

FINANCIAL REGULATIONS

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1. INTRODUCTION

- 1.1 Article 14.1 of the Council Constitution 'Financial Management' states 'The management of the Council's financial affairs will be conducted in accordance with Financial Regulations set out in Part 4 of this Constitution'. Financial Regulations provide the framework for managing the Council's financial affairs. They apply to all Members and staff of the Council and anyone acting on its behalf.
- 1.2 All Members and staff have a responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, is properly authorised, provides value for money and achieves best value.
- 1.3 The Director of Finance is responsible for maintaining a continuous review of Financial Regulations and submitting any additions or changes necessary to the full Council for approval. The Director of Finance is also responsible for reporting, where appropriate, breaches of the Financial Regulations to appropriate committees and/or the Council.
- 1.4 Chief Officers are responsible for ensuring that all staff in their departments are aware of the existence and content of the Council's Financial Regulations and other internal regulatory documents, and that those staff comply with them. They must also ensure that an adequate number of copies are available for reference within their departments.
- 1.5 The Director of Finance is responsible for issuing advice and guidance to underpin the Financial Regulations which members, officers and others acting on behalf of the Council are required to follow.

2 FINANCIAL MANAGEMENT

2.1 General

- 2.1.1 *Financial Management encompasses all financial accountabilities in relation to the running of the Authority, including the budget and policy framework.*

2.2 The Role of the Director of Finance

- 2.2.1 The Director of Finance is statutorily responsible for the proper administration of the Authority's financial affairs. This arises from:
- (i) Section 151 of the Local Government Act 1972;
 - (ii) The Local Government and Finance Act 1988;
 - (iii) The Accounts and Audit Regulations as updated from time to time.
- 2.2.2 The Director of Finance is responsible for the proper administration of the Authority's financial affairs. This includes;
- (i) setting and monitoring compliance with appropriate financial management standards;

- (ii) advising on the corporate financial position and on the key financial controls necessary to secure sound financial management;
- (iii) providing financial information;
- (iv) preparing the revenue budget and capital programme;
- (v) treasury management;
- (vi) ensuring that an adequate and effective system of internal audit is in place.

2.2.3 Section 114 of the Local Government Finance Act 1988 requires the Director of Finance to report to the full Council, Cabinet and external auditor, if the Authority or one of its staff:

- (i) has made, or is about to make, a decision which involves incurring unlawful expenditure
- (ii) has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the Authority
- (iii) is about to make an unlawful entry in the Authority's accounts

2.2.4 The Director of Finance must also make a report under this section if it appears that the expenditure of the Authority (including that which it is proposing to incur) in a financial year is likely to exceed the resources available to meet that expenditure.

2.3 The Role of Chief Officers

2.3.1 Chief Officers are responsible for ensuring that the Cabinet is advised of the financial implications of all proposals and that those implications have been agreed by the Director of Finance.

2.3.2 Chief Officers must consult the Director of Finance and seek his/her approval on any matter liable to affect the Authority's finances materially, before any commitments are incurred.

2.4 Financial Management Standards

Why is this Important?

2.4.1 All staff and Members have a duty to abide by the highest standards of probity in dealing with financial issues. This is facilitated by ensuring everyone is clear about the standards to which they are working and the controls that are in place to ensure that these standards are met. Therefore all staff and Members should comply with Financial Regulations and associated documents such as Guidelines for Financial Systems, 1 Business Protocols and Capital Investment Programme Guidelines. Failure to do so may lead to disciplinary action.

Key Controls

2.4.2 The key controls for financial management standards are:

- (i) to ensure their promotion throughout the Authority;
- (ii) to have in place a system to review compliance with Financial Regulations;

Responsibilities of the Director of Finance

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

2.4.4 To ensure that best professional practices are laid down and followed within the Authority. He/she is the head of the profession in relation to finance staff within the Authority and as such has responsibility for their standards, performance and development.

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

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

Responsibilities of Chief Officers

2.4.7 To promote the financial management standards set by the Director of Finance in their departments, and to monitor adherence to them, liaising as necessary with the Director of Finance.

2.5. Managing Expenditure

2.5.1 Chief Officers are expected to exercise their discretion in managing their budgets responsibly and prudently. They should avoid supporting recurring expenditure from one-off sources of savings or additional income, or creating future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. Chief Officers must plan to fund such commitments from within their own budgets, in accordance with the Council's scheme for virement.

Virement

Why is this Important?

2.5.2 The format of the budget is approved by the full Council and is based on advice, in accordance with best practice, from the Director of Finance. No member of staff is permitted to exceed any budget within his/her direct control, as agreed by full Council, without specific approval from full Council. However, in pursuance of good financial management and to promote a degree of flexibility Chief Officers may vire resources between budgets.

Key Controls

- 2.5.3 Chief Officers are permitted to vire resources between budget headings providing that:
- (i) overall budget limits are not exceeded;
 - (ii) the budgets are within the direct control of the Chief Officers concerned;
 - (iii) the Director of Finance, and any other relevant Chief Officer, has been consulted;
 - (iv) each individual virement does not exceed £50,000;
 - (v) the total of virements does not exceed £250,000 or 10% of the budget, whichever is the lower.
- 2.5.4 Virements may normally only be for the current financial year: virements which have implications for future years will be reported to Cabinet and full Council as part of the budget process.
- 2.5.5 Virements are not permitted in respect of policy changes. Policy changes have to be approved by the full Council.

Responsibilities of the Director of Finance

- 2.5.6 To prepare virement procedures for approval by the Council, and to monitor compliance with them.

Responsibilities of Chief Officers

- 2.5.7 To ensure compliance with agreed virement procedures.
- 2.5.8 Chief Officers, in consultation with the Director of Finance, are responsible for reporting all potential and actual overspendings and underspendings on service estimates/capital schemes to Cabinet as soon as they are identified. Any overspending on service estimates/capital schemes in total will constitute the first call on budget heads in the following year.
- 2.5.9 Underspendings, including any surpluses on internal business units, will be retained for the benefit of the Authority and proposals for their use require the approval of Cabinet.

2.6 Accounting Policies

Why is this Important?

- 2.6.1 The Director of Finance is responsible for the preparation of the Authority's annual Statement of Accounts. These have to be prepared in accordance with current legislation and good practice.

Key Controls

- 2.6.2 The key controls for accounting policies are:

- (i) systems of internal control are in place to ensure that financial transactions are lawful;
- (ii) suitable accounting policies are selected and applied consistently;
- (iii) proper accounting records are maintained;
- (iv) financial statements are prepared which present fairly the financial position of the Authority and its income and expenditure.

Responsibilities of the Director of Finance

- 2.6.3 To select suitable accounting policies which are in accordance with best practice, and for ensuring that they are applied consistently. The accounting policies are set out in the annual statement of accounts.

Responsibilities of Chief Officers

- 2.6.4 To consult with, and obtain approval from the Director of Finance before making any changes to accounting records or procedures.
- 2.6.5 To maintain adequate records which provide an audit trail leading from the source of income/expenditure through to the accounting statements, in accordance with Guidelines for Financial Systems, and for supplying information required to enable the Director of Finance to complete the Statement of Accounts.
- 2.6.6 To adhere to the accounting policies and guidelines as approved by the Director of Finance.

Accounting Records and Returns

Why is this Important?

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

Key Controls

- 2.7.2 The key controls for accounting records and returns are:
- (i) all Cabinet Members, finance staff and budget managers operate within the required accounting standards and timetables;
 - (ii) all the Authority's transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis;

- (iii) reconciliation procedures are carried out to ensure transactions are correctly recorded;
- (iv) prime documents are retained in accordance with legislative and other requirements;
- (v) procedures are in place to enable accounting records to be reconstituted in the event of systems failure.

Responsibilities of the Director of Finance

- 2.7.3 To determine the accounting procedures and records for the Authority and arranging for the compilation of all accounts and accounting records under his/her direction, in accordance with best practice.
- 2.7.4 To comply with the following principles when allocating accounting duties:
 - (i) separating the duties of providing information about sums due to or from the Authority and calculating, checking and recording these sums from the duty of collecting or disbursing them;
 - (ii) staff with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
- 2.7.5 The Director of Finance is responsible for:
 - (i) drawing up the timetable for final accounts preparation;
 - (ii) preparing and publishing the Authority's statement of accounts in accordance with the statutory timetable;
 - (iii) making proper arrangements for the audit of the Authority's accounts in accordance with the Accounts and Audit Regulations as updated from time to time;
 - (iv) ensuring that all claims for funds, including grants, are made by the due date;
 - (v) to issue guidance on the retention of financial documents relating to minimum periods for retention and ensure that these timescales are complied with.

Responsibilities of Chief Officers

- 2.7.6 To consult and obtain the approval of the Director of Finance before making any changes to accounting records and procedures.
- 2.7.7 To comply with the following principles when allocating accounting duties:
 - (i) separating the duties of providing information about sums due to or from the Authority and calculating, checking and recording these sums from the duty of collecting or disbursing them;

- (ii) employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions
- 2.7.8 To maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements.
- 2.7.9 To ensure the proper retention of financial documents in accordance with guidance issued by the Director of Finance relating to minimum periods for the retention of document.
- 2.7.10 To supply information required to enable the Statement of Accounts to be completed in accordance with guidelines issued by the Director of Finance.
- 2.7.11 To ensure that all claims for funds, including grants, which he or she is responsible for, are made by the due date, in consultation with the Director of Finance.

FINANCIAL PLANNING

3.1 Performance Plans

Why is this Important?

- 3.1.1 The Authority has a statutory responsibility to publish various performance plans, including the Best Value Performance Plan. The purpose of performance plans is to explain overall priorities and objectives, current performance, and proposals for further improvement. External audit is required to report on whether the Authority has complied with statutory requirements in respect of the preparation and publication of the Best Value Performance Plan.

Key Controls

- 3.1.2 The key controls for performance plans are:
 - (i) to ensure that all relevant plans are produced and that they are consistent and realistic;
 - (ii) to produce plans in accordance with statutory requirements;
 - (iii) to meet the timetables set;
 - (iv) to ensure that all performance information is accurate, complete and up to date;
 - (v) to provide improvement targets which are meaningful, realistic and challenging.

Responsibilities off the Director of Finance

- 3.1.3 To advise on and supply as appropriate, the financial information which needs to be included in performance plans, in accordance with statutory requirements and agreed timetables.

Responsibilities of Chief Officers

- 3.1.4 To contribute to the development of performance plans, corporate and service targets, objectives and performance information.

3.2 Budgeting

Format of the Budget

Why is this Important?

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

Key Controls

- 3.2.2 The key controls for the budget format are:
- (i) the format complies with all legal requirements
 - (ii) the format complies with current best professional practice
 - (iii) the format reflects the accountabilities of service delivery.

Responsibilities of the Director of Finance

- 3.2.3 The Director of Finance is responsible for advising the Council. Members and officers on the format of the budget to be approved by full Council.

Responsibilities of Chief Officers

- 3.2.4 To comply with accounting guidance issued by the Director of Finance.

Budgets and Medium Term Planning

Why is this Important?

- 3.2.5 As a complex organisation delivering a wide variety of services, the Authority needs to plan effectively to enable scarce resources to be allocated in accordance with weighted priorities. The budget is in effect the financial statement of these priorities.
- 3.2.6 The revenue and capital budgets must be constructed to ensure that the allocation of resources properly reflects the Authority's service plans and priorities. The budget is required so that the Authority can plan and control the way in which it spends its money.
- 3.2.7 Medium-term planning is a three-year cycle over which managers develop their own plans. These will be rolled over each year to ensure that the Authority is planning in advance.

Key Controls

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

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

Responsibilities of the Director of Finance

3.2.9 It is the responsibility of the Director of Finance to:-

- (i) prepare and submit reports on budget prospects to the Cabinet, including resource constraints set by the Government;
- (ii) determine the detailed form of revenue estimates and the methods for their preparation after consultation with Chief Officers;
- (iii) prepare and submit reports to the Cabinet on the aggregate spending plans of departments and on the resources available to fund them, identifying, where appropriate, the implications for the level of Council tax to be levied;
- (iv) advise on the medium-term implications of spending decisions;
- (v) encourage the best use of resources and value for money by working with Chief Officers to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning;
- (vi) advise the Council on Cabinet proposals in accordance with his or her responsibilities under Section 151 of the Local Government Act 1972, as amended, and with other relevant legislation.

Responsibilities of Chief Officers

3.2.10 In conjunction with the Director of Finance, it is the responsibility of Chief Officers to:-

- (i) prepare estimates of income and expenditure, to be submitted to the Cabinet;
- (ii) prepare budgets which are consistent with the Council's annual budget cycle and within the approved Council guidelines;
- (iii) integrate financial plans into service planning, so that budgets can be supported by financial and non-financial performance measures;

- (iv) prepare detailed draft revenue and capital budgets for consideration by the Cabinet, in accordance with the laid-down guidance and timetable;
- (v) when drawing up draft budget requirements, have regard to:
 - (a) spending patterns and pressures revealed through the budget monitoring process;
 - (b) legal requirements;
 - (c) policy requirement as defined by the full Council in the approved policy framework;
 - (d) initiatives already under way.

Resource Allocation

Why is this Important?

3.2.11 Commonly available resources are not adequate to fulfil all needs and desires. It is therefore imperative that needs/desires are carefully prioritised and that resources are fairly allocated, in order to fulfil all legal responsibilities. Resources may include staff, money, equipment, goods and materials.

Key Controls

3.2.12 The key controls for resource allocation are:

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

Responsibilities of the Director of Finance

3.2.13 To advise on methods available for the funding of resources.

3.2.14 To assist in the allocation of resources to budget managers.

Responsibilities of Chief Officers

3.2.15 To work within budget limits and utilise resources allocated in the most efficient, effective and economic way;

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

Revenue Budget Management

Why is this Important?

- 3.2.17 Budget management is the preparation, monitoring and control of budgets. It ensures that allocated resources are used for their intended purpose and are properly accounted for. Budgetary control is a continuous process, enabling the Authority to review and adjust its budget targets during the financial year. It provides the mechanism that makes managers responsible for defined elements of the budget.
- 3.2.18 By continuously reviewing and explaining variances against budgetary targets, the Authority can identify changes in trends and resource requirements at the earliest opportunity. The Authority operates within an annual cash limit, approved when setting the overall budget. Each service is required to manage its own expenditure within the budget allocated to it.
- 3.2.19 Chief Officers are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they should not support recurring revenue expenditure from one-off sources of savings or additional income, or creating future commitments for which they have not identified future resources. Chief Officers must plan to fund such commitments from within their own budgets.
- 3.2.20 For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure for a service area or cost centre. However, budgetary control may take place at a more detailed level if this is required.

Key Controls

- 3.2.21 The key controls for managing and controlling the revenue budget are:
- (i) Expenditure should be prioritised using an appropriate methodology;
 - (ii) budget managers should be responsible only for income and expenditure that they can influence;
 - (iii) there is a nominated budget manager for each budget heading ;
 - (iv) budget managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities;
 - (v) budget managers follow an approved certification process for all expenditure;
 - (vi) income and expenditure are properly recorded and accounted for;
 - (vii) performance levels/levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget;
 - (viii) specific budget approval is given for all expenditure;

- (ix) budget managers are appropriately trained to carry out their budgetary control responsibilities.

Responsibilities of the Director of Finance

3.2.22 To establish an appropriate framework of budgetary management and control to ensure that:

- (i) budget management is exercised within annual cash limits unless the full Council agrees otherwise;
- (ii) each Chief Officer has available timely information on receipts and payments on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities;
- (iii) expenditure is committed only against an approved budget head;
- (iv) all officers responsible for committing expenditure comply with relevant guidance and the Financial Regulations;
- (v) each cost centre has a single, named manager, determined by the relevant Chief Officer. Budget responsibility should be aligned as closely as possible to the decision-making processes which commit expenditure;
- (vi) significant variances from approved budgets are investigated and reported by budget managers regularly.

3.2.23 To administer the Council's scheme of virement

3.2.24 To prepare and submit reports on the Council's projected income and expenditure compared to budget on a regular basis.

Responsibilities of Chief Officers

3.2.25 It is the responsibility of Chief Officers:-

- (i) to maintain budgetary control within their departments, in adherence to the principles outlined above, and to ensure that all income and expenditure is properly recorded and accounted for;
- (ii) to ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the Chief Officer. Budget responsibility should be aligned as closely as possible to the decision-making which commits expenditure;
- (iii) to ensure that spending remains within the service's overall cash limit, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast;
- (iv) to ensure that an effective monitoring process is in place to review performance levels/levels of service in conjunction with the budget;

- (v) to prepare and submit to the Cabinet, reports on the service's projected expenditure compared with its budget, in consultation with the Director of Finance.

Capital Programmes

Why is this Important?

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

Key Controls

3.2.27 The key controls for capital programmes are:-

- (i) specific approval by the Council for the capital expenditure programme which is based on clearly defined prioritisation criteria;
- (ii) a scheme and estimate, including project plan, progress targets and associated revenue expenditure is prepared for each capital project;
- (iii) the reporting of the acceptance of tenders for individual schemes to the appropriate committee in accordance with Contract Procedure Rules;
- (iv) the development and implementation of the asset management plan;
- (v) accountability for each proposal is devolved to, and accepted by a named manager;
- (vi) the monitoring and reporting of progress in conjunction with expenditure and comparison with approved budget

Responsibilities of the Director of Finance

3.2.28 The Director of Finance is responsible for:

- (i) the production of the Council's capital programme as stated in paragraph 4.5.3;
- (ii) the development of corporate prioritisation methodologies to assist the Council in determining the Capital Programme within defined resource limitations;

Responsibilities of the Director of Law, HR and Asset Management

3.2.29 The **Director of Law, HR and Asset Management** is responsible for the production of the Council Asset Management Plan, and the overall management and control of the Council's assets.

Responsibilities of Chief Officers

3.2.30 Chief Officers are responsible for:

- (i) the development, implementation and monitoring of the capital programme in accordance with paragraph 4.5.10;
- (ii) ensuring that the Cabinet is advised of the financial implications of all proposals, and that these implications have been agreed by the Director of Finance;
- (iii) ensuring that all capital proposals have undergone a project appraisal such that projects have been properly costed, are robust and deliverable within the proposed budget. They should be presented in the form of a business case showing how the project meets Council objectives, details of how it will be managed, including resource implications and the expected outcomes.

3.3 Maintenance of Reserves

Why is this Important?

3.3.1 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. They enable the authority to provide for unexpected events and thereby protect it from overspending, should such events occur. Reserves for specific purposes may also be maintained, such as the purchase or renewal of capital items.

Key Controls

3.3.2 To maintain reserves in accordance with the relevant codes of practice on local authority accounting in the United Kingdom and agreed accounting policies.

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

Responsibilities of the Director of Finance

3.3.4 The Director of Finance is responsible for advising the Cabinet and/or the full Council on prudent levels of reserves for the Authority.

Responsibilities of Chief Officers

3.3.5 Chief Officers will ensure that resources are only used for the purposes for which they were intended.

4 RISK MANAGEMENT AND CONTROL OF RESOURCES

4.1 Risk Management

Introduction

4.1.1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational risks to the Authority.

This should include the proactive participation of all those associated with planning and delivering services.

Why is this Important?

- 4.1.2 All organisations face risks to people, property and continued operations. Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk management is concerned with evaluating the measures an organisation already has in place to manage identified risks, and then recommending the action the organisation needs to take to control these risks effectively.
- 4.1.3 It is the overall responsibility of the Cabinet to approve the Authority's risk management strategy, and to promote a culture of risk management awareness throughout the Authority.

Key Controls

- 4.1.4 The key controls for risk management are:
- (i) the Authority has a clear Risk Management Strategy;
 - (ii) procedures are in place to identify, assess, prevent or contain material known risks, and these procedures are operating effectively throughout the Authority;
 - (iii) A monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis;
 - (iv) managers know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives.

Responsibilities of the Director of Finance

- 4.1.5 In conjunction with Chief Officers to prepare and promote the Authority's risk management policy statement.
- 4.1.6 To develop risk management controls in conjunction with other chief officers to ensure that the culture of Risk Management is embedded within the Authority.
- 4.1.7 To effect corporate insurance cover, through external insurance and internal funding, and to arrange for the negotiation of claims in consultation with other officers, including the Director of Law, HR and Asset Management, where necessary.

Responsibilities of Chief Officers

- 4.1.8 Chief Officers are responsible for risk management within their departments, and ensuring that risk is reviewed at regular intervals. They must:-

- (i) notify the Director of Finance of all new risks which require insurance or of alterations to existing insurances;
- (ii) notify the Director of Finance immediately of 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 Director of Finance or the Authority's insurers.

4.2 Internal Controls

Why is this Important?

- 4.2.1 The Authority is large, complex organisation and requires internal controls to manage and monitor progress towards strategic objectives.
- 4.2.2 The Authority has statutory obligations, and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations.
- 4.2.3 The Authority faces a wide range of financial, administrative and commercial risks which threaten the achievement of its objectives. Internal controls are necessary to manage these risks.
- 4.2.4 The system of internal control is established in order to provide measurable achievement of:-
 - (i) efficient and effective operations;
 - (ii) reliable financial information and reporting;
 - (iii) compliance with laws and regulations;
 - (iv) risk management.

Key Controls

- 4.2.5 The key controls and control objectives for internal control systems are:-
 - (i) key controls should be reviewed on a regular basis and the Authority should make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively. This is effected by the annual 'Statement on Internal Control' which is signed off by the Chief Executive and the Leader of the Council;
 - (ii) the presence of managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities;
 - (iii) financial and operational control systems and procedures, which include physical safeguards for assets, separation of duties, authorisation and approval procedures and information systems;

- (iv) an effective internal audit function that is properly resourced. It should operate in accordance with statutory obligations and regulations, and current best professional practice.

Responsibilities of the Director of Finance

- 4.2.6 The Director of Finance is responsible for ensuring that an appropriate control environment and effective internal controls are in place, that provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.

Responsibilities of Chief Officers

- 4.2.7 To manage processes to check that established controls are being adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.
- 4.2.8 To review existing controls in the light of changes affecting the Authority and to establish and implement new ones in line with guidance from the Director of Finance. Chief Officers should also be responsible for removing controls that are unnecessary or not cost or risk effective, for example, because of duplication.
- 4.2.9 To ensure staff have a clear understanding of the consequences of lack of control.

4.3 Audit Requirements

Internal Audit

Why is this Important?

- 4.3.1 Internal audit is an independent and objective appraisal function established by the Authority for reviewing the system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources
- 4.3.2 The requirement for an internal audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which requires that authorities 'make arrangements for the proper administration of their financial affairs'. The Accounts and Audit Regulations 2003, Regulation 6, more specifically require that a 'relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its systems of internal control'.

Key Controls

- 4.3.3 The key controls for internal audit are:
 - (i) that it is independent in its planning and operation;
 - (ii) the Chief Internal Auditor has direct access to the Chief Executive, all levels of management and directly to elected Members;

(iii) internal auditors comply with current best professional practice.

Responsibilities of the Director of Finance

- 4.3.4 The Director of Finance is responsible for maintaining an independent continuous audit of the financial records, operations and systems of control in accordance with current best professional practice.
- 4.3.5 The Director of Finance is responsible for ensuring that there is effective liaison between external and internal audit.
- 4.3.6 In undertaking his/her responsibility the Director of Finance or his/her authorised representative, has authority:-
- (i) to enter any premises or land without prior notification to examine all records, documents, correspondence and management systems relating to any financial and other transactions of the Council;
 - (ii) to require and receive such explanations as he/she deems necessary in order to satisfy him/herself on any matter under consideration;
 - (iii) to require production of any information or items deemed necessary for the efficient and effective conduct of the audit.

External Audit

Why is this Important?

- 4.3.7 The Local Government Finance Act 1982 set up the Audit Commission, which is responsible for appointing external auditors to each local authority in England and Wales. The external auditor has rights of access to all documents and information necessary for audit purposes.
- 4.3.8 The external auditor's objectives to review and report upon:
- (i) the financial aspects of the audited body's corporate governance arrangements;
 - (ii) the audited body's financial statements;
 - (iii) aspects of the audited body's arrangements to manage its performance, including the preparation and publication of specified performance information and compliance in respect of the preparation and publication of the Best Value Performance Plan.
- 4.3.9 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, its income and expenditure for the year in question, and complies with legal requirements.

Key Controls

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

Responsibilities of the Director of Finance

- 4.3.11 To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purposes of their work.
- 4.3.12 To work with the external auditor and advise the full Council, Cabinet and Chief Officers on their responsibilities in relation to external audit.

Responsibilities of Chief Officers

- 4.3.13 To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets which the external auditors consider necessary for the purposes of their work.
- 4.3.14 To ensure that all records and systems are up to date and available for inspection.
- 4.3.15 To ensure that the receipt and action taken in response to the recommendations within external audit reports, relating to services for which they are responsible, are reported promptly to the appropriate committee.

4.4 Preventing Fraud and Corruption.

Why is this Important?

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

Key Controls

- 4.4.4 The key controls regarding the prevention of financial irregularities are that:-
 - (i) the Authority has an effective anti-fraud and anti-corruption policy and maintains a culture that will not tolerate fraud or corruption;
 - (ii) all Members and staff act with integrity and lead by example;
 - (iii) senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the Authority or who are corrupt;
 - (iv) high standards of conduct are promoted amongst Members by the Standards Committee;
 - (v) the maintenance of a register of interests in which any hospitality or gifts accepted must be recorded;

- (vi) whistle blowing procedures are in place and operate effectively ;
- (vii) all relevant legislation is followed.

Responsibilities of the Director of Finance

- 4.4.5. The Director of Finance has responsibility to develop and maintain relevant anti-fraud and anti-corruption policies and monitor the effectiveness of internal control arrangements.

Responsibilities of Chief Officers

- 4.4.6. Chief Officers must ensure that all suspected irregularities and financial improprieties are reported to the Director of Finance.

4.5. Assets

Why is this Important?

- 4.5.1. The Authority holds assets in the form of land, buildings, major items of plant, equipment, vehicles, IT equipment and other items worth many millions of pounds. It is important that assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations.

Key Controls

- 4.5.2. The key controls for the security of resources such as land, buildings, fixed plant machinery, equipment, software and information are:-
- (i) resources are used only for the purposes of the Authority and are properly accounted for;
 - (ii) resources are available for use when required;
 - (iii) resources no longer required are disposed of in accordance with the law and the regulations of the Authority so as to maximise benefits;
 - (iv) 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;
 - (v) 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;
 - (vi) assets for disposal are identified and are disposed of at the most appropriate time, and only when it is the best interests of the Authority, and best price is obtained.

Responsibilities of the Director of Finance

- 4.5.3 The Director of Finance is responsible for:-
- (i) the production of the Council's Capital Programme and associated revenue budgets;
 - (ii) the development of corporate prioritisation methodologies to assist the Council in determining the Capital Programme within defined resource limitations;
 - (iii) ensuring that an asset register is maintained in accordance with accepted best current professional practice for all fixed assets in excess of a cost of £5000.
- 4.5.4 The Director of Finance will develop and disseminate good practice in relation to the acquisition, management and disposal of fixed assets in accordance with the documents 'Capital Investment Programme Guidelines' and 'Guidelines for Financial Systems'.
- 4.5.5 The Director of Finance will disseminate best practice in relation to the Council's intellectual property procedures.

Responsibilities of the Director of Law, HR and Asset Management

- 4.5.6 The **Director of Law, HR and Asset Management** is the designated Corporate Property Officer.
- 4.5.7 The **Director of Law, HR and Asset Management** is responsible for:
- (i) the production of the Asset Management Plan;
 - (ii) the overall management and control of the Council's assets;
 - (iii) ensuring that an appropriate register is maintained of all land and buildings owned by the Authority to ensure that they are;
 - (a) safeguarded;
 - (b) used efficiently and effectively;
 - (c) adequately maintained;
 - (iv) the valuation of all land and buildings owned by the Authority on a rolling programme at appropriate intervals. This should be carried out in accordance with the relevant codes of practice for local authority accounting, and best professional practice.

Responsibilities of Chief Officers

- 4.5.8 Chief Officers must maintain a property database in a form approved by the Director of Finance for all properties, plant and machinery and moveable assets currently owned or used by the Council. Any use of property by a department or establishment other than for direct service delivery should be

supported by documentation identifying terms, responsibilities and duration of use.

4.5.9 Chief Officers have a responsibility to:

- (i) ensure that lessees and other prospective occupiers of Council land are not allowed to take possession or enter the land until a lease or agreement, in a form approved by the Chief Officer in consultation with the Director of Finance, has been established as appropriate;
- (ii) ensure the proper security of all buildings and other assets under their control;
- (iii) identify land or buildings which are surplus to requirements;
- (iv) pass title deeds to the Head of Legal and Member Services;
- (v) ensure that no Council asset is subject to personal use by an employee without written authority from the Chief officer;
- (vi) ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the Council;
- (vii) ensure that the Department maintains a register of moveable assets in accordance with arrangements defined by the Director of Finance;
- (viii) ensure that assets are identified, their location recorded and that they are appropriately marked and insured;
- (ix) consult the Director of Finance in any case where security is thought to be defective or where it is considered that special security arrangements may be needed;
- (x) ensure cash holdings on premises are kept to a minimum;
- (xi) ensure that keys to safes and similar receptacles are carried on the person of those responsible at all times; loss of any such keys must be reported to the Director of Finance as soon as possible;
- (xii) arrange for the valuation of assets for accounting purposes to meet requirements specified by the Director of Finance;
- (xiii) ensure that all employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the Council in some way.

4.5.10 Chief Officers are responsible for ensuring that the procedures in respect of assets, detailed in Guidelines for Financial Systems, are followed. It is imperative to:-

- (i) maintain inventories and record an adequate description of furniture, fittings, equipment, plant and machinery;
- (ii) carry out an annual check of all items on the inventory in order to verify location, review their condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as computers and cameras should be identified with security markings as belonging to the Council;
- (iii) make sure that property is only used in the course of the Council's business, unless the Chief Officer concerned has given written permission otherwise;
- (iv) to notify the Corporate Procurement Manager of all surplus items and dispose of them in accordance with 'Guidelines for Financial Systems'.

4.5.11 Chief Officers are responsible for making appropriate arrangements for the care and custody of stocks and stores in their department. This should include the keeping of adequate records and regular physical checks

4.5.12 Chief Officers are responsible for establishing controls to ensure that staff do not carry out private work in Council time and that staff are aware of an employer's rights with regard to intellectual property.

4.5.13 The detailed procedures for the disposal of land and property are contained within the Council's Standing Orders and Guidelines for Financial Systems and should be adhered to.

4.6 Treasury Management

Why is this Important?

4.6.1. Local Authority's are responsible for handling many millions of pounds of public money in the course of a year. It is essential that this money is properly managed in a way that balances risk with return. This has resulted in the establishment of codes of practice to provide this assurance. The overriding consideration is the security of the Authority's capital sum.

Key Controls

4.6.2. The Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code), as described in Section 4 of that Code, and as subsequently amended.

4.6.3. Accordingly, the Council will create and maintain the following, to ensure effective treasury management:

- (i) a treasury management policy statement, stating the principles and objectives of its treasury management activities;
- (ii) suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve this policy and objectives, and prescribing how it will manage and control those activities.

The content of the policy statement and TMPs will follow the recommendations contained in the Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the Code's key recommendations.

- 4.6.4. The Council (full Council via the Cabinet) will receive reports on its treasury management policies, practices and activities, including as a minimum an annual strategy and plan in advance of the year, and an annual report after its close, in the form prescribed in its TMPs.
- 4.6.5. Responsibility for the implementation and monitoring of treasury management policies and practices is delegated to the Cabinet, and for the execution and administration of treasury management decisions to the Director of Finance. He/she must act in accordance with the Council's policy statement and TMPs and current best professional practice.
- 4.6.6. Other controls are:-
- (i) no bank account can be opened or operated without the express consent of the Director of Finance;
 - (ii) no loans may be made to, or interests acquired in third parties without the approval of the Director of Finance;
 - (iii) no income received on behalf of the Authority may be paid into an imprest account or used to defray expenditure

Responsibilities of the Director of Finance

- 4.6.6. The Director of Finance is responsible for:-
- (i) arranging the borrowing and investments of the Authority in accordance with the CIPFA 'Code of Practice on Treasury Management' and with the Authority's treasury management policy statement and strategy;
 - (ii) reporting annually on treasury management activities to the Cabinet;
 - (iii) opening and operating all bank accounts in the name of the Council, as he/she considers necessary and for the ordering and issuing of cheques: this includes variations in the Council's banking terms and overdraft arrangements. All cheques drawn on behalf of the Council may only be signed by the Director of Finance or specifically approved officers. Such officers are responsible for the safe and proper custody of cheques.
 - (iv) providing cash or imprest accounts to meet petty cash payments. The maximum value for payment from petty cash imprest accounts, and the type of payments which may be made, is detailed in Guidelines for Financial Systems.
- 4.6.7. Any indemnity required by the Council's bankers regarding the signature of cheques by a computer or where the services of a security firm are used for the deposit or receipt of cash at the bank may only be given by the Director of Finance or other duly authorised officer.

Responsibilities of Chief Officers

4.6.8. It is the responsibility of Chief Officers to:-

- (i) ensure that loans are not made to, or interests acquired in third parties without the approval of the Council following consultation with the Director of Finance;
- (ii) to follow instructions on banking issued by the Director of Finance;
- (iii) to operate imprest accounts in accordance with 'Guidelines for Financial Systems';
- (iv) arrange for all trust funds to be held, wherever possible, in the name of the Council. All Officers acting as trustees by virtue of their official position shall deposit securities, etc., relating to the trust with the Director of Finance, unless the deed otherwise provides;
- (v) arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Director of Finance and Cabinet, and to maintain written records of all transactions;
- (vi) ensure that trust funds are operated within any relevant legislation and specific requirements for each trust;

5 FINANCIAL SYSTEMS AND PROCEDURES

5.1 General

Why is this Important?

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

Key Controls

- 5.1.3 The key controls for systems and procedures are:
 - (i) basic data exists to enable the Authority's objectives, targets, budgets and plans to be formulated, and for performance information to be communicated to the appropriate managers on an accurate, complete and timely basis;
 - (ii) early warning is provided of deviations from target, plans and budgets that require management attention;

- (iii) operating systems and procedures are secure
- (iv) data is backed up on a regular basis

Responsibilities of the Director of Finance

- 5.1.4 The Director of Finance has responsibility to determine the Council's accounting systems, forms of accounts and supporting records, and to ensure that financial systems are robust. This includes issuing advice, guidance and procedures for staff and others acting on the Authority's behalf.

Responsibilities of Chief Officers

- 5.1.5. Chief Officers must ensure that:-
- (i) accounting records are properly maintained and are secure;
 - (ii) all financial transactions have audit trails, which allow tracing from accounting records to original documents;
 - (iii) Arrangements are made for the documentation of systems and relevant staff training and to ensure that effective contingency arrangements exist for computer systems within their scope of activity.

5.2 Income and Expenditure

Income

Why is this Important?

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

Key Controls

- 5.2.2 The key controls for income are:
- (i) all income due to the Authority is identified and charged correctly, in accordance with an approved charging policy;
 - (ii) all income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery;
 - (iii) all money received by the Authority is paid without delay to the Authority's bank account, and is properly recorded;
 - (iv) proper separation of duties exists between cash collection, identifying the amount due, and for reconciling the amount due to the amount received;

- (v) effective action is taken to pursue non-payment within defined timescales;
- (vi) formal approval for debt write-off is obtained and actioned within defined timescales;
- (vii) all appropriate income documents are retained and stored for the defined period in accordance with guidance issued by the Director of Finance;
- (viii) money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.

Responsibilities of the Director of Finance

5.2.3 The Director of Finance is responsible for:-

- (i) approving all systems relating to the collection of income on behalf of the Council. These arrangements are detailed in Guidelines for Financial Systems and 1 Business Protocols;
- (ii) establishing and initiating appropriate recovery procedures, including legal action, for debts that have not been paid within the normal timescales;
- (iii) agreeing the write-off of bad debts up to an approved limit or refer larger amounts to the appropriate committee.

Responsibilities of Chief Officers

- 5.2.1. Chief Officers are responsible for establishing a charging policy for the supply of goods and services, and, in consultation with the Director of Finance, for reviewing annually the levels of fees and charges relating to services under their control.
- 5.2.2. Chief Officers are responsible for identifying, billing and collecting income in accordance with the detailed procedures set out in 'Guidelines for Financial Systems' and 1 Business Protocols. In particular they must ensure that the responsibility for identifying amounts due and the responsibility for collection is separated as far as possible.

Expenditure

Why is this Important?

- 5.2.3. Public money should be spent with demonstrable probity and in accordance with the Authority's policies. The Authority's procedures should help to ensure that services obtain value for money from their purchasing arrangements. These procedures should be read in conjunction with the Authority's Contract Procedure Rules and with the Guidelines for Financial Systems and 1 Business Protocols.

Key Controls

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

- (i) all goods and services are ordered only by appropriate persons and are correctly recorded;
- (ii) all goods and services shall be ordered in accordance with the Authority's Contract Procedure Rules;
- (iii) goods and services received are checked to ensure they are in accordance with the order. Goods should not be received by the person who placed the order;
- (iv) payments are not made unless goods have been received to the correct price, quantity and quality standards;
- (v) payments are made to the correct person/supplier, for the correct amount and are properly recorded, regardless of the payment method;
- (vi) appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with guidance issued by the Director of Finance:
- (vii) expenditure is accurately recorded against the approved budget;
- (viii) no expenditure should be incurred where there is no approved budget.

Responsibilities of the Director of Finance

- 5.2.5. To approve all the systems relating to the making of payments on behalf of the Council. These arrangements are detailed in Guidelines for Financial Systems and 1 Business Protocols.
- 5.2.6. The Director of Finance may examine, so far as he/she considers necessary, all accounts passed to him/her for payment and is entitled to receive any information and explanations as he/she may require. The Director of Finance will pay all accounts which he/she is satisfied represent legal payments and are in order.

Responsibilities of Chief Officers

- 5.2.7. Chief Officers are responsible for ensuring that all goods and services are properly ordered, received and paid for in accordance with Guidelines for Financial Systems and 1 Business Protocols. In particular they must ensure that:
 - (i) goods have been ordered against an appropriate, approved budget;
 - (ii) wherever possible, proper segregation of duties is maintained over the ordering, receiving and payment process.
- 5.2.8. Chief Officers are responsible for ensuring that invoices are processed in sufficient time to enable payment to be made to the supplier within the agreed payment period.

Payments to Employees and Members

Why is this Important?

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

Key Controls

5.2.10. The key controls for payments to employees and Members are:-

- (i) proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to: starters, leavers, variations and enhancements, and that payments are made on the basis of timesheets or claims;
- (ii) frequent reconciliation of payroll expenditure against approved budgets and bank accounts;
- (iii) all appropriate payroll documents are retained and stored for the defined period, in accordance with guidance issued by the Director of Finance;
- (iv) all expenditure is accurately recorded against the correct accounts codes, and any errors identified and corrected;
- (v) that HM Revenue and Customs regulations are complied with.

Responsibilities of the Director of Finance

5.2.11. The responsibilities of the Director of Finance are:-

- (i) 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;
- (ii) to record and make arrangements for the accurate and timely payment of tax, national insurance, superannuation and other deductions;
- (iii) to make arrangements for payment of all travel and subsistence claims;
- (iv) to make arrangements for paying Members' allowances, travel, and subsistence upon receiving the prescribed form, duly completed and authorised by the Head of Legal and Member Services.

5.2.12. The Director of Finance is responsible for approving the format of timesheets or other pay documents and the associated procedures.

Responsibilities of Chief Officers

- 5.2.13. The Chief Officers shall provide the Director of Finance with all information necessary to maintain records of service, pensions, income tax, National Insurance, statutory sick pay, etc.
- 5.2.14. Chief Officers have responsibility to ensure that all requests to pay employees are:-
- (i) in respect of employees within authorised establishments or approved redeployments or in respect of temporary or casual employees engaged for periods of sickness or emergency;
 - (ii) at salary and wage rates in accordance with nationally negotiated rates except where otherwise approved.
- 5.2.20. Chief Officers are responsible for notifying the **Director of Law, HR and Asset Management** of all appointments, promotions, regradings, resignations, redundancies, dismissals, retirements, suspensions, secondments and absences from duty or any other circumstances affecting the salaries, wages or emoluments of any employee in the Council. The **Director of Law, HR and Asset Management** must be consulted on matters relating to the application of salaries and wages scales.

5.3 Taxation

Why is this Important?

- 5.3.1 The authority is responsible for ensuring its tax affairs are in order. Tax issues are complex and the penalties for incorrectly accounting for tax are severe. It is therefore very important for all staff to be aware of their role and the current legislation and best practice relating to taxation.

Key Controls

- 5.3.2 The key controls for taxation are:-
- (i) budget managers are provided with relevant information and kept up to date on tax issues;
 - (ii) budget managers are instructed on required record keeping;
 - (iii) all taxable transactions are identified, properly carried out and accounted for within stipulated timescales;
 - (iv) records are maintained in accordance with instructions;
 - (v) returns are made to the appropriate authorities within the stipulated timescale.

Responsibilities of the Director of Finance

5.3.2. It is the responsibility of the Director of Finance to:-

- (i) to maintain to date guidance for employees on taxation issues;
- (ii) to complete all HM Revenue and Customs returns regarding PAYE, and for providing details to the Inland Revenue regarding the Construction Industry Scheme;
- (iii) to complete the required returns of VAT inputs and outputs to H.M. Revenue and Customs.

Responsibilities of Chief Officers

5.3.4 It is the responsibility of Chief Officers to:-

- (i) ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with H.M. Revenues and Customs regulations;
- (ii) ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary Construction Industry Scheme requirements;
- (iii) ensure that all persons employed by the Council are added to the Council's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency;
- (iv) follow the guidance on taxation issued by the Director of Finance in the Council's Accounting Manual and VAT Manual.

5.4. Trading Accounts and Business Units

Why is this Important?

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

Responsibilities of the Director of Finance

5.4.2 The Director of Finance is responsible for the provision of advice on the establishment and operation of trading accounts and business units.

Responsibilities of Chief Officers

5.4.3 It is the responsibility of Chief Officers to:

- (i) observe all statutory requirements in relation to business units, including the maintenance of a separate revenue account to which all

relevant income is credited and all relevant expenditure, including overhead costs, is charged;

- (ii) ensure that the same accounting principles are applied in relation to trading accounts as for other services or business units;
- (iii) ensure that each business unit prepares an annual business plan.

5.5 Voluntary and Unofficial Funds

Definition

- 5.5.1 The term 'voluntary' or 'unofficial' fund refers to any fund, other than an official fund of the Council, which is controlled wholly or partly by an officer or teacher employed by the Council, or by the managers or governors of a school maintained by the Council.

Responsibility of the Director of Finance

- 5.5.2 To determine the accounting requirements under which unofficial and voluntary funds shall be held and operated. These shall include a provision for such funds or investments to be held in the names of at least two people. They are detailed in the Guidelines for Financial Systems.
- 5.5.3 To determine the audit arrangements for these accounts in consultation with the Chief Officer concerned.

Responsibilities of Chief Officers

- 5.5.4 To provide the Director of Finance with details of all voluntary or unofficial funds at schools or other establishments. This does not apply to funds which managers or governors of schools are entitled to control.

Responsibilities of Fund Managers

- 5.5.5 To ensure the accounts of voluntary and unofficial funds are made up annually, if possible by people not directly involved in administering the fund. These accounts shall be published on the notice board of the establishment or school and included in a report to the managers or governors, where appropriate.
- 5.5.6 To inform the appropriate Chief Officer that the accounts have been audited and published.

6 EXTERNAL ARRANGEMENTS

6.1 Partnerships

General

- 6.1.1 A Partnership is defined as:
"an arrangement with another organisation (public or private) to carry out duties with, or on behalf of, the Council. This includes delivery and funding of services"

6.1.2 The main reasons for entering into a partnership are:-

- (i) the desire to find new ways to share risk;
- (ii) the ability to access new resources;
- (iii) to provide new and better ways of delivering services;
- (iv) to forge new relationships.

Why is this Important?

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

6.1.4 Local authorities will mobilise investment, bid for funds, and often take a key financial management role by agreeing to act as the Accountable Body for externally funded projects. They will champion the needs of their areas and harness the energies of local people and community organisations. Local authorities will be measured by what they achieve in partnership with others.

Key Controls

6.1.5 The nature of the partnership must be clearly stated in a partnership agreement and must include formal agreement and acceptance of each partner's roles and responsibilities. The **Director of Law, HR and Asset Management** should be consulted when drawing up any such agreement.

6.1.6 The partnership agreement must be subject to a risk management process to establish and manage all known risks.

6.1.7 Standards of financial administration must be consistent with those operated by the Council. This may mean that Financial Regulations and tendering/contract procedures need to be shared with partner organisations.

6.1.8 A performance monitoring framework must be established to ensure that the objectives of the partnership are met.

6.1.9 A formal reporting procedure must be established to inform the Council of the financial and performance position.

6.1.10 Access protocols to records and documents must be established to ensure effective audit and inspection processes.

Responsibilities of the Director of Finance

6.1.11 To ensure that accounting arrangements are satisfactory and meet all requirements of the funding agencies.

6.1.12 To advise authority partners of their responsibilities under the Authority's financial regulations.

6.1.13 To advise on the key elements of funding a project.

6.1.14 Where the Authority is the Accountable Body for an externally funded project, to ensure that all financial management arrangements take full account of the Authority's responsibilities, and are approved by the Cabinet.

Responsibilities of Chief Officers

6.1.15 To maintain a register of all arrangements entered into with external organisations after prior consultation with the Director of Finance.

6.1.16 To ensure that all partnership agreements are properly documented, do not impact adversely upon the services provided by the Council and that a risk appraisal has been undertaken, in conjunction with the Director of Finance, prior to entering such agreements.

6.1.17 To ensure compliance with the Authority's financial regulations where the Authority acts as the Accountable Body for any scheme, project or programme.

6.2 External Funding

Why is this Important?

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

Key Controls

6.2.2 The key controls for external funding are:-

- (i) to ensure that key conditions of funding and any statutory requirements are followed and that the responsibilities in relation to the Accountable Body are clearly understood;
- (ii) to ensure that funds are acquired only to meet priorities approved in the corporate plan by the full Council;
- (iii) to ensure that any match-funding requirements are given due consideration prior to entering into the agreements and that they are reflected in future revenue budgets;

- (iv) to ensure that there is a realistic exit strategy for time limited projects when the external funding ceases.

Responsibilities of the Director of Finance

6.2.3 The responsibilities of the Director of Finance are:-

- (i) to ensure that all funding notified by external bodies is received and properly recorded in the Authority's accounts;
- (ii) to ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements;
- (iii) to ensure that time limited projects have a realistic exit strategy,
- (iv) to ensure that any external audit requirements are met;
- (v) where he or she is specifically responsible for submitting grant claims, to ensure that all claims for funds are made by the due date.

Responsibilities of Chief Officers

6.2.4. Chief Officers must ensure that:-

- (i) adequate supporting documentation is maintained to enable claims for funding to be maximised, in consultation with the Director of Finance;
- (ii) all claims for funds and returns are made by the due date;
- (iii) that all expenditure is properly incurred, authorised and recorded and that the project progress is appropriately recorded.

6.3 Work for Third Parties

Why is this Important?

6.3.1 Current legislation enables the Authority to provide a range of services to other bodies. Such work may enable a unit to maintain economies of scale and existing expertise. Arrangements should be in place to ensure that any risks associated with this work is minimised and that such work is within the Authority's legal powers.

Key Controls

6.3.2 The key controls for working with third parties are:-

- (i) to ensure that proposals are costed properly in accordance with guidance provided by the Director of Finance;
- (ii) to ensure that contracts are drawn up using guidance provided by the Director of Finance and that the formal approvals process is adhered to;
- (iii) to issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register.

Responsibilities of the Director of Finance

6.3.3 The Director of Finance will issue guidance on the financial aspects of third party contracts.

Responsibilities of Chief Officers

6.3.4 Chief Officers must:-

- (i) ensure that such contracts do not impact adversely upon the services provided for the Council;
- (ii) ensure that the department/unit has the appropriate expertise to undertake the contract;
- (iii) ensure that no contract is subsidised by the Council;
- (iv) that appropriate insurance arrangements are made;
- (v) ensure that the Council is not put at risk from any bad debts;
- (vi) ensure that the approval of the Cabinet is obtained before negotiations are concluded to work for third parties;
- (vii) to ensure that all contracts are properly documented;
- (viii) to provide appropriate information to the Director of Finance to enable compliance with best accounting practice;
- (ix) ensure that, wherever possible, payment is received in advance of the delivery of the service;
- (x) maintain a register of all contracts entered into with third parties in accordance with the procedures laid down by the Director of Finance.