capital programmes are:
  - i) specific approval by the Full Council for the programme of capital expenditure
  - ii) a scheme and estimate, including project plan, progress targets and associated revenue expenditure is prepared for each capital project, for the Council's Section 151 Officer
  - iii) proposals for improvements and alterations to buildings must be approved by the appropriate Senior Manager
  - iv) the development and implementation of asset management plans
  - v) accountability for each proposal is accepted by a named manager
  - vi) monitoring of progress in conjunction with expenditure and comparison with approved budget.

#### 14.3. Responsibilities of the Section 151 Officer

- a) To prepare capital estimates jointly with Senior Managers and to report them to the Full Council for approval.
- b) To prepare and submit reports to the Cabinet on the projected income, expenditure and resources compared with the approved estimates.
- c) To issue guidance on capital schemes and controls, for example, on project appraisal techniques. The definition of 'capital' will be determined by the Section 151 Officer, having regard to government regulations and accounting requirements.

#### 14.4. Responsibilities of Senior Managers

- a) To follow guidance for capital schemes and controls issued by the Section 151 Officer.
- b) To ensure that all capital proposals have undergone a project appraisal in accordance with guidance issued by the Section 151 Officer.
- c) To report regularly to Cabinet, reviewing the capital programme provisions for the Council.
- d) To ensure that adequate records are maintained for all capital contracts.
- e) To proceed with projects only when there is adequate provision in the capital programme and with the agreement of the Section 151 Officer, where required.
- f) To ensure that credit arrangements, such as any financing agreements, are only entered into with the prior approval of the Section 151 Officer and, if applicable, approval of the scheme through the capital programme.
- g) To consult with the Section 151 Officer where the Senior Manager proposes to bid for supplementary credit approvals to be issued by government departments to support expenditure that has not been included in the current year's capital programme.

# Financial Regulations

## (Part C) Financial

# Systems and Procedures

### 15 General

#### 15.1. Why are these important?

- a) Service areas have many systems and procedures relating to the control of the Council's assets, including purchasing, costing and management systems. Service areas are increasingly reliant on computers for their financial management information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.
- b) The Section 151 Officer 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.

#### 15.2. Key controls

- 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.

#### 15.3. Responsibilities of the Section 151 Officer

- a) To make arrangements for the proper administration of the Council's financial affairs, including:
  - i) issue advice, guidance and procedures for officers and others acting on the Council's behalf

- ii) determine the accounting systems, form of accounts and supporting financial records
- iii) establish arrangements for audit of the Council's financial affairs
- iv) approve any new financial systems to be introduced
- v) approve any changes to be made to existing financial systems.

#### 15.4. Responsibilities of Senior Managers

- a) To ensure that accounting records are properly maintained and held securely.
- b) To ensure that vouchers and documents with financial implications are not destroyed except in accordance with arrangements approved by the Section 151 Officer.
- c) To ensure that a complete management trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained.
- d) To incorporate appropriate controls to ensure that, where relevant:
  - i) all input is genuine, complete, accurate, timely and not previously processed
  - ii) all processing is carried out in an complete, accurate and timely manner
  - iii) output from the system is complete, accurate and timely.
- e) To ensure that the organisational structure provides appropriate segregation of duties to give adequate internal controls and to minimise the risk of fraud or other malpractice.
- f) 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. Wherever possible, back-up information should be securely retained in a fireproof location, preferably off site or at an alternative location within the building.
- g) To ensure that systems are documented and staff trained in operations.
- h) To consult the Section 151 Officer before changing any existing financial system or introducing new systems.

- i) 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.
- j) To ensure that relevant standards and guidelines for computer systems which are available on the Infonet are followed.
- k) To ensure that computer equipment and software are protected from loss and damage through theft, vandalism, etc.
- l) To comply with the copyright, designs and patents legislation and, in particular, to ensure that:
  - i) only software legally acquired and installed by the Council is used on its computers
  - ii) staff are aware of legislative provisions
  - iii) in developing systems, due regard is given to the intellectual property rights.
- m) To establish a scheme of delegation identifying Officers authorised to act upon the Senior Manager's behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority.
- n) To supply certified lists of authorised Officers, with specimen signatures and delegated limits, to the Section 151 Officer, together with any subsequent variations.

## **16 Assets**

### 16.1. Why is this important?

- a) 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 Corporate Asset Register is a prerequisite for proper fixed asset accounting and sound asset management.

### 16.2. Key controls

- a) The key controls for the security of resources such as land, buildings, fixed plant machinery, equipment, software and information are:
  - i) resources are used only for the purposes of the Council and are properly accounted for



- ii) resources are available for use when required
- iii) resources no longer required are disposed of in accordance with the law and the regulations of the Council so as to maximise benefits
- iv) an asset register is maintained by the Council. Assets are recorded when they are acquired by the Council, valued and accounted for in accordance with International Financial Reporting Standards, and updated for changes in the location, category or condition of the asset
- v) all Officers are aware of their responsibilities for safeguarding the Council's assets and information, including the requirements of the Data Protection Act and software copyright legislation
- vi) all Officers 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.

### 16.3. Responsibilities of the Section 151 Officer

- a) To ensure that an asset register is maintained in accordance with good practice for all individual fixed assets with a value in excess of £20,000 for Land & Buildings, £2,000 for Vehicles, and £5,000 for other assets. In addition the asset register will record assets which have been divided into components (componentised) in accordance with accounting policy. The function of the asset register is to provide the Council with information about fixed assets so that they are:
  - i) safeguarded
  - ii) used efficiently and effectively
  - iii) adequately maintained
  - iv) properly accounted for.
- b) To receive the information required for accounting, costing and financial records from each Senior Manager.
- c) To ensure that assets are valued in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (CIPFA/LASAAC).

#### 16.4. Responsibilities of Senior Managers

- a) To consult the Senior Insurance Officer on all matters of security, including the installation of safes, alarm systems, and cash handling machines.
- b) To advise the Senior Insurance Officer immediately if any alarmed premises are withdrawn from response by the police or the alarm company involved.
- c) To comply with insurance requirements advised by the Senior Insurance Officer. To inform the Section 151 Officer immediately if requirements cannot be complied with.
- d) To advise the Senior Insurance Officer of any theft of property or break in to premises immediately and in writing. Such incidents shall be reported to the police without delay.
- e) An asset register is to be maintained, in a form approved by the Section 151 Officer for all properties, plant and machinery and moveable assets currently owned or used by the Council. Any use of assets by a service area or establishment other than for direct service delivery should be supported by documentation identifying terms, responsibilities and duration of use.
- f) To ensure that lessees and other prospective occupiers of Council land are not allowed to take possession or enter the land until a lease or agreement, in a form approved by the Senior Manager in consultation with the Section 151 Officer, has been established as appropriate.
- g) To ensure the proper security of all buildings and other assets under their control. To consult the Senior Insurance Officer if security is thought to be defective.
- h) To pass any title deeds to the Director of Governance and Corporate Services who is responsible for custody of all title deeds.
- i) To ensure that no Council asset is subject to personal use by an employee without proper authority.
- j) To consult the Senior Insurance Officer at an early stage in proposals for new buildings or alterations to existing buildings to allow consideration for design of security.
- k) To ensure that assets are identified, their location recorded and that they are appropriately marked and insured.
- l) To maintain an up to date list of key holders. To ensure that keys to safes and similar receptacles are carried on the person of those

responsible at all times; loss of any such keys must be reported to the Senior Insurance Officer and the Audit Manager as soon as possible.

- m) To ensure that combination numbers to safes are held securely. The combination must be changed at regular intervals and immediately when staff leave.
- n) To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Section 151 Officer.
- o) To ensure that all employees are aware that they have a personal responsibility for 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.
- p) To ensure that employees are aware that packages for despatch containing documents or articles of value are sent by registered, insured or recorded post.

## **17 Asset Disposal**

### 17.1. Why is this important?

- a) 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.

### 17.2. Key controls

- 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 (see Appendix of financial limits), disposal should be by competitive tender or public auction.
- b) Procedures protect staff involved in the disposal from accusations of personal gain.

### 17.3. Responsibilities of the Section 151 Officer

- a) To issue guidelines representing best practice for disposal of assets.
- b) To ensure appropriate accounting entries are made to remove the value of disposed assets from the Council's records and to account for any sale proceeds.

#### 17.4. Responsibilities of Senior Managers

- a) To seek advice from purchasing advisors on the disposal of surplus or obsolete materials, stores or equipment.
- b) To ensure that income received for the disposal of an asset is properly banked and coded.
- c) To record all disposal or part exchange of assets that should normally be by competitive tender or public auction.
- d) To follow the guidelines issued by the Section 151 Officer.

#### 17.5. Land

- a) Except where otherwise provided for in Standing Orders, disposal of land or buildings must have consent from the Cabinet, after due consideration of a report to which the Chief Executive (or external independent valuer), the Director of Governance and Corporate Services and the Section 151 Officer have contributed.
- b) Disposal of land must comply with section 123 of the Local Government Act 1972, and any other relevant legislation. Reference shall be made to standing orders relating to disposal of land.

#### 17.6. Stores and equipment

- a) To arrange for the disposal of obsolete and redundant equipment, after making a reasonable estimate of the current market value (see Appendix for financial limits), using the following routes:
  - i) disposal of items where the current market value is likely to be less than the lower stated limit may be sold on a first come, first served basis
  - ii) where an item is likely to exceed the lower limit, but is below the upper limit, Councillors, Officers or the public may be invited to submit a written bid. The highest bid will be accepted where there is more than one offer
  - iii) where the current market value is likely to exceed the upper limit, at least two quotations must be obtained (where possible), or the item may be sold at a recognised public auction
  - iv) when selling through a recognised public auction, a reserve price should be agreed for each item or lot.

## 17.7. Transport and Plant

- a) Disposal of transport and plant is at the discretion of the Chief Executive who shall endeavour to ensure, and by reference to documentation be able to demonstrate, that value for money is obtained.

## 18 Internal Audit

### 18.1. Why is this important?

- a) Section 151 of the Local Government Act 1972 requires that councils “make arrangements for the proper administration of their financial affairs”, and implies the need for an internal audit function. The Accounts and Audit (England) Regulations 2011, regulation 6, require that a “relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.
- b) 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.

### 18.2. Key controls

- a) Internal Audit is independent in its planning and operation.
- b) The Audit Manager has direct access to the Head of Paid Service, all levels of management and directly to Councillors.
- c) Internal Audit complies with the Public Sector Internal Auditing Standards 2013 (PSIAS).

### 18.3. Scope of Internal Audit activity

- a) The work of Internal Audit embraces the whole system of internal controls, including financial and non-financial controls. Internal Audit will:
  - i) undertake a continuous, systematic and structured review to evaluate the soundness, adequacy and application of the Council’s internal control system
  - ii) review arrangements for securing economy, efficiency and effectiveness in the use of resources

- iii) advise and, where appropriate, assist management to investigate suspected cases of fraud, corruption and irregularity
  - iv) review and advise upon the development of systems
  - v) provide advice on financial systems, procedures, regulations, corporate governance issues and risk management
  - vi) contribute to the Council's pursuit of best value.
- b) Internal audit will prepare a three-year strategic audit plan of reviews to be undertaken. This plan will be based on a risk assessment that considers financial materiality and the business risk relating to the Council's objectives.
- c) Internal Audit will have no executive responsibilities. It is not an extension of or a substitute for the functions of management. Responsibility for internal control rests solely with managers, who should ensure that arrangements are appropriate and adequate. It is for Corporate Management Team to accept and implement audit recommendations or to accept the risk resulting from not taking any action.

#### 18.4. Responsibilities of the Head of Paid Service

- a) To ensure that internal auditors have the authority to:
- i) enter Council premises at reasonable times
  - ii) examine all assets, records, documents, correspondence and control systems
  - iii) receive any information and explanation considered necessary concerning any matter under consideration
  - iv) require any Officer of the Council to account for cash, stores or any other Council asset under his or her control
  - v) examine records belonging to third parties, such as contractors, when required
  - vi) report directly to the Head of Paid Service, the Cabinet, and any other Officer or Councillor that the Audit Manager considers appropriate.
- b) To ensure that the Council has effective fraud investigation procedures to deal with any fraud or irregularity promptly.
- c) To ensure a continuous audit of the Council's systems and procedures.

## 18.5. Responsibilities of Senior Managers

- a) The Corporate Management Team to approve the annual and rolling audit plans, which take account of service characteristics and relative risks.
- b) To ensure that appropriate and adequate internal controls exist.
- c) To ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.
- d) To ensure that auditors are provided with any information and explanations that they seek in the course of their work.
- e) To consider and respond to audit reports or other requests for information within 14 days. The Audit Manager may refer any failure to respond to Corporate Management Team for resolution.
- f) Corporate Management Team to have overall responsibility for ensuring that all internal audit recommendations are implemented by the agreed date.
- g) To notify the Audit Manager immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Council's property or resources; and of any material failure in financial systems and controls. Pending investigation and reporting, the Senior Manager should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- h) To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed and agreed with the Audit Manager prior to implementation.

## 18.6. Responsibilities of the Audit Manager

- a) To deliver an efficient, effective and economic internal audit service.
- b) To provide an annual opinion on the Council's internal control arrangements.

## 19 External Audit

### 19.1. Why is this important?

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

- b) 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:
  - i) the financial aspects of the audited body's corporate governance arrangements
  - ii) the audited body's financial statements
  - iii) aspects of the audited body's arrangements to manage its performance, including the preparation and publication of specified performance information and compliance in respect of the preparation and publication of the BVPP (Best Value Performance Plan).
- c) 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 authority and its income and expenditure for the year in question and complies with the legal requirements.

#### 19.2. Key controls

- 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.

#### 19.3. Responsibilities of the Chief Executive

- a) 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.
- b) To ensure there is effective liaison between external and internal audit.
- c) To work with the external auditor and advise the Council, and Senior Managers on their responsibilities in relation to external audit.

#### 19.4. Responsibilities of Senior Managers

- a) 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.



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

## **20 Banking**

### 20.1. Why is this important?

- a) Almost all Council activities involve either receiving or paying money, ultimately through the Council's bank accounts. Secure and efficient operation are therefore fundamental to the Council's business, and reconciliation of all bank balances forms a critical part of the Council's financial controls, and underpins the Council's final accounts.

### 20.2. Key controls

- a) No Officer may open or close any bank account or other banking facility without approval from the Section 151 Officer.

### 20.3. Responsibilities of Section 151 Officer

- a) To operate bank accounts as necessary.
- b) To be responsible for all arrangements and communications with the Council's bank.
- c) To authorise the bank on the payment of cheques and limits for the use of pre-printed signatures on cheques. Current limits are shown in the Appendix.

### 20.4. Responsibilities of Senior Managers

- a) To follow the instructions on banking issued by the Section 151 Officer.
- b) To report any problems, concerns about fraud or anomalies to the Section 151 Officer promptly. Any fraud issues must also be reported to the Audit Manager.

## **21 Cash Handling**

### 21.1. Why is this important?

- a) Cash is a vulnerable asset and effective income collection systems are necessary to protect it.
- b) "Cash" is deemed to include cheques, postal orders, and all other negotiable items.

- c) See the section on Petty Cash for rules applying to money paid out by the Council.

#### 21.2. Key controls

- a) All money received by an employee on behalf of the Council is paid without delay to the Section 151 Officer or, as he directs, to the Council's bank, and properly recorded.
- b) The responsibility for cash collection should be separated from those for:
  - i) identifying the amount due
  - ii) reconciling the amount due to the amount received.
- c) Money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.

#### 21.3. Responsibilities of the Section 151 Officer

- a) To agree arrangements for the collection of all income due to the Council and to approve the procedures, systems and documentation for its collection.
- b) To order and supply to service areas all receipt forms, books or tickets and similar items and to satisfy himself regarding the arrangements for their control.
- c) To be responsible for arranging the collection of cash and other income from Council offices and its transfer and banking.

#### 21.4. Responsibilities of Senior Managers

- a) To ensure staff involved in the collection of money due to the Council follow the cash handling procedures, available from the Section 151 Officer.
- b) To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable.
- c) To issue official receipts or other vouchers for income received, except where other arrangements have been approved by the Section 151 Officer.
- d) To ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded.

- e) To hold receipts, tickets and other records of income securely for the appropriate period. Those responsible for the use of receipts and other documents of controlled stationery should not also be responsible for ordering, control and issue of the stationery.
- f) To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling.
- g) To ensure cash is held in a safe or strong room outside normal working hours, and that cash holdings are kept to a minimum.
- h) To ensure that income is paid fully and promptly into the appropriate Council bank account. The Section 151 Officer should be informed immediately of failure to bank money on the agreed day. 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.
- i) To ensure income is not used to cash personal cheques or to make payments.
- j) There is a limit on the approved levels of cash that can be held on the Council premises overnight. See Appendix of financial limits.
- k) To keep a record of every transfer of money between employees of the Council. The receiving Officer must sign for the transfer and the transferor must retain a copy.

## **22 Creditors**

- 22.1. Any change in method of payment shall be approved by the Section 151 Officer. The use of direct debit shall require the prior agreement of the Section 151 Officer.
- 22.2. Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of Council contracts.
- 22.3. Key Controls
  - a) Works, goods and services received are checked to ensure they are in accordance with the order.
  - b) Payments are made only when the Council has received goods matching the order for price, quantity and quality.
  - c) All payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method.

- d) All appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the document retention schedule.
- e) All expenditure, including VAT, is recorded accurately against the right budget and any exceptions are corrected.
- f) E-business/e-commerce and electronic purchasing arrangements maintain the security and integrity of data.

#### 22.4. Responsibilities of the Section 151 Officer

- a) To ensure that all the Council's financial systems and procedures are sound and properly administered.
- b) To approve any changes to existing financial systems and to approve any new systems before they are introduced.
- c) To make payments from the Council's funds on the relevant Head of Service's authorisation that the expenditure has been duly incurred in accordance with financial regulations.
- d) 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.
- e) To make payments to contractors on the certificate of the appropriate Head of Service, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.
- f) To provide advice and encouragement on making payments by the most economical means.

#### 22.5. Responsibilities of Senior Managers

- a) To ensure that payment is made on a proper VAT invoice, checked, coded and certified for payment, confirming:
  - i) receipt of goods or services. Reference should be made to documentary evidence and where appropriate the invoice should be marked off against the copy of the official order
  - ii) that the invoice has not previously been paid
  - iii) that expenditure has been properly incurred and is within budget provision
  - iv) that prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices

- v) correct accounting treatment of tax
  - vi) that the expenditure is correctly coded
  - vii) that discounts have been taken where available
  - viii) that appropriate entries will be made in accounting records
  - ix) that where appropriate, entries have been made in the inventory, and the Senior Insurance Officer has been advised of any additional risks
  - x) if a tax invoice is not available at the time payment is made, the authorising Officer must ensure that a VAT receipt is acquired and passed to the Payments Section for retention
  - xi) unless there is a query to be resolved with the supplier the invoice is passed for payment to ensure payment is made within 30 days of the date of invoice.
- b) To ensure that at least two authorised members of staff are involved in the procurement process.
  - c) To ensure that the service area maintains and reviews periodically a list of staff approved to authorise invoices. Names of authorising Officers together with specimen signatures as appropriate and details of the limits of their authority shall be forwarded to the Section 151 Officer.
  - d) To obtain approval from the appropriate Head of Service/budget holder to authorise any expenditure outside their own cost centres.
  - e) To ensure that staff do not pay photocopied invoices unless they are clearly marked by the authorising Officer, “copy invoice – original not available” An original invoice should be obtained if possible to support any payment made on a copy, and clearly marked “not for payment – copy passed for payment dd/mm/yy” and forwarded to the Payments Section.
  - f) To encourage suppliers of Works, Goods and Services to receive payment by the most economical means for the Council. However, any change to the normal method of payment should have the prior approval of the Section 151 Officer.
  - g) Special procedures for corporate purchasing cards are available from Accountancy.
  - h) To notify the Section 151 Officer of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Section 151 Officer.

- i) With regard to contracts for construction and alterations to buildings and for civil engineering works, to document and agree with the Section 151 Officer the systems and procedures to be adopted in relation to financial aspects, including certification of interim and final payments, checking, recording and authorising payments, the system for monitoring and controlling capital schemes, and the procedures for validation of subcontractors' tax status.
- j) To notify the Section 151 Officer immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.
- k) To ensure that all appropriate payment records are retained and stored for the period specified.
- l) Wherever it is considered reasonable, and cover is not provided under existing insurance policies, ex gratia payments are permitted within the limits shown in the Appendix of financial limits.

## **23 Contracts**

### 23.1. Why is this important?

- a) A large part of the Council's budget is spent through payments on contracts for goods, works and services. Most of the spend on individual contracts is large enough to trigger Contracts Standing Orders and the European Procurement Regulations. Therefore, the Council must ensure that procedures are in place to govern the spending of public money in order to:
  - i) provide a framework for the Council to get value for money when entering into contracts
  - ii) demonstrate best value to the public
  - iii) set out how the Council complies with the laws that govern public spending
  - iv) protect the Council, Officers and Councillors from unfair criticism and allegations of wrongdoing
  - v) regulate the manner in which bids, tenders and quotations are invited.

### 23.2. Key Controls

- a) Contract Standing Orders set out the rules for entering into contracts for goods, works and services.
- b) Please see also section 33 on Procurement.

### 23.3. Responsibilities of the Section 151 Officer

- a) To specify systems to ensure compliance with the Council's Contract Standing Orders.

### 23.4. Responsibilities of Senior Managers

- a) To ensure that every one in their area knows that they must comply with the Council's Contract Standing Orders, and avoid any impropriety or the appearance of impropriety.
- b) To ensure that guidance, advice and the appropriate level of support is sought from Corporate Procurement when inviting tenders and quotations for all goods, works and services that exceed the limit shown in the Appendix.
- c) To ensure that appropriate warranties and/or guarantees are obtained to protect the Council's interests. In particular, Performance Bonds are required for contracts in excess of the limit shown in the Appendix unless the requirement is waived in accordance with the Council's Contract Standing Orders.
- d) To comply with EU and Government legislation when inviting tenders.
- e) To ensure that a priced copy of the bills of quantities, schedule of rates, specification and other technical documents are retained by the authorised Officer and that they are incorporated into the final contract document.
- f) To ensure that the Director of Governance and Corporate Services is supplied with the original executed copy of the contract.
- g) To inform the Section 151 Officer of all contracts, agreements and awards, involving the payment or receipt of money on behalf of the Council.
- h) To ensure that payments to contractors (including sub-contractors) are authorised on a certificate signed by the appropriate Officer showing the total amount of the contract, the value of works executed to date, retention to be withheld and the amount currently certified.
- i) To ensure that every variation of a contract is priced and authorised in writing by the Lead Officer. Where the net additional cost of variation(s) to a single contract exceeds 10 per cent of the contract sum or £5,000, whichever is the greater, the Service Manager shall receive a full report of the reasons for the variation. A copy of the report shall be forwarded to the Section 151 Officer.

- j) The authorised Officer acting on behalf of the Council shall issue written instructions to the contractor with regard to the expenditure of all prime cost and provisional sums included in the contract prior to any such work being undertaken.
- k) Copies of written instructions showing the agreed or estimated prices of such instructions shall be held by the Lead Officer.
- l) Unsettled claims from contractors shall be referred to the Director of Governance and Corporate Services for consideration of the Council's legal liability and, where necessary, to the Section 151 Officer for financial consideration before settlement is reached.
- m) Any contract with a duration of 12 months or greater, or an aggregate value of £50,000 or more will be the subject of a formal post contract review and the authorised Officer shall provide a report to the Service Manager, Legal Services Manager and Section 151 Officer. This will include:
  - i) a review of the contractor's performance
  - ii) report on the general management of the contract by authorised Officer
  - iii) an analysis of final scheme costs
  - iv) client/stakeholder's satisfaction with the complete scheme.
- n) Where completion of a contract is delayed, the authorised Officer shall take appropriate action and claim for liquidated and ascertained damages, in accordance with the terms and conditions of the contract.
- o) The final contract certificate specifying the total sum due under a contract shall not be issued by the authorised Officer until a detailed Final Account has been produced. Payment shall be made exclusive of any retentions sums which are normally withheld for 12 months (the defects liability period) after which they can be released for payment to the contractor.
- p) Final scheme costs will be submitted to the Cabinet if they are five per cent or £75,000 (whichever is the lower) above the costs, previously reported to the Cabinet.

## **24 Debtors**

### 24.1. Why is this important?

- a) Effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly.



## 24.2. Key controls

- 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) Effective action is taken to pursue non-payment within defined timescales.
- d) Formal approval for debt write-off is obtained.
- e) Appropriate write-off action is taken within defined timescales.
- f) Appropriate accounting adjustments are made following write-off action.
- g) All appropriate income documents are retained and stored in accordance with the document retention schedule.

## 24.3. Responsibilities of the Section 151 Officer

- a) To agree arrangements for the collection of all income due to the Council and to approve the procedures, systems and documentation for its collection.
- b) To agree the write-off of bad debts up to the limits shown in the Appendix and to refer larger sums to the Cabinet.
- c) To approve all debts to be written off in consultation with the relevant Senior Manager and to keep a record of all sums written off up to the approved limit and to adhere to the requirements of the Accounts and Audit (England) Regulations 2011.
- d) To obtain the approval of the Cabinet in consultation with the relevant Senior Manager for writing off debts in excess of the approved limit.
- e) To ensure that appropriate accounting adjustments are made following write-off action.

## 24.4. Responsibilities of Senior Managers

- a) 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 and report annually to Cabinet as part of the Annual Fees and Charges Section of the Budget Report. The setting of housing rents must be approved by the Cabinet.

- b) The relevant Head of Service is responsible for ensuring that the negotiation of rent reviews due to the Council are instituted at the appropriate time.
- c) Wherever possible, to ensure that payment is made at the time of the delivery or in advance, so as to avoid the need to raise a debtor account.
- d) To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable.
- e) To give the Section 151 Officer details of work done, goods supplied, services rendered and other amounts due, to enable the Section 151 Officer to record them correctly and to ensure accounts are sent out promptly. Areas of concern over recovery of income should be reported to the Section 151 Officer. Senior Managers have a responsibility to assist the Section 151 Officer 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.
- f) To ensure that write off of debts are contained within the limits shown in the Appendix. Debts should only be written off where a debtor cannot be traced, or in conjunction with the Director of Governance and Corporate Services, is not economic to pursue. The Section 151 Officer must be informed of debts written off, where Officers have specific limits such as housing rents. In the case of rechargeable repairs, Senior Managers are empowered to negotiate settlement at a reduced amount, subject to the approval of the Section 151 Officer.
- g) Once raised, no genuine 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.
- h) To notify the Section 151 Officer of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable set by the Section 151 Officer.
- i) The Director of Governance and Corporate Services is authorised to agree settlement of disputed amounts in the best interest of the Council in the light of decisions by the courts or to resolve legal proceedings, or potential proceedings.

## **25 External Funding**

### 25.1. Why is this important?

- a) External funding is potentially a very important source of income. The Council should consider funding conditions carefully to ensure that they are compatible with its aims and objectives. Councils 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. In some cases, funding is linked to tight specifications, and may not be flexible enough to link to the Council's overall plan.

#### 25.2. Key controls

- a) Key conditions of funding and any statutory requirements are complied with, and the responsibilities of the accountable body are clearly understood.
- b) Funds are acquired only to meet the priorities approved in the policy framework by the Full Council.
- c) Officers consider any match-funding requirements before entering long-term agreements, and reflect these in future revenue budgets.

#### 25.3. Responsibilities of the Section 151 Officer

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

#### 25.4. Responsibilities of Senior Managers

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

## 26 Inventories

#### 26.1. Why is this important?

- a) Inventories that are fit for purpose and up-to-date facilitate the Council's management of its assets, deter and prevent loss and fraud, and provide a sound basis for any insurance claim for loss or damage to assets.

## 26.2. Key controls

- a) The Council maintains records of all assets in a form that facilitates checking and confirming their continued existence and usefulness.

## 26.3. Responsibilities of Senior Managers

- a) To maintain inventories and record an adequate description of equipment, furniture and fittings.
- b) 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.
- c) To present the relevant portion of the inventory on request where an insurance claim is made.
- d) To make sure that property is only used in the course of the Council's business, unless the Senior Manager concerned has given permission otherwise.
- e) Any property or equipment with a replacement cost exceeding the limit in the Appendix shall be notified in writing to the Section 151 Officer at the time of acquisition or replacement.
- f) The Chief Executive shall maintain registers of all property owned by the Council:
  - i) Housing stock for all properties under the Housing Act
  - ii) All other property, recording the purpose for which held, location, extent, plan reference, purchase details, nature of interest, rent payable and particulars of tenancies granted.
- g) To keep utilisation records for vehicles in a form agreed by the Section 151 Officer. Forms to be completed and signed by all drivers and countersigned by the appropriate supervising Officer.
- h) To ensure that staff do not take vehicles, plant or equipment home without approval, and that staff do not use them for non-Council purposes.

## 26.4. Lost property

- a) To maintain a register of lost property, handed in or reported lost at premises for which the Senior Manager is responsible.
- b) To allow the owner of the property at least one month's notice to collect the property from sending them notification that their property has been found.
- c) Where any items of money or valuables that have significant monetary value are found they are to be taken to the police station.

## **27 Intellectual Property**

### 27.1. Why is this important?

- a) 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.
- b) Certain activities undertaken within the Council may give rise to items that may be patentable, for example, software development. These items are within the description "intellectual property".

### 27.2. Key controls

- 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.

### 27.3. Responsibilities of Senior Managers

- a) To develop and disseminate good practice.
- b) To ensure that controls operate 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.

## **28 Partnerships**

### 28.1. Why is this important?

- a) Partnerships play a key role in delivering community strategies and in helping to promote and improve the well-being of the area. The Council works in partnership with others including public agencies, private companies, community groups and voluntary organisations. The Council delivers many services, but it also has a distinctive leadership role to bring together the contributions of the various stakeholders.

- b) The Council can mobilise investment, bid for funds, champion the needs of their areas and harness the energies of local people and community organisations. The Council will be measured by what it achieves in partnership with others.
- c) A partner is defined as either:
  - i) an organisation (private or public) undertaking, part funding or participating as a beneficiary in a project
  - ii) a body whose nature or status gives it a right or obligation to support the project.
- d) Partners participate in projects by:
  - i) acting as a project deliverer or sponsor, solely or in concert with others
  - ii) acting as a project funder or part funder
  - iii) being the beneficiary group of the activity undertaken in a project.

#### 28.2. Key controls

- a) If appropriate, to be aware of their responsibilities under the Council's Financial Regulations and the Contract Standing Orders.
- 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.

#### 28.3. Responsibilities of the Section 151 Officer

- a) To advise on effective controls that will ensure that resources are not wasted.
- b) To advise on the key elements of funding a project. They include:

- i) a scheme appraisal for financial viability in both the current and future years
  - ii) resourcing, including taxation issues
  - iii) audit, security and control requirements
  - iv) carry-forward arrangements.
- c) To ensure that the accounting arrangements are satisfactory.

#### 28.4. Responsibilities of Senior Managers

- a) To maintain a register of all contracts entered into with external bodies in accordance with procedures specified by the Section 151 Officer.
- b) To ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared.
- c) To ensure that such agreements and arrangements do not impact adversely upon the services provided by the Council.
- d) To ensure that all agreements and arrangements are properly documented.
- e) To provide appropriate information to the Section 151 Officer to enable a note to be entered into the Council's statement of accounts concerning material items.

#### 28.5. Responsibilities of Partners

- 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) To 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.
- g) To observe a governance regime compatible with the Council's own, and to respect the Nolan Principles.

## **29 Payroll (including Members' allowances and expenses)**

### 29.1. Why is this important?

- a) 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.
- b) 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 Full Council.

### 29.2. Key controls

- a) An appropriate staffing strategy and policy exists, in which staffing requirements and budget allocation are matched.
- b) There are effective procedures 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) Proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to:
  - i) starters
  - ii) leavers
  - iii) variations
  - iv) enhancements.
- f) Payments are made on the basis of timesheets or claims.
- g) Frequent reconciliation of payroll expenditure against approved budget and bank account.



- h) All appropriate payroll documents are retained and stored for a defined period.
- i) Inland Revenue regulations are complied with.

29.3. Responsibilities of the Section 151 Officer

- a) To ensure that budget provision exists for all existing and new employees.
- b) To act as an advisor to Senior Managers on areas such as national insurance and pension contributions, as appropriate.
- c) To specify which payments are to be made via Payroll.
- d) To provide advice and encouragement to secure payment of salaries and wages by the most economical means.

29.4. Responsibilities of the Human Resources Manager

- a) To record and make arrangements for accurate and timely payment of salaries, wages and members' allowances; tax, superannuation and other deductions.
- b) To implement national and local agreements concerning levels of wages and salaries; and conditions of employment.
- c) To make arrangements for payment of all travel and subsistence claims or financial loss allowance. To consult the Section 151 Officer on the form of time records and other pay documents.
- d) To make arrangements for paying Councillors' travel or other allowances upon receiving the prescribed form, duly completed and authorised.
- e) To consult the Section 151 Officer on taxation issues when any new payments to Officers or Councillors are introduced.
- f) To consult the Section 151 Officer if there is the need to write off employee debts.

29.5. Responsibilities of Senior Managers

- a) To produce an annual staffing budget.
- b) 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).
- c) To monitor staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff.

- d) 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.
- e) To ensure that the Human Resources Manager and the Section 151 Officer are immediately informed if the staffing budget is likely to be materially over or under spent.
- f) To notify the Human Resources Manager immediately of all appointments, resignations, suspensions, absences from duty (other than annual leave or flexitime), transfers and changes in remuneration (other than normal increments).
- g) To obtain written authority from the Chief Executive and Human Resources Manager before filling a vacancy. The Chief Executive shall give consideration to the need to fill a vacancy, taking into account any changes in operational needs. All appointments must be included in the approved establishment list.
- h) To ensure that 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.
- i) To notify the Human Resources Manager of all appointments, terminations, sickness or variations which may affect the pay, or pension of an employee or former employee, in the form and to the timescale required.
- j) To ensure that adequate and effective systems and procedures are operated, so that:
  - i) payments are only authorised to genuine employees
  - ii) payments are only made where there is a valid entitlement
  - iii) conditions and contracts of employment are correctly applied
  - iv) employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.
- k) To send an up-to-date list of the names of Officers authorised to sign records and claims to the Human Resources Manager together with specimen signatures.
- l) To ensure that payroll transactions are processed only through the payroll system. Senior Managers 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 Section 151 Officer.

- m) 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 Human Resources Manager is informed where appropriate.
- n) To ensure that the Human Resources Manager is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.
- o) To ensure that all appropriate payroll documents are retained and stored for the period specified by the Council's document retention policy.
- p) To ensure claims for overtime and reimbursement of expenses e.g. car mileage allowances, are submitted within two months from the date worked. Claims outside these periods will only be paid in exceptional circumstances with the written authorisation of the Human Resources Manager. A VAT invoice for fuel should accompany mileage claims. The invoice for fuel purchased can be greater than the mileage claim but should be dated in advance of the journey undertaken.
- q) To ensure that approval is obtained from the Chief Executive in advance of any overtime work.

#### 29.6. Responsibilities of employees

- a) To submit timesheets and claims for travel and subsistence allowances on a monthly basis.

#### 29.7. Responsibilities of Councillors

- a) To submit claims for travel and subsistence allowances on a monthly basis.

### **30 Performance Plans**

#### 30.1. Why is this important?

- a) Performance plans explain overall priorities and objectives, current performance, and proposals for further improvement. They provide a framework of expectations that allow managers to monitor progress and take corrective action where problems arise.

- b) They also frame the work plans for teams and individuals, relating these directly to the Council's overall objectives.

### 30.2. Key controls

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

### 30.3. Responsibilities of the Section 151 Officer

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

### 30.4. Responsibilities of Senior Managers

- a) To operate systems to measure activity and outputs, and collect accurate information for use as performance indicators.
- b) To ensure that performance information is monitored sufficiently frequently to allow corrective action to be taken if targets are in doubt.
- c) To contribute to developing performance plans in line with statutory requirements.
- d) To develop service targets, objectives and performance information, and contribute to developing corporate systems and information.

## **31 Petty Cash ("Imprest accounts")**

### 31.1. Responsibilities of the Section 151 Officer

- a) To provide Officers with a petty cash facility to meet minor expenditure on behalf of the Council and to prescribe rules for operating this facility. A centralised petty cash float is operated through Contact Harlow although a small number of outstations

maintain their own petty cash imprest accounts. Minor items of expenditure should not exceed £10.

- b) To determine the petty cash limit and to maintain a record of all transactions and petty cash advances made, and periodically to review the arrangements for the safe custody and control of this advance or float.

### 31.2. Responsibilities of Senior Managers

- a) To ensure that Officers operating an Imprest account:
  - i) obtain and retain vouchers to support each payment from the Imprest account. Where appropriate, an official receipted VAT invoice must be obtained
  - ii) make adequate arrangements for the safe custody of the account
  - iii) produce upon demand by the Section 151 Officer cash and all vouchers to the total value of the Imprest amount
  - iv) record transactions promptly
  - v) reconcile and balance the account at least monthly. Reconciliation sheets will be signed and retained by the Imprest holder
  - vi) provide the Section 151 Officer with a certificate of the value of the account held at 31 March each year
  - vii) ensure that the float is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made
  - viii) on leaving the Council's employment or otherwise ceasing to be entitled to hold an Imprest advance, an Officer shall reconcile the balance and sign it over, together with relevant vouchers and invoices, to his/her line manager
  - ix) where a petty cash float is no longer required, the balance should be reconciled, banked and the income code used for banking notified to the Section 151 Officer
  - x) payments shall be limited to minor items of expenditure as approved by the Section 151 Officer and shall be supported by a voucher signed by an authorised signatory.

## 32 Preventing fraud and corruption

### 32.1. Why is it this important?

- a) The Council will not tolerate fraud and corruption, whether inside or outside The Council.
- b) The Council expects that Councillors and Officers at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures, practices and all relevant professional standards.
- c) 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.

### 32.2. Key controls

- a) The key controls regarding the prevention of financial irregularities are that:
  - i) the Council has an effective anti-fraud and anti-corruption policy, fraud response plan and maintains a culture that will not tolerate fraud or corruption
  - ii) all Councillors and staff act with integrity and lead by example
  - iii) Senior Managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the Council or who are corrupt
  - iv) high standards of conduct are promoted amongst Councillors by the Audit and Standards Committee
  - v) the maintenance of a register of interests in which any hospitality or gifts accepted must be recorded
  - vi) whistle blowing procedures exist and operate effectively
  - vii) legislation including the Public Interest Disclosure Act 1998 is adhered to.

### 32.3. Responsibilities of the Audit Manager

- a) To develop and maintain an anti-fraud and anti-corruption policy and fraud response plan.
- b) To advise managers on maintaining adequate and effective internal control arrangements.

- c) To ensure that all suspected irregularities are reported to the Section 151 Officer, the Monitoring Officer and the Head of Paid Service.

#### 32.4. Responsibilities of Senior Managers

- a) To develop and maintain sound systems for governance, risk management, and internal control, including measures to prevent and detect error and fraud.
- b) To ensure that all suspected irregularities are reported to the Audit Manager.
- c) To instigate the Council's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.
- d) To ensure that where financial impropriety is discovered, the Audit Manager is informed, and where sufficient evidence exists to believe that a criminal offence may have been committed, the police are called in to determine with the Crown Prosecution Service whether any prosecution will take place.
- e) To inform and update service areas registers of interests.

### **33 Procurement**

#### 33.1. Why is this important?

- a) Public money should be spent with demonstrable probity and in accordance with the Council's Contract Standing Orders. The Council has a statutory duty to achieve value-for-money. The Council's Contract Standing Orders help to ensure that services obtain value for money from their purchasing arrangements.

#### 33.2. Responsibilities of Senior Managers

- a) To ensure that every Officer and Councillor declares any links or personal interests that they may have with purchasers, suppliers or contractors if they are engaged in contractual or purchasing decisions on behalf of the Council, in accordance with the Council's codes of conduct.
- b) Where goods, works and services are over the limit prescribed in the Council's Contract Standing Orders, advice must be sought from Corporate Procurement.
- c) To ensure that orders are not deliberately divided so as to avoid the financial limits for inviting tenders and quotations set out in the Council's Contract Standing Orders.

- d) To ensure that the rules regarding advertising in Europe are adhered to, for purchases over a certain limit. As these limits are subject to change, refer to Corporate Procurement for the most up to date figures.
- e) All tenders, quotations and other supporting documentation must be retained for a minimum period of six years. Electronic retention of documentation is permitted.
- f) All tenders and quotations received must be examined to establish whether any qualifications apply. Qualified tenders or quotations that have not been submitted in accordance with the Council's instructions should be rejected.
- g) Contracts under seal or signed and delivered as a deed, are to be retained for a period of 12 years. All other contracts are to be retained at least for six years.
- h) To ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the Section 151 Officer. This is because of the potential impact on the Council's borrowing powers, to protect the Council against entering into unapproved credit arrangements and to ensure that value for money is being obtained.

### **34 Purchase Orders**

34.1. Official orders must be in a form approved by the Section 151 Officer and the Director of Governance and Corporate Services and be let in conjunction with Corporate Procurement (see Contract Standing Orders).

34.2. Key controls

- a) All works, goods and services are ordered only by appropriate Officers and are correctly recorded.
- b) All orders are placed in accordance with the Council's Contract Standing Orders unless the Section 151 Officer in consultation with the relevant Head of Service approves exceptions.

34.3. Responsibilities of the Section 151 Officer

- a) To define the system for purchase orders.
- b) To approve, in conjunction with the Director of Governance and Corporate Services, the form of official orders and associated terms and conditions.

34.4. Responsibilities of Senior Managers



- a) To ensure that unique pre-numbered electronic orders are used for all Works, Goods and Services, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases, or other exceptions approved by the Section 151 Officer in consultation with the relevant Head of Service.
- b) To ensure that the Council's standard terms and conditions are not varied without the prior approval of the Section 151 Officer and the Director of Governance and Corporate Services.
- c) To ensure that orders are only used for Council business. Individuals must not use official orders for their private use.
- d) To ensure that only those staff authorised by him or her sign/authorise orders and to maintain an up-to-date list of such authorised staff, including specimen signatures if appropriate, identifying in each case the limits of their authority. The authoriser of the order should be satisfied that the Works, Goods and Services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary.
- e) To ensure that Works, Goods and Services are checked on receipt to verify that they are in accordance with the order. Where appropriate, entries should then be made in inventories or stores records.
- f) Where in exceptional circumstances verbal orders are given, to ensure that they are confirmed by an electronic order as soon as possible, and not later than two working days after the verbal order. Such orders shall be clearly marked "confirmation order" and give the date of the verbal order.
- g) Running orders may be issued where similar purchases are required from the same supplier on a regular basis. Such orders must be valid for a finite period not exceeding 12 months, and clearly state the start and finish dates during which the order is to be valid. Financial limits apply to total order values.
- h) Where the cost of the purchase is not known, the order shall be clearly marked with the limit of the value.

### **35 Risk management and insurance**

#### **35.1. Why is this important?**

- a) A risk is an uncertain event or a set of events which, should it occur, will have an impact upon the achievement of objectives. Risk management is the ongoing process of identifying, evaluating, recording and where necessary, taking action in respect of the risks.

The aim of risk management is that the Council achieves its objectives.

- b) Risk management is central to business planning and an essential part of routine management. It should be part of the corporate objective setting process and also part of the 'day job' of all officers and managers.

### 35.2. Key controls

- a) The Council's risk management processes provide a level of formality so that officers consider record and communicate business risks systematically.
- b) Monitoring and independent challenge by senior officers and Councillors ensures that risks to the Council's objectives are regularly reviewed and evaluated. Risk management should be a continuous process.
- c) The level of any risk is assessed according to its likelihood and its impact on achievement of the associated objective.
- d) Councillors and senior officers have agreed the level of risk that the Council will tolerate, its risk appetite. Risks assessed as being greater than the agreed level will not be tolerated and control action is taken to reduce the level of risk. The risk appetite is kept under review.
- e) Officers determine the necessary management action to ensure that risks do not exceed the agreed tolerance level.
- f) Corporate strategic risks are recorded in the corporate risk register. Risks that impact on service objectives are recorded in service plans and feed through into the corporate risk register. Operational risks at team level are recorded in team plans.
- g) The Council has in place a Risk Management Strategy.
- h) Insurance is a control action suitable for certain specific risks, whereby an element of the risk is transferred from the Council to the insurer. Officers make provision for financial losses that might result from the risks that remain and investigate claims within the required timescales.
- i) The Council has identified business continuity and contingency plans in case of disaster resulting in significant loss or damage to its resources or interruption of essential service provision.

### 35.3. Responsibilities of the Chief Executive

- a) The Chief Executive has ultimate responsibility for the Council's risk management strategy and ensuring that the Council has agreed and stated its risk appetite.
- b) To support Councillors and SMB in the identification of risk during the annual corporate planning cycle and throughout the year.
- c) Together with Senior Managers, regularly review and monitor the quality of the corporate risk register, ensuring inclusion of key strategic corporate risks.
- d) To ensure Audit & Standards Committee understand their role of scrutiny and monitoring.
- e) To evaluate and advise the Audit & Standards Committee on:
  - i) any risks to Council objectives that cannot be controlled sufficiently to reduce the risk to below the level of tolerance
  - ii) the most effective and efficient control actions in respect of risks
  - iii) the most efficient methods of financing monetary losses resulting from risks whether by insurance or other means
  - iv) maintaining an awareness of the nature and potential costs of risks to the Council.
- f) To include all appropriate employees of the Council in a suitable fidelity guarantee insurance. To notify the Section 151 Officer immediately of any suspected dishonesty on the part of any Officer.
- g) To effect corporate insurance cover, through external insurance and internal funding, and to negotiate all claims in consultation with other Officers, where necessary.
- h) In consultation with Senior Managers, conduct an annual review of insurances and further review at the expiry or termination of any existing long term agreement with insurers.

#### 35.4. Responsibilities of the Section 151 Officer

- a) To be the ambassador of risk management, be responsible for influencing improvements in risk management and help ensure consistency in risk reporting across the Council and chair the Risk Management Group.
- b) To report regularly on risk management to the Chief Executive and SMB/Directors and to report exceptional risks to Cabinet within the Joint Performance and Finance Report.

### 35.5. Responsibilities of Senior Managers

- a) To challenge and take an overarching view of risk management and the risk register and to support SMB in the identification and evaluation of risk.
- b) To identify and record service based risks and regularly monitor and update risks through the Council's service planning database.
- c) To identify, evaluate, record and monitor all: project based, partnership based and any other risks in their service areas that are not included in the service planning database.
- d) To ensure all officers receive appropriate risk management training.
- e) The Chief Executive and Senior Managers shall satisfy themselves of the adequacy and cost effectiveness of measures to reduce risks to the Council and the adequacy of insurance of independent contractors to the Council.
- f) To notify the Senior Insurance Officer 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 Section 151 Officer or the Council's insurers.
- g) To notify the Senior Insurance Officer promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.
- h) To produce to the Senior Insurance Officer when requested schedules of all property and assets under their control showing replacement values. In the case of real estate, rebuilding costs, the value of contents and postcodes must be shown.
- i) To ensure Officers, 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.
- j) To inform the Senior Insurance Officer of Officers who provide advice which is outside statutory duties, to ensure that professional indemnity insurance is adequate.
- k) To ensure that authorised motor vehicle users know their insurance must cover them for third party claims while driving on Council business.
- l) To obtain approval from the Senior Insurance Officer before making any payment arising from any incident which could lead to a claim against or by the Council.

- m) To consult the Senior Insurance Officer about proposals to insure property belonging to third parties, and to supply copies of all relevant documentation.
- n) In the event of loss or damage to Council property, to advise the Senior Insurance Officer of replacement costs without delay. Failure to provide this information within 90 days will negate an insurance claim. In the case of damage to a building, the full postcode must be provided.

## **36 Stocks and stores**

### 36.1. Why is this important?

- a) The Council may have large sums invested in stocks and stores, and should therefore protect its interest carefully.
- b) Under partnership arrangements, these may be under the control and care of a third party, and it is important to ensure that all partners and contractors make proper arrangements for security, inventory management, and stock checking.

### 36.2. Responsibilities of Senior Managers

- a) To make arrangements for sound systems of stock control in the service areas.
- b) To arrange and approve suitable systems where stocks and stores are held by other organisations on the Council's behalf.
- c) To ensure that all materials other than for immediate consumption are delivered to stores, properly controlled under the provisions of these financial regulations.
- d) To keep stores records in a form approved by the Section 151 Officer.
- e) To ensure that all issues from stores are made on a duly authorised requisition, which must show the location at which and by whom the items are required.
- f) To arrange for the periodical test examination of stores in hand and ensure that all stores are checked at least once in every financial year.
- g) To arrange for stocktaking to be independent of storekeepers and stores accounting staff.

- h) As soon as possible after the year-end, to give the Section 151 Officer full and accurate accounts and statements duly certified as to the stocks and stores in their areas.
- i) To report surpluses and deficits in excess of 2.5 per cent of turnover at each stock check to the Cabinet, in conjunction with the Section 151 Officer.
- j) The responsible Officer, in conjunction with the Section 151 Officer, shall write off redundant stock to a maximum of one per cent of turnover each year. Any write-offs in excess of this limit to be approved by the Cabinet.
- k) To keep stocks in line with normal requirements, except in special circumstances with approval from the Cabinet.
- l) To ensure that there are no sub-stores without the consent of the Section 151 Officer.

### **37 Taxation**

#### 37.1. Why is this important?

- a) 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 understand their role.

#### 37.2. Key controls

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

#### 37.3. Responsibilities of the Section 151 Officer

- a) To complete all Inland Revenue returns regarding PAYE.
- b) To complete a monthly return of VAT inputs and outputs to HM Revenue and Customs.

- c) To provide details to the Inland Revenue regarding the construction industry tax deduction scheme.
- d) To maintain up-to-date guidance for Council employees on taxation issues.

#### 37.4. Responsibilities of Senior Managers

- a) To ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Revenue and Customs regulations.
- b) To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.
- c) 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 staff agency.
- d) To ensure the Section 151 Officer is aware of any new or renewed contracts, land deals or leases to consider the Council's VAT position, for example, to mitigate VAT liability or with regard to the benefits of opting to tax such schemes.
- e) To follow guidance on taxation issued by the Section 151 Officer.

### **38 Trading accounts, business units and work for third parties**

#### 38.1. Why is this important?

- a) Current legislation allows 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. The arrangements should ensure that any risks associated with this work are minimised and that such work is intra vires.
- b) Trading accounts and business units have become more important as councils have developed a more commercial culture.

#### 38.2. Key controls

- a) Proposals are costed properly in accordance with guidance provided by the Section 151 Officer.
- b) Officers draw up contracts using guidance provided by the Section 151 Officer, and follow the formal approvals process.

- c) Guidance on the financial aspects of third party contracts and the maintenance of the contract register is issued and observed.

### 38.3. Responsibilities of the Section 151 Officer

- a) To issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register.
- b) To advise on the establishment and operation of trading accounts and business units.

### 38.4. Responsibilities of Senior Managers

- a) To ensure that the service area has the appropriate expertise to undertake the work or contract.
- b) To consult the Section 151 Officer where a business unit wishes to enter into a contract with a third party where the contract expiry date exceeds the remaining life of their main contract with the Council. In general, such contracts should not be entered into unless they can be terminated within the main contract period without penalty.
- c) 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.
- d) To ensure that the same accounting principles are applied to trading accounts as to other services.
- e) To ensure that each business unit prepares an annual business plan.
- f) To obtain appropriate Councillor approval before any negotiations are concluded to work for third parties.
- g) To maintain a register of all contracts entered into with third parties in accordance with procedures specified by the Section 151 Officer.
- h) To ensure that appropriate insurance arrangements are made.
- i) To ensure that the Council is not put at risk from any bad debts.
- j) To ensure that no contract is subsidised by the Council.
- k) To ensure that, wherever possible, payment is received before delivery of the service.
- l) To ensure that such contracts do not adversely affect the Council's own services.



- m) To ensure that all contracts are properly documented.
- n) To provide appropriate information so that a note can be prepared for annual accounts purposes.

### **39 Treasury management**

#### 39.1. Why is this important?

- a) In order to manage the Council's daily cash flow movements, the Council often lends and borrows on the short-term money market. In so doing, the key objectives are to maximise the security of any investments, ensure adequate liquidity of funds and to secure value for money by working to optimise the return on balances. These objectives spread risk beyond its own bankers on large balances held. The Council also borrows in the medium and long term to finance major capital projects within defined limits on borrowing.
- b) Codes of practice exist to help ensure that the Council's investments comply with the CIPFA Code of Practice on Treasury Management, regulations issued by the Government and with the Council's annual treasury management strategy statement. The Council's borrowing should be affordable, compliant with approved prudential indicators and procured under the guidance of both the CIPFA Code of Practice and the Prudential Code for Capital Finance in Local Authorities.

#### 39.2. Key controls

- a) The Council's investments comply with the CIPFA Code of Practice on Treasury Management and with the treasury policy statement. The Council's borrowing should comply with the CIPFA Code of Practice, the Prudential Code for Capital Finance in Local Authorities.

#### 39.3. Responsibilities of Section 151 Officer

- a) To arrange the borrowing and investments of the Council in such a manner as to comply with the CIPFA Code of Practice on Treasury Management, the management strategy statement and the Council's Treasury Management Practices. To report to the Cabinet and Full Council on treasury management activities, as required under the CIPFA Code of Practice on Treasury Management.
- b) To seek advice on the Council's legal authority to enter into agreements.
- c) To ensure that all investments of money are made in the name of the Council or in the name of nominees approved by the Cabinet.

- d) 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 appropriate Senior Manager.
- e) To effect all borrowings in the name of the Council.
- f) To act as the Council's registrar of stocks, bonds and mortgages and to maintain records of all borrowing and investment of money by the Council.

#### 39.4. Responsibilities of Senior Managers

- a) 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 Full Council, following consultation with the Section 151 Officer.
- b) To notify the Section 151 Officer of all contracts that entail lease arrangements, including embedded lease arrangements.
- c) To notify the Treasury Management Team in advance of the receipt of all substantial sums of income, and to notify the projected cash flow profiles attached to all grant-funded arrangements involving the remittance of substantial payments.

### **40 Trust funds and funds held for third parties**

#### 40.1. Responsibilities of Senior Managers

- a) 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 Section 151 Officer, unless the deed otherwise provides.
- b) To arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Section 151 Officer, and to maintain written records of all transactions.
- c) To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.

# Financial Regulations (Appendix 1) Financial Limits

Section	Description	Financial Limits (£)
<b>Individual Virement Limits</b>		
5.8	Individual Cost Centre Manager	5,000
	Director	50,000
	Chief Executive	75,000
	Chief Executive in consultation with the Portfolio Holder	100,000
5.10	Cabinet	500,000
	Full Council	500,000 +
5.14	De minimus level for virements	1,000
<b>Assets</b>		
16.3	De minimus level for recording in asset register: Vehicles	2,000
	Other assets	5,000
	Land and buildings	20,000
<b>Disposal of Assets, Stores and Equipment</b>		
17.2	Offer to first come, first served	50
	Invitation to bid	50 < 1,000
	Quotations/public auction sale	>1,000

## **Banking**

19.5	Cheque requires a second manual signature	>3,000
	Pre-signed cheque limit	100,000

## **Cash Handling**

20.19	Maximum cash limit to be held overnight in locked safe/strong room	50,000
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## **Ex-gratia Payment Limits**

21.26	Head of Paid Service with notification to Section 151 Officer	1,000
	Agreement of Chief Executive and Section 151 Officer	2,000
	Agreement of Chief Executive after consultation with the Section 151 Officer and the Leader of the Council in consultation with the Section 151 Officer and the relevant Portfolio Holder	2,000+

## **Orders/Purchasing and Contracts**

22.6	Quotations for purchase of works goods and services	<5,000
	Inviting tenders and quotations (refer to Corporate Procurement and Contract Standing Orders)	5,000+
22.7	Performance bonds for contracts	100,000+

## **Write Off Limits (Debits and Credits)**

23.10	Revenues & Benefits Manager	1,000
	Heads of Service	2,000
	Chief Executive, Section 151 Officer	5,000
	Portfolio Holder in consultation with S151 Officer	20,000

Cabinet 20,000+

**Inventories**

25.7 Notify Section 151 Officer of new property or equipment >1,000