

# PART 4C - FINANCIAL MANAGEMENT STANDARDS

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## 1.0 **FINANCIAL MANAGEMENT**

### 1.1 **Financial Management Standards**

1.1.1 All staff and members have a duty to be honest when dealing with financial issues.

1.1.2 Chief Officers/Deputy Chief Officers shall ask the advice of the Section 151 Officer on any matters within his/her scope which could materially affect the finances of the council before any provisional or other commitment is incurred or before reporting on it to the Cabinet.

1.1.3 Any reference to Chief Officers/Deputy Chief Officers shall apply equally to a nominated officer to whom such authority has been delegated by the appropriate Chief Officer/Deputy Chief Officer.

1.1.4 The Section 151 Officer shall be authorised to increase the financial limits contained within the following sections of these procedures by RPI-x (the retail prices index excluding mortgage interest payments) subject to all increases being notified to all Chief Officers/Deputy Chief Officers and members of the council.

1.1.5 Key Controls:

- (a) To ensure the promotion of financial management standards throughout the council.
- (b) To have a system in place to review compliance with financial standards.
- (c) To undertake regular comparisons of performance indicators and benchmark standards and report these to the Cabinet and full Council.

1.1.6 Responsibilities of the Section 151 Officer:

- (a) To ensure the proper administration of the financial affairs of the council.
- (b) To set the financial management standards and to monitor compliance with them.
- (c) To ensure proper professional practices are adhered to and to act as head of profession in relation to the standards of finance staff throughout the council.
- (c) To advise on the key strategic controls necessary to secure sound financial management.
- (d) To ensure that financial information is available to enable accurate and timely monitoring and reporting.

1.1.7 Responsibilities of Executive Managers:

- (a) To promote the financial management standards set by the Section 151 Officer in their service units 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 staff in their service units.

## 1.2 **Local Government Legislation**

1.2.1 Nothing in these procedures shall affect any powers, duties or obligations of any officer created by the 1972 Act or any other legislation (including subordinate legislation) amending, substituting or replacing that Act or any other legislation (including subordinate legislation) regulating or governing the conduct of business or financial affairs of the Council or local authorities generally.

## 1.3 **Unlawful Expenditure**

1.3.1 If any officer of the council becomes aware that he or any other officer or the cabinet, a cabinet member, committee or other person or body making any decision on or recommendation on behalf of the Council:

- (a) has made or is about to make a decision which involves or would involve the council incurring expenditure which is unlawful
- (b) has taken or is about to take a course of action which, if followed through would be unlawful and likely to cause a loss to the council, or is about to enter into the council's accounts an item which should not lawfully be entered into those accounts.

1.3.2 Then he or she shall immediately inform the Section 151 Officer and Monitoring Officer and give them the information relating to the matter.

## 1.4 **Emergency Procedures**

1.4.1 Where there is no cost provided for in the Budget and/or emergency action is required such that it is not reasonably practicable to go through the normal procedures, Chief Officers/Deputy Chief Officers shall have power to spend up to an estimated value of £20,000; and to spend over £20,000 with the approval of the Leader, in each case subject to the expenditure subsequently being vired in accordance with the Budget transfer rules contained in the constitution.

## 1.5 **Managing Expenditure**

1.5.1 The Council will set revenue and capital Budgets each year and the cabinet and officers may incur expenditure as allowed in the Budget and Policy Framework Procedure Rules.

1.5.2 Key Controls:

- (a) To ensure the Budget and Policy Framework
- (b) To set in place monitoring and reporting systems.

1.5.3 Responsibilities of the Section 151 Officer:

- (a) Once capital and revenue Budgets have been approved by the Council, the Section 151 Officer will submit quarterly financial monitoring reports to the Corporate Management Team and the Cabinet.
- (b) After the Council has approved the revenue Budget and allocation of resources, and before the start of the financial year, the Section 151 Officer will issue to

each Chief Officer/Deputy Chief Officer an approved revenue Budget statement for the services under their control.

- (c) The Section 151 Officer is responsible for co-ordinating, preparing and submitting a draft five year revenue Budget and a draft five year capital Budget to the Cabinet each year.

#### 1.5.4 Responsibilities of the Executive Manager:

- (a) Executive Managers are responsible for preparing and submitting draft revenue and capital Budgets and related reports in consultation with the relevant Portfolio Holder to the Cabinet in accordance with the financial strategy timetable.
- (b) Any report submitted to a committee, panel, the cabinet or a cabinet member which has direct financial implications shall contain a statement indicating the sufficiency or otherwise of the financial provision contained in the revenue Budget /capital Budget.

#### 1.6 **Budget Transfers (Virements) and Additional Expenditure**

1.6.1 The Full Council is responsible for agreeing procedures for virement of expenditure between Budget headings and procedures for incurring additional expenditure above the set Budget. Virement rules (which include reference to additional expenditure) are detailed in Part 4 of Section 6 of the Constitution.

#### 1.7 **Year End Balances**

1.7.1 Approvals for carrying Budget over at year end are in line with rules on transferring funds between reserves.

#### 1.8 **Accounting Policies**

1.8.1 The accounting policies are set out in the statement of accounts, in accordance with proper practices as set out in the format required by the relevant codes of practice *on local authority accounting in the United Kingdom*.

#### 1.8.2 Key controls:

- (a) Systems of internal control are in place that ensures that financial transactions are lawful.
- (b) Suitable accounting policies are selected and applied consistently.
- (c) Proper accounting records are maintained.
- (d) Financial statements are prepared which present fairly the financial position of the council and its expenditure and income.

#### 1.8.3 Responsibilities of the Section 151 Officer:

- (a) To select suitable accounting policies and to ensure that they are applied consistently. The accounting policies are set out in the statement of accounts, which is prepared at 31st March each year.

#### 1.8.4 Responsibilities of Chief Officers/Chief Officers:

- (a) To comply with accounting policies and guidelines as approved by the Section 151 Officer.

## 1.9 **Accounting Records and Returns**

1.9.1 Maintaining proper accounting records and returns is important because it demonstrates the way we discharge our responsibility for public funds. It also ensures that we are fairly stating the financial position of the Council at any one point of time.

### 1.9.2 Key Controls:

- (a) All Portfolio Holders, Executive Managers, directors, finance staff and Budget managers operate within the required accounting standards and timetables.
- (b) All the Council's transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis.
- (c) Reconciliation procedures are carried out to ensure transactions are correctly recorded.
- (d) Prime documents are retained in accordance with legislative and other requirements.

### 1.9.3 Responsibilities of the Section 151 Officer:

- (a) To determine the accounting procedures and records for the council.
- (b) To arrange for the compilation of all accounts and accounting records under his or her 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 officers with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
- (d) To make proper arrangements for the audit of the Council's accounts in accordance with the Accounts and Audit Regulations 2011.
- (e) To ensure that all claims for funds including grants, for which he or she is responsible for, are made by the due date.
- (f) To prepare and publish the audited accounts of the council for each financial year, in accordance with the statutory timetable.
- (g) To issue guidance on the retention of financial documents relating to minimum periods for retention and ensure that these timescales are complied with.

### 1.9.4 Responsibilities of Chief Officers/Deputy Chief Officers:

- (a) To consult and obtain approval from the Section 151 Officer before making changes to accounting records and procedures.
- (b) To comply with the following principles:
  - (i) the duties of providing information concerning amounts due to or from the council and of calculating, checking and recording these amounts shall be separated as completely as possible from the duty of collecting or paying them. Officers who are responsible for checking and examining the accounts of cash transactions shall not be involved in any of these transactions.
- (c) To ensure the proper retention of financial documents in accordance the document retention policy.
- (d) To ensure grant claims are submitted on time and to comply with grant conditions.
- (e) To maintain adequate records to provide an audit trail leading from the source of income/expenditure through to the accounting statements.
- (f) To exercise continuous Budgetary control throughout the financial year.
- (g) To nominate accountable Budget holders for services under their control.
- (h) To submit in consultation with the Section 151 Officer regular Budget monitoring statements to the Cabinet in respect of revenue and capital expenditure and income.

#### **1.10 The Annual Statement of Accounts**

1.10.1 The Council has a statutory responsibility to prepare its own accounts to present fairly its operations during the year.

1.10.2 Key controls:

- (a) The Council is required to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of these affairs. In this 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 relevant codes of practice on local authority accounting in the United Kingdom.

1.10.2 Responsibilities of 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 CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

- (d) To sign and date the statement of accounts, stating that it presents fairly the financial position of the council at the accounting date and its income and expenditure for the year ended 31st March.
- (e) To draw up the timetable for final accounts preparation and to advise staff and external auditors accordingly.

#### 1.10.3 Responsibilities of Chief Officers/Deputy Chief Officers:

- (a) To comply with accounting guidance and to provide information to enable the statement of accounts to be prepared.
- (b) To comply with closedown timetables.

## 2.0 **FINANCIAL PLANNING**

### 2.1 **Budgeting**

#### 2.1.1 Setting a Budget:

- (a) The Council must set a Budget, which is a realistic statement of its estimated income and expenditure for the coming year based upon information currently available to it. It has a duty to take into account the demand for its services, and the effect upon council taxpayers of meeting those demands at varying levels of services. The council has to ensure that its medium term financial plans are robust. Under Part 11 of the Local Government Act 2003 members must:
  - (i) Review the Budget 'from time to time' during the year.
  - (ii) Consider the impact of any overspend on the forecast reserves position.
  - (iii) Decide on any appropriate action - reduce spending, increase income or utilise reserves.
- (b) The format of the Budget determines the level of detail to which financial control and management will be exercised.

#### 2.1.2 Key Controls:

- (a) The format complies with all legal requirements.
- (b) The format complies with CIPFA's Service Reporting Code of Practice.
- (c) The format reflects the accountabilities of service delivery.
- (d) Each service code must have a nominated accountable Budget holder.
- (e) Council approval, must be obtained if a Executive Manager wishes to approve a proposal which would increase ongoing commitments into future years.

#### 2.1.3 Responsibilities of the Section 151 Officer:

- (a) To advise the Cabinet on the format of the Budget that is approved by the full Council.
- (b) To ensure that:

- (c) the format complies with all legal requirements
- (d) the format complies with CIPFA's Service Reporting Code of Practice
- (e) the format reflects accountabilities of service delivery.

## 2.2 **Revenue Budget Preparation, Monitoring and Control**

2.2.1 The revenue Budget will be prepared each year in accordance with the financial strategy, procedures and guidance set by the Cabinet.

2.2.2 Council approval must be obtained if an Executive Manager wishes to approve a proposal which would increase ongoing commitments into future years.

2.2.3 Key controls:

- (a) Budget managers should be responsible only for income and expenditure that they can influence.
- (b) There is a nominated Budget manager for each Budget heading.
- (c) Budget managers accept accountability for their Budgets and the level of service to be delivered and understand their financial responsibilities.
- (d) Budget managers follow an approved certification process for all expenditure.
- (e) Income and expenditure are properly recorded and accounted for.
- (f) Performance levels/levels of service are monitored in conjunction with the Budget and necessary action is taken to align service outputs and Budget .
- (g) Specific Budget approval is given for all expenditure.
- (h) Budget managers are appropriately trained to carry out their Budgetary control responsibilities.
- (i) Detailed work sheets are prepared for every Budget heading by the Budget manager.

2.2.4 Responsibilities of the Section 151 Officer:

2.2.4.1 To establish an appropriate framework of Budgetary management and control that ensures that:

- (a) Budget management is exercised within annual cash limits unless the full Council agrees otherwise
- (b) each Chief Officer has available timely information on expenditure and income on each Budget which is sufficiently detailed to enable managers to fulfil their Budgetary responsibilities
- (c) expenditure is committed only against an approved Budget head
- (d) officers responsible for committing expenditure comply with relevant guidance and financial regulations



- (e) each cost centre has a single named Budget manager, determined by the relevant Executive Manager. As a general principle, Budget responsibility should be aligned as closely as possible to the decision making processes that commits expenditure
- (f) significant variances from approved Budgets are investigated and reported by Budget managers regularly
- (h) Budget Managers should consider at regular intervals whether additional revenue can be generated and/or new sources of revenue funding can be found and must report once a year to Cabinet and appropriate panels to recommend policies for fees and charges.

## 2.2.5 Responsibilities of Chief Officers/Deputy Chief Officers:

### 2.2.5.1 To be responsible for maintaining Budgetary control within their sections by:

- (a) ensuring expenditure is committed only against an approved Budget head
- (b) investigating significant variances and reporting to the Section 151 Officer on a monthly basis
- (c) exercising management within annual cash limits.

2.2.5.2 Before placing orders or entering into any other sort of commitment to expenditure, Budget managers must be satisfied that there is enough Budget provision in the overall revenue Budget under their control and that the order or commitment will not result in an overspending.

2.2.5.3 To nominate Budget managers for each item of service income and expenditure under the control of the Executive Manager.

## 2.3 **Budgets And Medium Term Planning**

2.3.1 The Budget is the financial representation of the Council's policies and is the most visible and public outcome of its financial planning processes: it represents choices made in the allocation of scarce resources and as such represents the Council's priorities.

### 2.3.2 Key Controls:

- (a) Monitor compliance against the Financial Strategy.

### 2.3.3 Responsibilities of the Section 151 Officer:

- (a) To draft the Financial Strategy.

### 2.3.4 Responsibilities of Chief Officers/Deputy Chief Officers:

- (a) To comply with the Financial Strategy.

## 2.4 **Resource Allocation**

2.4.1 We need to prioritise resource allocation to ensure that resources are used effectively and directed at our priorities. Resources may include staff, money, equipment, goods and materials.

2.4.2 Key Controls:

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

2.4.3 Responsibilities of the Section 151 Officer:

- (a) To advise on methods available for the funding of resources, such as grants from Central Government and borrowing requirements.
- (b) To advise on the suitability of proposals to introduce/modify financial procedures to control resources (e.g. stock control systems).
- (c) To assist in the allocation of resources to Budget managers.

## 2.5 **Capital Programme**

2.5.1 Capital expenditure involves acquiring or enhancing fixed assets with a long term value to the council such as land, buildings, equipment and vehicles. The Council's capital programme is developed by the Section 151 Officer in consultation with EMT and Cabinet Members, who consider capital expenditure proposals submitted. These proposals are evaluated, appraised and prioritised by EMT before being considered by the Cabinet who will then make recommendations to full Council. Under the Prudential Code councils now have a duty to decide and keep under review the amount they can afford to borrow.

2.5.2 Key controls:

- (a) specific approval by the full Council for the programme of capital expenditure
- (b) a scheme and estimate, including project plan, progress targets and associated revenue expenditure is prepared for each capital project, for approval by CMT before projects commence
- (c) development and maintenance of asset management plans
- (d) accountability for each proposal is accepted by a named officer
- (e) progress and expenditure is monitored and compared to the approved Budget
- (f) ensuring the scheme links to the council's corporate objectives

- (g) proposals for improvements and alterations to buildings must be approved by the Asset and Property Manager.

#### 2.5.3 Responsibilities of the Section 151 Officer:

- (a) To issue guidance relating to the strategy and controls for capital schemes. The definition of 'capital' will be determined by the Section 151 Officer, having regard to Government regulations and accounting requirements.
- (b) To collate capital estimates jointly with Executive Managers and the Chief Executive and to submit them to the Cabinet for approval. The Cabinet will make recommendations on the capital estimates and on any associated financing requirements to the full Council. Cabinet approval is required where a Chief Officer/deputy Chief Officer proposes to bid for, or exercise additional borrowing approval, not anticipated in the capital programme.
- (c) To prepare and submit global monitoring reports to the Cabinet on the projected income, expenditure and resources compared with the approved estimates and to recommend action where necessary to ensure that capital expenditure is fully funded.
- (d) To administer the Council's scheme of virement.

#### 2.5.4 Responsibility of the Executive Managers:

- (a) To brief the appropriate technical officer so that an accurate estimate and outline of the scheme can be prepared.
- (b) To consult with residents and service users.
- (c) To consult with other relevant Directors about any land acquisitions and disposals, planning and highway issues.
- (d) To prepare and submit to the Section 151 Officer the estimate and outline scheme, together with a report on the outcome of consultations, and a project plan for implementation of the scheme.
- (e) To ensure the scheme links to the council's corporate objectives.
- (f) All proposals to incur capital expenditure must include a standard expenditure form, and must comply with all other requirements, as specified by the Section 151 Officer. The form will include the immediate and long term revenue effects for each capital project. Possible VAT implications will also need identifying.
- (g) The Executive Manager, with the agreement of the Section 151 Officer, can approve an estimate and outline scheme provided that the estimate does not exceed the sum included for the scheme in the approved capital Budget.
- (h) The Executive Manager must seek the approval of the Cabinet to proceed with a scheme where the estimate exceeds the sum included in the approved capital Budget.

- (i) If this happens, an appropriate method of financing the additional expenditure must be clearly identified. Unless otherwise approved by the Financial Procedure Rules, approval will be sought from Full Council.

## 2.6 **Maintenance Of Reserves**

2.6.1 A local authority must decide the level of general reserves it wishes to maintain before it can decide the level of council tax. Reserves are maintained as a matter of prudence. Reserves for specific purposes may also be maintained.

2.6.2 Key controls:

- (a) To maintain reserves in accordance with the relevant codes of practice on local authority accounting in the United Kingdom and agreed accounting policies.
- (b) For each reserve established, the purpose, usage and basis of transactions should be clearly identified. All requests for reserves to be set up need to be in writing stating the purpose, value, and likely draw down dates.
- (c) The establishment of reserves and incurring of expenditure from reserves should be authorised by the Section 151 Officer.
- (d) An annual review of reserves undertaken by the Cabinet.

2.6.3 Responsibilities of the Section 151 Officer:

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

2.6.4 Responsibilities of Chief Officers /Deputy Chief Officers:

- (b) to ensure that resources are only used for the purposes of which they were intended.

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

### 3.1 **Risk Management and Insurance**

3.1.1 The diversity of services offered by the Council presents a vast potential for risk in all its different forms. The risks facing the council fall into two categories: strategic and operational. EMT will facilitate the risk management process at corporate and service level.

3.1.2 It is the responsibility of the Cabinet to approve the authority's risk management strategy and to promote a culture of risk management awareness throughout the authority.

3.1.3 Key controls:

- (a) There is a corporate risk strategy with procedures in place to identify, assess, prevent or contain material known risks, and these procedures are operating effectively throughout the Council.

- (b) A monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls.
- (c) Managers know that they are responsible for managing relevant risks and are provided with relevant information on risk management.
- (d) Provision is made for losses that might result from the risks that remain.
- (e) Risk management is incorporated into service business plans.
- (f) Acceptable levels of risk are determined and insured against where appropriate.

#### 3.1.4 Responsibilities of the Monitoring Officer:

- (a) To prepare and promote the Authority's risk strategy.
- (b) To develop risk management controls in conjunction with other Executive Managers.

#### 3.1.5 Responsibilities of the Section 151 Officer:

- (a) To effect corporate insurance cover, through external insurance and internal funding, and to arrange for the negotiation of claims in consultation with other officers.
- (b) All employees of the Council shall be included in suitable fidelity guarantee insurance.

#### 3.1.6 Responsibility of the Chief Internal Auditor:

- (a) To report annually to the authority an opinion on the overall adequacy and effectiveness of the authority's internal control environment, providing details of any weaknesses that qualify this opinion and bringing to the attention of the authority any issues particularly relevant to the preparation of the Annual Governance Statement.

#### 3.1.7 Responsibilities of Executive Managers:

- (a) To notify the Section 151 Officer immediately in writing any loss, liability or damage that may lead to a claim by or against the Authority, together with any information or explanation required by the Section 151 Officer or the Authority's insurers.
- (b) If any assets covered by insurance are damaged or stolen, Executive Managers must not order replacements, remedial repairs or other work - except for emergency measures to prevent further damage or loss occurring - until the Section 151 Officer has been consulted. Damage or loss arising from malicious acts should be reported to the police.
- (c) To notify the Section 151 Officer promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurance.
- (d) To comply with any relevant procedures, protocols and timescales relating to handling claims as laid down in the Financial Handbook.

- (e) To notify the Section 151 Officer promptly of any significant acquisitions or disposals of assets or any alteration to the scope or level of services provided, particularly where the risk of accident, injury, loss or damage is likely to increase.
- (f) On a regular basis, the Section 151 Officer will forward to Executive Managers schedules of assets covered by insurance. Executive Managers must examine the schedules and ensure that the details of those assets are correctly recorded and that the scope and level of insurance cover are adequate, consistent with the Authority's corporate insurance arrangements.
- (g) To provide the Section 151 Officer with any information that he or she needs and in the timescale that he or she sets, to enable him or her to manage the Authority's insurances effectively.
- (h) To take responsibility for risk management within their areas of responsibility, having regard to advice from the Monitoring Officer and the Section 151 Officer and other specialist officers (e.g. health and safety).
- (i) To ensure that risk action plans for their areas of responsibility are up to date.
- (j) To consult with the Section 151 Officer and the appropriate Director on the terms of any indemnity that the Authority is requested to give.
- (k) To ensure that officers, or anyone covered by the Authority's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

### 3.2 **Internal Controls**

3.2.1 Internal control refers to the whole system of controls established in order to provide reasonable assurance of effective and efficient operations, reliable financial information and reporting and compliance with laws and regulations.

3.2.2 Key controls:

- (a) key controls should be reviewed on a regular basis and the council should make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively
- (b) managerial control systems should be in place, 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 should include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems
- (d) the existence of an effective internal audit function that is properly resourced. It should operate in accordance with the standards of practice applicable to Internal Audit (particularly CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom) and with any other statutory obligations and regulations.

### 3.2.3 Responsibilities of the Section 151 Officer:

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

### 3.2.4 Responsibilities of Executive Managers:

- (a) To manage processes to check that established controls are being adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.
- (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 Section 151 Officer. Executive 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 control.
- (d) To ensure the integrity of the post opening procedures, whereby at least two employees are present when post is opened so that money received by post is properly identified and recorded.

### 3.2.5 Responsibilities of Compass Point Business Services (East Coast) Ltd

- (a) To ensure the integrity of the postage procedures as follows:
  - (i) Except in an emergency, all postal packets, other than official registered envelopes, shall be franked with the correct charge by means of postal franking machines in accordance with the Regulations of the Post Office. Compass Point Business Services (East Coast) Ltd shall ensure that such records as are necessary are kept:
  - (ii) to record all operations on the machines
  - (iii) to ensure that the cost of all postages is allocated over the accounts properly chargeable to the Council.
  - (iv) the machines shall be kept securely to prevent unauthorised use.

## 3.3 **Internal Audit**

3.3.1 Internal audit is an independent appraisal function established by the management of an organisation for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic and effective use of resources. The Council shall maintain an adequate and effective system of internal audit of the accounting records and control systems. The Section 151 Officer is the responsible officer for the purposes of this requirement (Account and Audit Regulations 2003, Section 6).

3.3.2 A Strategic Audit Plan outlining areas of future audit cover over a period of three years will be prepared after consultation with the Executive Managers. In addition an annual audit programme will be agreed with the Corporate Management Team and approved by Governance and Audit Committee prior to the commencement of each financial year.

3.3.3 Copies of completed internal audit reports shall normally be passed to the Section 151 Officer and Relevant Executive Manager for comment and appropriate action to be taken. Executive Managers must respond in writing to any recommendations contained in audit reports. A log will be kept of outstanding actions which will be signed off by the relevant Executive Manager.

3.3.4 Key controls:

- (a) that it is independent in its planning and operation
- (b) the Chief Internal Auditor has direct access to the Chief Executive, all levels of management and directly to elected members
- (c) internal auditors comply with the CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom
- (d) unrestricted range of coverage of the organisation's operations
- (e) internal audit will have the freedom to determine the priorities for internal audit, in consultation with management.

3.3.5 Responsibilities of the Section 151 Officer:

- (a) access authority premises at reasonable times
- (b) access all assets, records, documents, correspondence and control systems
- (c) receive any information and explanation considered necessary concerning any matter under consideration
- (d) require any officer of the Authority to account for cash, stores or any other authority asset under his or her control
- (e) access records belonging to third parties, such as contractors, when required
- (f) directly access the Chief Executive, the Cabinet, and the Governance and Audit Committee.
- (g) To approve the strategic and annual audit plans prepared by the Chief Internal Auditor, which take account of the characteristics and relative risks of the activities involved.
- (h) To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.
- (i) To evaluate the adequacy and effectiveness of internal controls designed to secure assets and data and to assist management in preventing and deterring fraud and abuse and to examine the whole system of internal controls and not just the financial controls.



- (j) To submit a report detailing the activities of internal audit to the Governance and Audit Committee annually as soon as practicable after the end of each financial year together with a summary of findings from each of the audits undertaken.
- (k) To be responsible for deciding on the action to be taken to investigate suspected financial irregularities, including referring the matter to the police.
- (l) To assist management in the pursuit of value for money.

#### 3.3.6 Responsibilities of Executive Managers:

- (a) To ensure that 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.
- (b) To ensure that auditors are provided with any information and explanations that they seek in the course of their work.
- (c) To consider and respond promptly to recommendations in audit reports.
- (d) To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- (e) To notify the Section 151 Officer immediately of any suspected fraud, irregularity, improper use or misappropriation of the Authority's property or resources. Pending investigation and reporting, the Chief Officer/Deputy Chief Officer should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- (f) To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Chief Internal Auditor prior to implementation.

### 3.4 **External Audit**

3.4.1 The authority may be subject to external audit, inspection or investigation by external bodies such as HM Customs and Excise and the Inland Revenue who have statutory rights.

3.4.2 The authority's accounts are scrutinised by the external auditors who must be satisfied that the statement of accounts presents fairly the financial position of the authority.

#### 3.4.3 Key Controls:

- (a) External auditors are appointed by the Audit Commission normally for a minimum period of five years.

#### 3.4.4 Responsibilities of the Section 151 Officer:

- (a) access authority premises at reasonable times
- (b) access all assets, records, documents, correspondence and control systems

- (c) To ensure there is effective liaison between external and internal audit.

#### 3.4.5 Responsibilities of the Chief Officer/Deputy Chief Officers:

- (a) access authority premises at reasonable times
- (b) access all assets, records, documents, correspondence and control systems.

### 3.5 **Preventing Fraud And Corruption**

3.5.1 Fraud is an irregularity deliberately carried out with the intention to deceive. Fraud occurs where a person unlawfully converts to their own use, the property or assets (including cash) of another person or persons, or attempts to do so, by the falsification of records. As a deliberate act, fraud is quite distinct from and cannot include negligence and accidental error.

#### 3.5.2 All staff and members are required to comply with:

- (a) Anti-Fraud and Anti-Corruption Policy.
- (b) Codes of Conduct for Members and Officers as contained in the Constitution.
- (c) Whistleblowing Policy.

#### 3.5.3 Key controls:

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

#### 3.5.4 Responsibilities of the Section 151 Officer:

- (a) In conjunction with the Chief Executive to develop and maintain an anti-fraud and anti-corruption policy.
- (b) To maintain adequate and effective internal control arrangements.
- (c) To ensure that all suspected financial irregularities are reported to the Section 151 Officer, and where sufficient evidence exists to believe that a criminal offence may have been committed, the police are called in by the Chief Internal

Auditor to determine with the Crown Prosecution Service whether any prosecution will take place.

### 3.5.5 Responsibilities of the Executive Managers:

- (a) To ensure that all suspected financial irregularities are reported to the Chief Internal Auditor.
- (b) To instigate the Authority's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.
- (c) To ensure that where financial impropriety is discovered, the Chief Finance Officer is informed.

## 3.6 **Assets**

### 3.6.1 Management of Assets:

- (a) For the purpose of these Financial Procedures an asset is any item which has an intrinsic value and includes land, buildings, vehicles, plant, machinery, apparatus, furniture, computers, equipment, stock, materials, cash and securities. It is important that assets are safeguarded and used effectively in service delivery.
- (b) An employee of the Council must not use Council property, assets or materials for any purposes other than the work of the Council unless approval has been sought from and given by the Chief Officer/Deputy Chief Officer. The Council's property shall not be removed otherwise than in accordance with the ordinary course of the Council's business or used otherwise than for the Council's purposes except in accordance with specific directions issued by the appropriate officer concerned. Council property provided to individual officers or Members (e.g. Laptops and PC's for home use) must be controlled in a manner approved by the appropriate Director and inventories noted accordingly.
- (c) All property where practicable must be permanently marked to show that it is owned by the District Council and leased property should be marked in accordance with any agreement reached between the Chief Finance Officer and lease companies.

### 3.6.2 Key controls:

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

- (a) resources are used only for the purposes of the Authority and are properly accounted for;
- (b) resources are available for use when required;
- (c) resources no longer required are disposed of in accordance with the law and the regulations of the Authority so as to maximise benefits;
- (d) an asset register is maintained for the Authority - assets are recorded when they are acquired by the Authority and this record is updated as changes occur with respect to the location and condition of the asset;

- (e) procedures for the disposal of land;
- (f) all staff are aware of their responsibilities with regard to safeguarding the Authority's assets and information, including the requirements of the Data Protection Act and software copyright legislation;
- (g) all staff are aware of their responsibilities with regard to safeguarding the security of the Authority's computer systems, including maintaining restricted access to the information held on them and compliance with the Authority's information security and internet security policies.

### 3.6.3 Responsibilities of the Section 151 Officer:

- (a) To ensure that an asset register is maintained in accordance with good practice for all fixed assets.
- (b) To receive the information required for accounting, costing and financial records from each Chief Officer/Deputy Chief Officer.
- (c) To calculate capital charges and depreciation for all properties and maintain the asset management revenue account.
- (d) To ensure that assets are valued in accordance with the relevant codes of practice on local authority accounting in the United Kingdom.
- (e) The valuation of all of the major assets of the Council. A five year rolling programme of assets to be valued must be maintained, having been agreed with the Section 151 Officer. Information on asset valuations, purchases and sales must be provided to the Section 151 Officer for inclusion in the asset register in accordance with the timetable set by the Section 151 Officer. These valuations must include the estimated lives of assets.

### 3.6.4 Responsibilities of the Compass Point Business Services (East Coast) Ltd:

- (a) To be responsible for the security of the Council's Information Technology facilities in accordance with Data Protection Regulations. Compass Point Business Services (East Coast) Ltd shall be consulted by any appropriate officer wishing to use any data thereon.

### 3.6.5 Responsibilities of the officer in charge of Council Land and Property Assets:

- (a) To be responsible for keeping a register of all land and buildings owned by the Council. The register will hold information about: the purpose for which the land/building is held; description; location and OS map reference; purchase details; the nature of the Council's interest; rents and any other charges payable; restrictive covenants; and any tenancies or other interests granted. Council House lettings are excluded.
- (b) To keep a register of all land and buildings owned by the Authority and made available for letting. The register will hold information about: the purpose for which the land/building is held; description; location and ordnance survey map reference; purchase details; the nature of the Authority's interest; rents and any other charges payable; restrictive covenants; and any tenancies or other interests granted.

- (c) To undertake or commission land and property valuations.

### 3.6.6 Responsibilities of the Monitoring Officer:

- (a) To be responsible for the safe custody of title deeds.

### 3.6.7 Responsibilities of Chief Officer/Deputy Chief Officers:

- (a) To be responsible for assets held by their service units and to make sure that buildings, fittings, furniture, equipment, plant, stores, cash or other goods are kept secure.
- (b) To keep a record of all assets held by their departments as outlined in the Financial Handbook.
- (c) To pay particular attention to the security of keys to alarm systems, safe and any other places where valuable assets are kept. Unless an exception is agreed by the appropriate Director, specified officers who hold individual keys, will keep such keys in their possession at all times and will be responsible for the security of such keys. The Asset and Property Manager must keep a list of the officers who hold keys.
- (d) To be responsible for maintaining proper security at all times for all buildings, stocks, stores, furniture, equipment, cash, etc., under their control. To consult the Asset and Property Manager in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- (e) To be responsible for ensuring that any office keys, identity cards, keys and the like are obtained from any employee leaving the employment of his service unit at or before the time of leaving.
- (f) To be responsible for maintaining standards of security of computer held information as laid down by legislation and the appropriate Director and Compass Point Business Services (East Coast) Ltd/NCC from time to time.
- (g) To nominate officers who will be responsible for the issue of passwords for access to computer systems under their control. Records, approved by the appropriate Director, of officers with access to systems must be maintained.
- (h) On leaving the Authority, an officer's password/access must be inhibited promptly. Appropriate officers shall ensure that passwords are regularly changed and never shared.
- (i) Where land or property is disposed of, to ensure that, where appropriate, the District Council obtains the best financial terms for disposal. The Monitoring Officer and the Section 151 Officer will advise on where this is not felt to be appropriate. Financial proceeds from disposals must be utilised in accordance with policies and procedures approved by the Cabinet and guidance provided by the Section 151 Officer.

### 3.6.3 Cash

- (a) To work to the various Guidance Notes relating to cash handling or to other arrangements approved by the Section 151 Officer. Cash held in any safe must not exceed the amount of the insurance limit for that safe.
- (b) If any cash is stolen the Section 151 Officer must be notified immediately. Stolen cash which is not covered by insurance must be written off with the agreement of the Section 151 Officer.
- (c) Under no circumstances may personal cheques be cashed out of monies held on behalf of the council.

### 3.6.3 Furniture, Equipment, Vehicles and Plant

- (a) All items which have a value of more than £10,000 must be listed on an inventory. Budget managers should add items to the inventory as soon as they are received. The Section 151 Officer will decide on the form in which inventories will be kept, this will be detailed in the Financial Handbook.
- (b) If an item is lost, stolen or disposed of this must be recorded against the entry in the inventory and the item should be written-off. The Chief Finance Officer is authorised to write-off or dispose of obsolete, unrequired or deficient inventory items, up to a limit of £2,000 per annum. Sums in excess of this amount shall require the approval of the Finance Portfolio Holder.
- (c) Council property should only be moved from Council premises for official purposes with the permission of an authorised officer and a record should be kept of authorised removals.
- (d) The Section 151 Officer will provide general guidance to Directors and Executive Managers about insurance arrangements for vehicles, plant and equipment. The Section 151 Officer must be consulted when insurance cover is needed for any specific item of Council property which is to be used away from Council premises. The District Council's insurance arrangements do not generally cover private use of District Council property. Such property - vehicles, plant or equipment - must not be used for private purposes unless approval has been given by the Chief Executive.
- (e) Any surplus plant, vehicles, furniture or equipment must be sold by public tender or auction unless the financial interest of the Council would be better served by disposal in some other way. Goods must not be sold to an employee of the District Council unless the Section 151 Officer has given written approval. Before disposal the Chief Officer/Deputy Chief Officer must check if the asset is subject to leasing arrangements. If the asset is leased, disposal must be in accordance with the terms of the lease.

### **3.7 Stocks and Stores**

- 3.7.1 Each appropriate officer shall be responsible for the care and custody of the stocks and stores in his/her service unit. Stocks and stores shall not be in excess of normal requirements, except in special circumstances, with the approval of the Cabinet.
- 3.7.2 The Section 151 Officer shall be responsible for stores accounting procedures. Any stores records not maintained by the Section 151 Officer shall be in a form approved by him/her in consultation with each appropriate officer. These procedures will be detailed in the Financial Handbook.
- 3.7.3 The Section 151 Officer shall be entitled to receive from each appropriate officer such information as he/she requires in relation to stores for the accounting, costing and financial records.
- 3.7.4 Appropriate officers shall arrange for a continuous stock-taking to occur throughout the year, and a complete stock-take carried out at least once in every financial year, by someone other than the store-keeper. As soon as possible after 31st March in each year, the appropriate officer shall submit to the Section 151 Officer a certificate as to the value of stock held at the end of that financial year. The appropriate officer shall maintain a record of all stores deficiencies and surpluses in a manner agreed with the Section 151 Officer. Any differences on this account may be the subject of a report to the Cabinet by the Section 151 Officer.
- 3.7.5 Subject to 3.10.1(disposals) no item of stores or equipment shall be sold, except to another Local Authority or when required urgently to a contractor currently carrying out work for the Council. Directors are responsible for ensuring that adequate records are kept for all items under their control.
- 3.7.6 Executive Managers must make adequate arrangements to carry out regular stock checks and must agree with the Section 151 Officer the basis for calculating year-end valuations.
- 3.7.7 Authorised officers can certify the writing-off of stock deficiencies or the writing-on of stock surpluses but the reasons must be recorded. Directors and Executive Managers must keep and make available to the Section 151 Officer a list of the officers in their sections who are authorised to certify write-offs and write-ons. The list must be kept up to date to reflect any changes in officers authorised to approve adjustments.
- 3.7.8 Stock levels must not exceed reasonable operational requirements and Directors must make sure that surplus or obsolete items are identified and disposed of promptly. Any surplus stock must be sold by public tender or auction unless the financial interest of the Council would be better served by disposal in some other way. The Section 151 Officer's Note of Guidance on Disposal of Surplus Goods must be followed. Goods must not be sold to employees of the District Council unless the Section 151 Officer has given written approval.
- 3.7.9 Items issued from stores must be supported by properly authorised documentation including signatures for the receipt of goods, where appropriate.
- 3.7.10 The Section 151 Officer shall be responsible for stores accounting procedures. Any stores records not maintained by the Section 151 Officer shall be in a form approved by him in consultation with each appropriate officer.

3.7.11 The Section 151 Officer shall be entitled to receive from each appropriate officer such information as he/she requires in relation to stores for the accounting, costing and financial records.

### 3.8 **Asset Disposal**

3.8.1 All sales of land and buildings must comply with the Council's policy on land sales, contained in the Asset Management Plan.

3.8.2 The appropriate officer, with the approval of the Section 151 Officer, is authorised to dispose of by competitive tender or public auction or write-off obsolete stores and equipment or surplus scrap up to a value of £6,750. Disposals or write-offs in excess of this amount are subject to the approval of the Cabinet Member with responsibility for Finance.

3.8.3 Key controls:

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

3.8.4 Responsibilities of the Section 151 Officer:

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

### 3.9 **Lost Property**

3.9.1 Any property left on Council premises and regarded as lost must be disposed of in accordance with any procedures approved by the Section 151 Officer and after consultation with the Monitoring Officer.

### 3.10 **Treasury Management**

3.10.1 Key Controls

- (a) The Council has adopted CIPFA's Code of Practice for Treasury Management in Local Authorities. A Treasury Management Policy Statement setting out the matters detailed in paragraph 15 of CIPFA's Code of Practice for Treasury Management in Local Authorities has been adopted by the Council. Implementation and monitoring of the policy is delegated to the Section 151 Officer.
- (b) All Council monies shall be under the control of the Section 151 Officer and shall be effected in the name of the Council.
- (c) At or before the start of the financial year the Section 151 Officer shall report to the Cabinet on the strategy for treasury management it is proposed to adopt for the coming financial year.



- (d) All Executive Decisions on borrowing, investment or financing shall be delegated to the Section 151 Officer who shall be required to act in accordance with CIPFA's Code of Practice for Treasury Management in Local Authorities.
- (e) The Section 151 Officer shall issues reports in accordance with the reporting requirements identified each year in the Treasury Management Strategy approved by Council.

### **3.10.1 Banking arrangements and cheques**

- (a) All arrangements with the Council's bankers shall be made by or under arrangements approved by the Section 151 Officer who shall be authorised to operate such banking accounts, as he/she may consider necessary.
- (b) All cheques shall be ordered only on the authority of the Chief Finance Officer, who shall make proper arrangements for their safe custody.
- (c) Cheques drawn on the Council's main banking accounts shall bear the facsimile signature of an approved bank signatory or be signed by an approved bank signatories.
- (d) Supplier payments in excess of £50,000 shall be countersigned by an approved bank signatory. Prime documents must be produced for checking at the time of countersigning.
- (e) All arrangements with the council's bankers shall be made by or under arrangement approved by the Section 151 Officer. The Section 151 Officer shall be authorised to operate such bank accounts as he/she may consider necessary.
- (f) Unless specifically agreed by the Cabinet, all cheques must have the facsimile signature of the appropriate Director and be crossed 'account payee only'.
- (g) Cheques shall be ordered only on the authority of the Chief Finance Officer  
Cheques on the council's bank account shall bear the facsimile signature of the appropriate Director.
- (h) Any monies received must be paid without delay to the Chief Finance Officer, to the Council's bank, or as the Section 151 Officer directs.  
Unless there is specific written authority from the Section 151 Officer, no deductions can be made from monies received. Under no circumstances may personal cheques be cashed out of monies held on behalf of the Council.
- (i) Where a customer does not have a bank account this matter must be referred to the Section 151 Officer.
- (j) The Section 151 Officer shall make such safeguards as are necessary to ensure a proper division of duties in the ordering, custody and issue of cheques and the reconciliation of bank accounts.

### 3.10.2 Imprest Accounts

3.10.2.1 The Section 151 Officer shall provide such Imprest Accounts as he/she considers appropriate for such officers of the Council as may need them for purposes of defraying petty cash and other expenses. These Imprest Accounts shall be kept on a full reimbursement basis. The level of Imprest Account shall be determined by the Section 151 Officer, after consultation with the Executive Manager. All payments must wherever possible be supported by VAT receipts and certified by the appropriate officer. No income received on behalf of the authority may be paid into an imprest account but must be banked or paid to the authority as provided elsewhere in these procedures.

3.10.3 Key controls:

- (a) Many millions of pounds pass through the Authority's books each year. This resulted in the establishment of a CIPFA Treasury Management Code of Practice. This aims to provide assurances that the Authority's money is properly managed in a way that balances risk with return, but with the overriding consideration being given to the security of the Authority's capital sum.
- (b) That the Authority's borrowings and investments comply with the CIPFA Code of Practice on Treasury Management, and with the Authority's Treasury Management policy statement and strategy.

3.10.4 Responsibilities of the Section 151 Officer - treasury management:

- (a) To arrange borrowings and investments for the authority in such a manner as to comply with the CIPFA Code of Practice on Treasury Management, and the Authority's Treasury Management policy statement and treasury strategy and approved investment strategy
- (b) The Section 151 Officer shall issue reports in accordance with the Treasury Management Strategy approved annually by Council.
- (c) To open and operate bank accounts as are considered necessary. All accounts must be in the name of the Authority.
- (d) To order, store and control all cheques drawn on the Authority's main bank accounts.

3.10.5 Responsibilities of the Section 151 Officer - investments and borrowing:

- (a) To ensure that all investments of money are made in the name of the Authority or in the name of nominees approved by the full Council.
- (b) To ensure that all securities that are the property of the Authority or its nominees and the title deeds of all property in the Authority's ownership are held in the custody of the appropriate Chief Officer/Deputy Chief Officer.
- (c) To effect all borrowings in the name of the Authority.
- (d) To act as the Authority's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the Authority.

3.10.6 Responsibilities of the Executive Managers - investments and borrowing:

- (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 Cabinet (or if contrary to the Budget & Policy Framework the approval of full Council).

### 3.11 **Staffing**

3.11.1 It is the collective responsibility of the Executive Managers to ensure that the salary, budget and targets are monitored and to ensure adequate control over such costs as sickness, overtime, training and temporary staff. The staffing Budget must not be exceeded without the approval of the Corporate Management Team.

3.11.2 It is the responsibility of the Human Resources Manager to act as advisor to Executive Managers on areas such as National Insurance and pension contributions as appropriate.

3.11.3 It is the responsibility of Directors and Executive Managers to ensure that controls are in place to ensure staff do not carry out private work in council time.

3.11.4 Key controls:

- (a) an appropriate staffing strategy and policy exists, in which staffing requirements and Budget allocation are matched
- (b) procedures are in place for forecasting staffing requirements and cost.

3.11.5 Responsibilities of the Section 151 Officer:

- (a) To act as an advisor to Executive Managers on areas such as actuarial valuations on the pension fund.

3.11.6 Responsibilities of the Executive Managers:

- (a) 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.
- (b) To control total staff numbers by adjusting the staffing, to a level that can be funded within the approved Budget, varying the provision as necessary within that constraint in order to meet changing operational needs.
- (c) To ensure that the Section 151 Officer is immediately informed if the staffing Budget is likely to be materially over or under spent.
- (d) To monitor staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff.

3.11.7 Responsibilities of the Human Resources Manager:

- (a) To act as an advisor to Executive Managers on areas such as national insurance and pension contributions, as appropriate.
- (b) To ensure that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job.

### 3.12 **Money Laundering**

3.12.1 Money Laundering is concerned with concealing the proceeds of crime in seemingly innocuous transactions and investments. Although the UK Money Laundering Regulations 2003 is not intended to include local authorities, it is seen as good practice to introduce procedures.

3.12.2 Procedures for monitoring large receipts of cash Council are included in the Treasury Management Practices approved annually by Council. If staff are involved in the acceptance of cash payments in excess of £16,000 for a single transaction they must obtain evidence of the customers' identity, report the transaction to the Section 151 Officer and hold the records for at least 5 years.

### 3.13 **Financial Controls**

3.13.1 The Section 151 Officer will also specify reporting procedures on main systems in order to provide positive assurance that systems of internal financial controls are both adequate and effective in practice. The major systems are:

- (a) Creditors
- (b) Payroll
- (c) Housing Benefits
- (d) Cash
- (e) Rents
- (f) Council Tax
- (g) NNDR
- (h) Debtors
- (i) Capital
- (j) Loans and Investments

## 4.0 **FINANCIAL SYSTEMS AND PROCEDURES**

### 4.0.1 **Systems**

4.0.2 All financial transactions of the Council may be the subject of detailed systems notes issued from time to time by the Section 151 Officer, following consultation with the Corporate Management Team, and which shall be complied with by the appropriate officers.

4.0.3 It is the responsibility of the Community Manager and the appropriate Director to ensure that there is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of interruption.

4.0.4 It is the responsibility of Compass Point Business Services (East Coast) Ltd/NCC to ensure adequate backup procedures are in place for computer systems.

4.0.4 Key controls:

- (a) basic data exists to enable the Authority's objectives, targets, Budgets and plans to be formulated
- (b) performance is communicated to the appropriate managers on an accurate, complete and timely basis

- (c) early warning is provided of deviations from target, plans and Budgets that require management attention
- (d) operating systems and procedures are secure
- (e) data is backed up on a regular basis.

#### 4.0.5 Responsibilities of the Section 151 Officer:

- (a) To make arrangements for the proper administration of the Authority's financial affairs, including to:
  - (i) issue advice, guidance and procedures for officers and others acting on the Authority's behalf
  - (ii) determine the accounting systems, form of accounts and supporting financial records
  - (iii) establish arrangements for audit of the Authority's financial affairs
  - (iv) approve in advance any new financial systems to be introduced
  - (v) approve in advance any changes to be made to existing financial systems.

### 4.1 **Income and Expenditure**

#### 4.1.1 **Income**

- (a) The collection and recording of monies due to the Council shall be carried out in accordance with arrangements made or agreed by the Section 151 Officer. Each appropriate officer shall furnish the Section 151 Officer with such particulars in connection with work done, goods supplied, or services rendered, and of all other amounts due, as may be required by him or her to record correctly all sums due to the Council.
- (b) The Section 151 Officer shall be notified promptly of all money due to the Council under contracts, leases, and other agreements and arrangements entered into which involve receipt of money by the Council, and the Section 151 Officer shall have the right to inspect any documents or other evidence in this connection as he/she may decide.
- (c) All receipt forms, books, tickets and other such items, shall be ordered and supplied by the Section 151 Officer, or provided under arrangements approved by him, and he/she shall satisfy himself as to the arrangements for their safe control. Every issue of such documents shall be acknowledged by the signature of the officer to whom the issue is made.
- (d) All money received by an officer on behalf of the Council shall be properly safeguarded and be paid in full to the Section 151 Officer or, as he/she may direct, to the Council's bank account, on the next Working Day or as approved by the Section 151 Officer.
- (e) No deduction may be made from any such money.

- (f) Cheques shall not be cashed out of money collected on behalf of the Council.
- (g) Receipts shall be issued for all cash transactions.
- (h) Officers shall use official receipt forms or alternatively agree procedures with the Chief Internal Auditor for money received on behalf of the Council.
- (i) The following records need to be kept when paying in money:-
  - (i) Every officer of the Council who pays money into a banking account of the Council shall enter on a paying-in slip, and on the counterfoil or duplicate thereof, particulars of such payment, including in the case of each cheque paid in:
    - the amount of the cheque, and reference (such as the number of the receipt given or the name of the debtor) which will connect the cheque with the debt or debts in discharge or partial discharge of which it was received.
    - Where any cheque paid in as mentioned above was not received in discharge or partial discharge of a debt due to the Council, the officer shall note the fact on the counterfoil or duplicate of the paying-in slip."
- (j) No new charges or changes in existing charges shall be made, except upon a report by the appropriate officer, prepared in conjunction with the Section 151 Officer recommended by the Cabinet or appropriate committee.
- (k) Any sums deemed irrecoverable may be written off in accordance with the debt recovery policy.

#### 4.1.2 Key controls:

- (a) all income due to the Authority is identified and charged correctly, in accordance with an approved charging policy, which is regularly reviewed
- (b) all income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery
- (c) all money received by an officer on behalf of the Authority is paid without delay to the Section 151 Officer or, as he or she directs, to the Authority's bank account, and is properly recorded. The responsibility for cash collection should be separated from that for identifying the amount due, and that for reconciling the amount due to the amount received
- (d) effective action is taken to pursue non-payment within defined timescales
- (e) formal approval for debt write-off is obtained
- (f) appropriate write-off action is taken within defined timescales
- (g) appropriate accounting adjustments are made following write-off action
- (h) all appropriate income documents are retained and stored for the defined period in accordance with guidance issued by the Section 151 Officer

- (i) money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.

#### 4.1.3 Responsibilities of the Section 151 Officer:

- (a) To agree arrangements for the collection of all income due to the Authority and to approve the procedures, systems and documentation for its collection and accounting for VAT.
- (b) To approve the format of official receipts (receipt books, tickets and similar items) and procedures for the control and supply of these to service units.
- (c) To use debt recovery procedures to collect any income due to the Authority which has not been paid within specified time limits.
- (e) To approve the arrangements for the writing-off of irrecoverable debts by Executive Managers.
- (f) To ensure that appropriate accounting adjustments are made following any write-off action.

#### 4.2 **Ordering and Paying For Work, Goods and Services**

##### 4.2.1 Official orders shall be issued for all work to be done or goods or services to be supplied, except where:

- (a) Official orders shall be issued for all work to be done or goods or services to be supplied, except for petty cash purchases, or such other expenditure as the S151 Officer may approve.
- (b) Verbal orders shall only be given in cases of emergency and these shall always be confirmed by **an official order** not later than the working day and marked accordingly.
- (c) All orders shall prescribe quantities, adequate description and price, or basis of price.
- (d) Official orders raised shall be in the form approved by the S151 Officer.
- (e) Each appropriate officer shall be responsible for the official orders issued from his/her section.
- (f) Each appropriate officer shall notify the S151 Officer of the names of those members of his/her staff authorised to initiate official orders in the computerised ordering system.

##### 4.2.2 The Section 151 Officer shall be notified by each appropriate officer of the names of those members of staff authorised to approve the order requisitions, together with specimen signatures and initials. No officer shall sign any name other than his/her own, and facsimile signatures shall not be used.

##### 4.2.3 An officer must not seek or receive any gift or personal inducement, including the possibility of lavish or excessive hospitality, in connection with the placing of any order.

- 4.2.4 Officers may not place orders with any individual or organisation with whom they have a family, personal or financial relationship. If an officer's work involves contact with any individual with whom they have a family, personal or financial relationship, that officer must notify the Monitoring Officer in writing.
- 4.2.5 Before placing orders or entering into any other sort of commitment to expenditure, officers must be satisfied that there is provision for the cost within the approved estimates and will not result in an overspending.
- 4.2.6 Directors and the Executive Managers are responsible for ensuring that orders comply with Financial Regulations and Contract Procedure Rules and Guidance notes.
- 4.2.7 The generation of order forms shall be provided under arrangements approved by the Section 151 Officer.
- 4.2.8 All accounts passed for payment shall be recorded in the computerised orders and payments system.
- 4.2.9 The Section 151 Officer and Compass Point Business Services (East Coast) Ltd will be responsible for ensuring processes are in place to maintain the security and integrity of data for transacting business electronically.

#### 4.3 **Certification of Invoices**

- 4.3.1 An appropriate officer issuing an order shall be responsible for examining and verifying the relevant invoice. All accounts shall be certified by the respective Executive Manager, or authorised officer as agreed with the Section 151 Officer except where the invoice relates to an approved order requisition and is within the set tolerance limits.
- 4.3.2 The certification of the invoice, goods received note, voucher or certificate shall mean that the appropriate officer is satisfied. There must be a clear separation of duties in relation to ordering and certification of invoices at a value of £500 or more.
- 4.3.3 That, where an official order has been issued the goods received or services provided are in accordance with it that the goods, services etc. have been inspected and found to be satisfactory. This will form part of the electronic authorisation process.
- 4.3.4 That the prices, extensions, calculations, all discounts, credits and tax are correct and in conformity with any tender, quotation, or contract or in the absence of any of these, that the prices are otherwise reasonable.
- 4.3.5 That the account in part or whole has not previously been passed for payment and the payment has been recorded on the order within the computerised ordering system.
- 4.3.6 That the appropriate entries have been made in inventories or stores records.
- 4.3.7 That the arithmetic and coding is correct.
- 4.3.8 That the expenditure is legal and has been duly authorised and is within the estimates.
- 4.3.9 That the Contract Procedure Rules, Financial Regulations and Resolutions of the council relevant to the payment have been complied with.



4.3.10 All invoices, accounts and certificates due for payment shall be in the name of the District Council except where by agreement the Council is acting as paymaster for an authorised agent of the Council. Where an invoice carries VAT this is only recoverable by the Council if a proper VAT invoice is made out in the name of the Council or where VAT rules allow for special treatment e.g. employee expenses.

4.3.11 Any amendments to an account shall be made in ink and initialled by the officer making it, stating the reasons where they are not self-evident.

4.3.12 Payments should not be made on a photocopied or faxed invoice any instances of these being rendered should be referred to the Chief Internal Auditor.

4.3.13 Each Director or Executive Manager shall notify as soon as possible after 31 March and not later than 12 April each year the Section 151 Officer of all outstanding expenditure relating to the previous financial year.

#### 4.4 **Contract Payments**

4.4.1 Payments are only made for goods, services and the carrying out of works received at the correct price, quantity and quality standards.

4.4.2 Payments to contractors on account shall only be made on a certificate issued by the Chief Officer/Deputy Chief Officer concerned.

4.4.3 Actual contract costs of schemes shall be monitored by the appropriate Chief Officer/Deputy Chief Officer, and the Section 151 Officer notified if the approved contract sum is likely to be exceeded.

4.4.4 The final certificate of completion of any contract shall not be issued until the appropriate officer, private architect, engineer or consultant has produced a detailed statement of account, together with relevant supporting documents to the Chief Officer.

4.4.5 The Section 151 Officer shall as they consider necessary examine final accounts for contracts and shall be entitled to make all such enquiries and receive such information and explanations as he/she may require in order to be satisfied as to the accuracy of the accounts.

4.4.6 Key controls:

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

- (a) all goods and services are ordered only by appropriate persons and are correctly recorded
- (b) all goods and services shall be ordered in accordance with the Authority's contract and procurement rules unless they are purchased from sources within the Authority
- (c) goods and services received are checked to ensure they are in accordance with the order
- (d) payments are not made unless goods have been received by the Authority, to the correct price, quantity and quality standards

- (e) all payments are made to the correct person/supplier, for the correct amount and are properly recorded, regardless of the payment method
- (f) all appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with Data Retention guidance
- (g) all expenditure is accurately recorded against the right Budget, any exceptions are corrected and VAT is correctly recorded
- (h) in addition, the use of e-commerce and electronic purchasing requires that processes are in place to maintain the security and integrity of data for transacting business electronically.
- (i) Any use of Council purchasing cards will be in accordance with the Council's P-card policy. All cardholders must sign up to the policy prior to card use.

#### 4.4.7 Responsibilities of the Section 151 Officer:

- (a) To ensure that all the Authority'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 approve the form of official orders and associated terms and conditions.
- (d) To make payments from the Authority's funds on the Chief Officer's authorisation that the expenditure has been duly incurred in accordance with financial regulations.
- (e) 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.
- (f) To make payments to contractors, which must include details of the value of work, retention money, amounts previously certified and amounts now certified. These payments to be made to contractors using authenticated receipts raised by service units.
- (g) To provide advice and on making payments by the most economical means.

#### 4.4.8 Responsibility of Compass Point Business Services (East Coast) Ltd:

- (a) To enter into agreements for the supply of telephone exchanges, telephone equipment, answering machines, photocopiers, facsimile machines, cell phones, pagers etc. on behalf of the Authority.
- (b) To enter into agreements for the supply of computer equipment and software on behalf of the Authority.

### 4.5 **Payments To Employees and Members**

4.5.1 Members' allowances are authorised in accordance with the scheme adopted by full Council.

4.5.2 Staff costs are one of the largest items of expenditure therefore it is important that payments are accurate.

4.5.3 Key controls:

4.5.3.1 The key controls for payments to employees and members are:

- (a) proper authorisation procedures are in place and appointments shall be made in accordance with the regulations of the Council, approved establishment, grades and rates of pay
- (b) frequent reconciliations of payroll expenditure against approved Budgets and bank accounts
- (c) all appropriate payroll documents are retained and stored for the defined period, in accordance with guidance document retention guidelines
- (d) all expenditure, including VAT, is accurately recorded against the right service unit and any exceptions are corrected
- (e) that Inland Revenue regulations are complied with.

4.5.4 Responsibilities of the Human Resources Manager:

- (a) To arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees, in accordance with procedures prescribed by him or her, on the due date.
- (b) To implement any relevant pay awards and changes in conditions of employment as may be agreed at national level.
- (c) To record and make arrangements for the accurate and timely payment of tax, national insurance, superannuation and other deductions.
- (d) To make arrangements for payment of all travel and subsistence claims.
- (e) To make arrangements for paying members' allowances, travel, and subsistence upon receiving the prescribed form, duly completed and authorised.
- (f) To provide advice and encouragement to secure payment of salaries and wages by the most economical means.

4.5.5 Responsibility of the Chief Executive Officer:

- (a) To approve officers' and members' claims submitted more than three months after the expenses were incurred.
- (b) To prescribe the format and certification methods for all time records and other payment documents.

4.5.6 Responsibilities of the Executive Managers:

4.5.6.1 To notify the Human Resources Manager as soon as possible and in the form prescribed by him or her of all matters affecting the payment of emoluments, and in particular:

- (a) Appointments, resignations, dismissals, suspensions, secondments and transfers.
- (b) Changes in remuneration other than normal increments.
- (c) Sickness forms.
- (d) It is the responsibility of Directors and Executive Managers to ensure that controls are in place to ensure staff do not carry out private work in Council time.
- (e) To send to the Section 151 Officer the names of officers authorised to sign documentation together with specimen signatures.

#### 4.6 **Travelling, Subsistence And Member Claims**

4.6.1 Key Controls:

- (a) The certification by, or on behalf of the appropriate officer, shall be taken to mean that the certifying officer is satisfied that the journeys were authorised, the expenses properly and necessarily incurred, and that the allowances are properly payable by the Council. Appropriate officers may authorise the casual use of officers' cars for official purposes, having confirmed that the officer's insurance covers use of their vehicle for business purposes, in such circumstances as they deem necessary.
- (b) Frequent reconciliation of payments against approved Budgets and bank accounts.

4.6.2 Responsibilities of the Monitoring Officer:

- (a) To make payments in respect of Travelling and Subsistence to Members of the Council Service upon receipt of the prescribed form, duly certified by the Member. Claims should be made within one month of the event giving rise to the claim, within seven days thereof. The payment of Standard and Special Responsibility Allowances will be made monthly by the Monitoring Officer directly into the Members bank account. This will occur automatically unless the Member renounces claim to the Allowances.

4.6.3 Responsibilities of the Chief Executive Officer:

- (a) To approve Officers and members claims submitted more than three months after the expenses were incurred.

4.6.4 Responsibilities of Chief Officers:

- (a) To submit all claims for the payment of car allowances, subsistence allowances, travelling and incidental expenses of officers of the Council should be submitted monthly within seven days of the end of the month to the Monitoring Officer for payment on a form approved by him, duly signed and certified by the appropriate officer.

## 4.7 **Taxation**

4.7.1 Tax issues can often be complex. It is important that the Authority's tax affairs are kept in order.

4.7.2 Key Controls:

- (a) Regular reconciliations.
- (b) Guidance kept up to date.
- (c) Returns are made according to statutory requirements.
- (d) all taxable transactions are identified, properly carried out and accounted for within stipulated timescales
- (e) records are maintained in accordance with instructions

4.7.3 Responsibility of the Section 151 Officer:

- (a) To complete a monthly return of VAT inputs and outputs to HM Customs and Excise.
- (b) To provide details to the Inland Revenue regarding the construction industry tax deduction scheme and the return of company payments and interest (CT61).
- (c) To maintain guidance in the Financial Handbook.

4.7.4 Responsibility of the Human Resources Manager:

- (a) To complete all Inland Revenue returns regarding Pay As You Earn (PAYE).
- (b) To complete all returns required by the Pension Fund

4.7.5 Responsibility of Chief Officers/Deputy Chief Officers:

- (a) to ensure the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Customs and Excise 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 authority are added to the authority's payroll
- (d) to follow guidance on taxation issued by the Section 151 Officer and the Monitoring Officer and in the Financial Handbook.

## 4.8 **Trading Accounts**

4.8.1 The CIPFA Service Reporting Code of Practice contains guidance on the operation of trading accounts.

4.8.2 Key Controls:

- (a) Regular monitoring of performance.

4.8.3 Responsibility of the Section 151 Officer:

- (a) To advise on the establishment and operation of trading units.

4.8.4 Responsibility of Chief Officers/Deputy Chief Officers:

- (b) To seek guidance from the Section 151 Officer before new trading operations are established.

## 5.0 **EXTERNAL ARRANGEMENTS**

### 5.1 **Partnerships**

5.1.1 Partnerships play a major role in the delivery of council services.

5.1.2 "A partnership is a co-operative relationship between two or more free and independent parties which is designed to secure some shared objective. It can take all sorts of forms, but is generally assumed to exclude the familiar relationships between client and contractor, and between employer and staff."

5.1.3 Key Controls:

- (a) Before the authority enters into a partnership the Cabinet shall agree and accept formally the roles and responsibilities of each of the partners. Full Council's approval will be required to enter into a partnership if the authority is to make a financial contribution which is outside the existing Budget provision.

5.1.4 Responsibility of the Section 151 Officer:

5.1.4.1 To advise on the key elements of funding a project including:

- (a) scheme appraisal for financial viability
- (b) risk appraisal
- (c) resourcing including taxation
- (d) audit, security and control
- (e) carry forward arrangements.

5.1.5 Responsibility of the Monitoring Officer:

- (a) To ensure the authority has clear powers to enter into the partnership proposed.

5.1.6 Responsibility of Chief Officers:

- (a) maintain a register of all partnerships entered into with external bodies in accordance with procedures specified by the Section 151 Officer
- (b) ensure appropriate taxation issues have been considered
- (c) ensure all agreements and arrangements are properly documented
- (d) ensure that before entering into agreements with external bodies, a risk management appraisal has been prepared for the Section 151 Officer and Corporate Management Team
- (e) the partnership template has been completed (where the authority is contributing financially).
- (f) Ensure that appropriate and proportional governance arrangements are put in place, including arrangements for the dissolution of the partnership

## 5.2 **External Funding**

5.2.1 External Funding can be an important source of income for the Authority. However, careful consideration needs to be given to the conditions attached to external funding and the capacity of the Authority to absorb any residual or ongoing costs when the funding stream has ceased.

5.2.2 Key Controls:

5.2.2.1 Before any arrangements for external funding are entered into. A report to the Section 151 Officer and Corporate Management Team must be prepared outlining:

- (a) The key conditions of funding
- (b) Statutory requirements
- (c) Responsibilities of the accountable body
- (d) Any match funding requirements and the impact on future revenue Budgets.

5.2.2.2 If funding is for an amount in excess of the current Budget provision then a report must be prepared for the Cabinet and Full Council.

5.2.2.3 External funding will only be acquired where it meets the priorities approved in the Corporate Plan.

5.2.3 Responsibilities of the Section 151 Officer:

- (a) To ensure that all funding notified by external bodies is received and properly recorded in the Authority's accounts.
- (b) To ensure that audit requirements are met.
- (c) Where he or she is specifically responsible for submitting grant claims, to ensure that all claims for funds are made by the due date.

5.2.4 Responsibility of Chief Officers/Deputy Chief Officers:

- (a) Must ensure that all claims for funds are made by the due date and grant conditions are complied with.
- (b) To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue Budgets reflect these requirements.

### 5.3 **Work For Third Parties**

5.3.1 Current legislation enables the authority to provide a range of services to other bodies. Arrangements should be in place to ensure that any risks associated with this work is minimised and the work is intra vires.

5.3.2 Key controls:

- (a) Proposals are costed and approved by the Cabinet.

5.3.3 Responsibilities of the Section 151 Officer:

- (a) To advise on effective controls that will ensure resources are not wasted.
- (b) To issue guidance as appropriate with regard to the financial aspects of third party work, and to set up appropriate accounting arrangements to effectively monitor the activity.

5.3.4 Responsibilities of Chief Officers/Deputy Chief Officers:

- (a) To ensure approval is obtained from the Cabinet before any negotiations are concluded to work for third parties.
- (b) To maintain a register of all contracts entered into with third parties in accordance with procedures specified by the Monitoring Officer.
- (c) To ensure the authority is not put at risk from any bad debts.
- (d) To ensure that no contract is subsidised by the authority.
- (e) To ensure the section has the appropriate expertise to undertake the contract and a full risk assessment has been undertaken.
- (f) To ensure that such contracts do not impact adversely upon the services provided by the authority.
- (g) To ensure all contracts are properly documented.
- (h) To provide appropriate information to the Section 151 Officer to enable a note to be entered into the statement of accounts.

### 5.4 **Group Accounts**



5.4.1 Before the authority enters into any condition of any partnerships where the authority has an interest in another entity the Section 151 Officer must be satisfied that:

- (a) Governance arrangements meet specified minimum standards
- (b) The authority will have access to the information and explanations it needs for group accounts purposes (and other aspects relating to control over its financial interests)
- (c) Consolidation data will be provided in a specified format and by a deadline
- (d) Arrangements are in place for timely audit of the financial statements
- (e) Directors appointed to the authority are fully briefed on group accounting requirements
- (f) Finance representatives are encouraged to attend board meetings to outline the importance of group accounting information.