

Financial Procedure Rules

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SECTION 1

Financial Regulations and Accompanying Financial Procedures

1. Introduction to the Council and its Responsibilities

Background

- 1.1 The Authority's governance structure is laid down in its Constitution which sets out how the Council operates, how decisions are made and the procedures that are followed.
- 1.2 The Authority has adopted, after wide consultation, a Leader/Cabinet Executive. The Executive is responsible for most decisions and their implementation through the Cabinet and Cabinet Committees. If an area is not listed in the Constitution as a 'non-executive' function, then it will be regarded as an 'executive' function. Scrutiny Committees are also in existence to 'mirror' the Cabinet Committees. Certain regulatory committees are also in existence together with committees such as Standards and Audit.

SECTION 2

Status of Financial Regulations

2. Status of Financial Regulations

- 2.1 The Authority collects and spends large sums of public money. Sound financial control is essential in order to maintain accountability and to achieve maximum efficiency and effectiveness. An effective system of financial control must be supported by a written code which sets out precisely a clear pattern of financial administration. These Financial Regulations therefore provide the framework for managing the Authority's financial affairs. They apply to every Member and employee of the Authority and anyone acting on its behalf.
- 2.2 The Regulations identify the financial responsibilities of the Council, Executive and Scrutiny members, the Chief Executive, the Monitoring Officer, the Chief Finance Officer and other Corporate Directors. Article 12 and Part 3 of the Council's Constitution set out decision making arrangements.
- 2.3 All Members and employees have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, is properly authorised, provides value for money and achieves best value.
- 2.4 The Chief Finance Officer is responsible for maintaining a continuous review of the financial regulations and submitting any additions or changes necessary to the Council for approval. The Chief Finance Officer is also responsible for reporting, where appropriate, breaches of the Financial Regulations to the Council and/or to the Executive Members.
- 2.5 The Authority's detailed financial procedures, setting out how the regulations will be implemented, are contained after the section on Financial Regulations.
- 2.6 Corporate Directors are responsible for ensuring that all staff in their directorates are aware of the existence and content of the Authority's Financial Regulations and other internal

regulatory documents which have been issued and which supplement this current document and that they comply with them. They must also ensure that an adequate number of copies are available for reference within their directorates.

- 2.7 The Chief Finance Officer is responsible for issuing advice and guidance to underpin the Financial Regulations that Members, employees and others acting on behalf of the Authority are required to follow.

SECTION 3

Financial Regulation Details

3. Financial Regulation Details

3.1 Framework

3.1.1 The details of the Regulations are subdivided into five key areas for ease of reference and interpretation. These are:-

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

3.1.2 The framework adopted has been formulated to consider the relevant issues under the sub-headings described above and to supplement these by outlining Financial Procedures which seek to implement such Regulations under a set of headings:-

- An introduction to the area in terms of its importance
- An outline of key controls which should be in existence
- Responsibilities of the Chief Finance Officer
- Responsibilities of Corporate Directors (Chief Officers)

3.1.3 In connection with the Financial Procedure Rules which follow the Financial Regulations, reference to the responsibility of Corporate Directors (Chief Officers) would also include the relevant Heads of Service as well as other nominated authorised officers responsible for undertaking the functions in the defined areas.

3.2 Financial Management

3.2.1 Introduction

3.2.2 Financial management covers all financial accountabilities in relation to the running of the Authority, including the policy framework and budget.

3.2.3 All Council Meetings and employees 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 these standards are met.

3.2.4 Roles and Responsibilities

(a) The Council

The Council is responsible for adopting the Authority's Constitution and Members' Code of Conduct and for approving the policy framework and budget within which the executive operates. It is also responsible for approving and monitoring compliance with the Authority's overall framework of accountability and control. The framework is set out in its Constitution. The Council is also responsible for monitoring compliance with the agreed policy and related executive decisions.

The Council is responsible for approving procedures for recording and reporting decisions taken. This includes those decisions delegated by and decisions taken by the Council and its committees. These delegations and details of who has responsibility for which decision are set out in the Constitution.

(b) The Executive

The executive is responsible for proposing the policy framework and budget to the Council, and for discharging executive functions in accordance with the policy framework and budget.

Executive decisions can be delegated to a committee of the executive, an individual executive member, an officer or a joint committee.

If individual executive members are given delegated authority to take decisions, protocols will be established to ensure that individual executive members consult with relevant officers before taking a decision within his or her delegated authority. In doing so, the individual member must take account of legal and financial liabilities and risk management issues that may arise from the decisions.

(c) Committees

Scrutiny Committees:

The Scrutiny Committees are responsible for scrutinising executive decisions or proposals and for holding the executive to account.

Governance and Audit Committee:

The Governance and Audit Committee reports to the Council. It can consult directly with internal and external auditors. It has defined terms of reference.

Standards Committee:

The Standards Committee is established by the Council and is responsible for promoting and maintaining high standards of conduct amongst Councillors. In particular, it is responsible for advising the Council on the adoption and revision of the member's code of conduct, and for monitoring the operation of the code.

Other Committees of the Council:

These include committees to cover Planning, Licensing, Personnel and Appeals 'non-executive' functions.

(d) The Statutory Officers

The responsibilities of the following statutory officers are set out in the Constitution:

- (i) Chief Executive;
- (ii) Chief Finance Officer (as Chief Finance Officer);
- (iii) The Monitoring Officer.

(e) Corporate Directors – Chief Officers

Corporate Directors are responsible for ensuring that executive members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Chief Finance Officer.

It is the responsibility of Corporate Directors to consult with the Chief Finance Officer and seek approval on any matter liable to affect the Authority's finances materially, before any commitments are incurred.

3.2.5 Other Financial Accountabilities

(a) Virement

Corporate Directors are responsible for managing their Budgets within the overall cash limit approved by Council, and may vire amounts between budget heads accordingly except where such virement would involve a significant variation in the level or nature of the delivery of the service approved by Council in the Revenue Budget. In which case, the approval of the Council will be required.

(b) Treatment of Year End Balances

The Council is responsible for agreeing procedures for carrying forward under - and overspendings on budget headings.

(c) Accounting Policies

The Chief Finance Officer is responsible for selecting accounting policies and ensuring that they are applied consistently.

(d) Accounting Records and Returns

The Chief Finance Officer is responsible for determining the accounting procedures and records for the Authority.

(e) The Annual Statement of Accounts

The Chief Finance Officer is responsible for ensuring that the annual statement of accounts is prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC). The Council is responsible for approving the annual statement of accounts.

3.3 Financial Planning

3.3.1 Introduction

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

- The General Fund Revenue Budget and Housing Revenue Account;
- The Capital Programme.

3.3.3 Policy Framework

The Council is responsible for approving the policy framework and budget which is set out in the Appendix to Article 4 of the Constitution.

The Council is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework and for determining the circumstances in which a decision will be deemed to be contrary to the budget or policy framework.

The Council is responsible for setting the level at which

the executive may reallocate budget funds from one service to another.

The executive is responsible for taking in-year decisions on resources and priorities in order to deliver the budget policy framework within the financial limits set by the Council.

3.3.4 Budgeting

(a) Budget Format

The general format of the budget will be approved by the Council and proposed by the executive on the advice of the Chief Finance Officer. The draft budget should include allocation to different services and projects, payment of precepts and levies, proposed taxation levels and contingency funds.

(b) Budget Preparation

The Chief Finance Officer is responsible for ensuring that a revenue budget is prepared on an annual basis for consideration by the executive, before submission to the Council. The Council may amend the budget or ask the executive to reconsider it before approving it.

The executive is responsible for issuing guidance on the general content of the budget in consultation with the Chief Finance Officer as soon as possible following approval by the Council.

It is the responsibility of Corporate Directors to ensure that budget estimates reflecting agreed service plans are submitted to the executive and that these estimates are prepared in line with guidance issued by the executive.

(c) Budget Monitoring and Control

The Chief Finance Officer is responsible for providing appropriate financial information to enable budgets to

be monitored effectively. He or she must monitor expenditure against budget allocations and report to the executive on the overall position on a regular basis.

It is the responsibility of Corporate Directors to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Chief Finance Officer. They should report on variances within their own areas. They should also take any action necessary to avoid exceeding their budget allocation and alert the Chief Finance Officer to any problems.

(d) Resource Allocation

The Chief Finance Officer is responsible for developing and maintaining a resource allocation process that ensures due consideration of the Council's policy framework.

(e) Preparation of the Capital Programme

The Chief Finance Officer is responsible for ensuring that a capital programme is prepared on an annual basis for consideration by the executive before submission to the Council.

(f) Guidelines

Guidelines on budget preparation are issued to members and Corporate Directors by the executive following agreement with the Chief Finance Officer. The guidelines will take account of:

- Legal requirements;
- Medium-term planning prospects;
- Community strategy plan;
- Available resources;
- Spending pressures;
- Best value and other relevant government guidelines;

- Policy agreements with the National Assembly for Wales;
- Other internal policy documents;
- Cross-cutting issues (where relevant).

(g) Maintenance of Reserves

It is the responsibility of the Chief Finance Officer to advise the executive and/or the Council on prudent levels of reserves for the Authority.

3.4 Risk Management and Control of Resources

3.4.1 Introduction

3.4.2 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.

3.4.3 Risk Management

The executive is responsible for approving the Authority's risk management policy statement and strategy and for reviewing the effectiveness of risk management. The executive is responsible for ensuring that proper insurance exists where appropriate.

The Chief Finance Officer is responsible for preparing the Authority's risk management policy statement, for promoting it throughout the Authority and for advising the executive on proper insurance cover where appropriate.

3.4.4 Internal Control

Internal control refers to the systems of control devised by management to help ensure the Authority's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Authority's assets and interests are safeguarded.

The Chief Finance Officer is responsible for advising on

effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.

It is the responsibility of Corporate Directors to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

3.4.5 Audit Requirements

The Accounts and Audit Regulations 1996 require every local Authority to maintain an adequate and effective internal audit.

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

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

3.4.6 Preventing Fraud and Corruption and Malpractice

The Chief Finance Officer is responsible for the development and maintenance of an Anti-Fraud, Corruption & Malpractice Strategy policy document.

3.4.7 Assets

Corporate Directors should ensure that records and assets are properly maintained and securely held. They

should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

3.4.8 Treasury Management

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

Accordingly, the Authority will create and maintain, as the cornerstones for effective treasury management:

- A treasury management policy statement (TMPS), stating the policies and objectives of its treasury management activities;
- Suitable treasury management practices (TMP), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

All money in the hands of the Authority is controlled by the officer designated for the purposes of Section 151 of the Local Government Act 1972, referred to in the code as the 'responsible officer', i.e. in this Authority the Chief Finance Officer.

The Council has delegated responsibility for the implementation and monitoring of its treasury management policies and practices to the executive, and for the execution and administration of treasury management decisions to the Chief Finance Officer who will act in accordance with the Authority's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

The executive will receive at least four reports in each financial year on its treasury management policies, practices and activities; an annual strategy and plan in advance of the year; and an annual report after the close of the year in the form prescribed by its TMPs.

3.4.9 Staffing

The Council is responsible for determining how officer support for executive and non-executive roles within the Authority will be organised.

The Chief Executive is responsible for providing overall management to staff. He or she is also responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job.

Corporate Directors are responsible for controlling total staff numbers by:

- Advising the executive on the budget necessary in any given year to cover estimated staffing levels;
- Adjusting the staffing to a level that can be funded within approved budget provision, varying the provision as necessary within that constraint in order to meet changing operational needs;
- The proper use of appointment procedures.

3.5 Systems and Procedures

3.5.1 Introduction

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

3.5.3 General

The Chief Finance Officer is responsible for the operation of the Authority's accounting systems, the form of accounts and the supporting financial records. Any changes made by Corporate Directors to the existing financial systems or the establishment of new systems must be approved by the Chief Finance Officer. However, Corporate Directors are responsible for the proper operation of financial processes in their own directorates.

Any changes to agreed procedures by Corporate

Directors to meet their own specific service needs should be agreed with the Chief Finance Officer.

Corporate Directors should ensure that their employees receive relevant financial training that has been approved by the Chief Finance Officer.

Corporate Directors must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation. Corporate Directors must ensure that employees are aware of their responsibilities under freedom of information legislation.

3.5.4 Income and Expenditure

It is the responsibility of Corporate Directors to ensure that a proper scheme of delegation has been established within their area and is operating effectively. The scheme of delegation should identify employees authorised to act on the Corporate Director's behalf, or on behalf of the executive, in respect of payments, income collection and placing orders, together with the limits of their authority. The executive is responsible for approving procedures for writing off debts as part of the overall control framework of accountability and control.

3.5.5 Payments to Employees and Members

The Chief Finance Officer is responsible for all payments of salaries and wages to all employees, including payments for overtime, and for payment of allowance to members.

3.5.6 Taxation

The Chief Finance Officer is responsible for advising Corporate Directors, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the Authority.

The Chief Finance Officer is responsible for maintaining

the Authority's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

3.5.7 Trading Accounts/Business Units

It is the responsibility of the Chief Finance Officer to advise on the establishment and operation of trading accounts and business units.

3.6 External Arrangements

3.6.1 Introduction

3.6.2 The Local Authority provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders. It must also act to achieve the promotion or improvement of the economic, social or environmental well-being of its area.

3.6.3 Partnerships

The executive is responsible for approving delegations, including frameworks for partnerships. The executive is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.

The executive can delegate functions – including those relating to partnerships – to officers. These are set out in the scheme of delegation that forms part of the Authority's constitution. Where functions are delegated, the executive remains accountable for them to the Council.

The Chief Executive and other Directors represent the Authority on partnership and external bodies, in accordance with the scheme of delegation.

The Monitoring Officer is responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the Authority.

The Chief Finance Officer must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. He or she must also consider the overall corporate governance arrangements and legal issues when arranging contracts with any external bodies. He or she must ensure that the risks have been fully appraised before agreements are entered into with any external bodies.

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

3.6.4 External Funding

The Chief Finance Officer is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Authority's accounts.

3.6.5 Work for Third Parties

The exercise is responsible for approving the contractual arrangements for any work for third parties or external bodies.

SECTION 4

Financial Procedures

4. Financial Procedures

4.1 Introduction

4.1.1 The following financial procedures outline how the previously stated Financial Regulations are to be implemented. Each of the five sections mirror the Financial Regulations and in each of the sections four important issues are dealt with.

4.1.2 At the commencement of each relevant section, there is a statement which is intended to outline the standing and importance of the particular issue.

4.1.3 Key Controls – this explains the key internal controls that set the framework for ensuring the Financial Regulations are operating effectively.

4.1.4 Responsibilities outlined of Chief Finance Officer.

4.1.5 Responsibilities outlined of Corporate Directors (Chief Officers).

4.2 Financial Management Standards

All employees and member 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.

4.2.1 Key Controls

- (a) their promotion throughout the Authority;
- (b) a monitoring system to review compliance with financial standards, and regular comparisons of performance indicators and benchmark standards

that are reported to the executive and Council

4.2.2 Responsibilities of the Chief Finance Officer

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

4.2.3 Responsibilities of Corporate Directors (Chief Officers)

- To promote the financial management standards set by the Chief Finance Officer in their directorates and to monitor adherence to the standards and practices, liaising as necessary with the Chief Finance Officer.
- To promote sound financial practices in relation to the standards, performance and development of staff in their directorates.

4.3 Managing of Expenditure

Scheme of Virement

The scheme of virement is intended to enable the executive, Corporate Directors and their employees to manage budgets with a degree of flexibility within the overall policy framework determined by the Council, and therefore to optimise the use of resources.

4.3.1 Key Controls

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

4.3.2 Responsibilities of the Chief Finance Officer

To prepare jointly with the Corporate Director a report to the Council where virements in excess of £100,000 or 5% whichever is the greater on any one budget head are proposed which involve a significant variation in the level or nature of the delivery of the service approved by Council in the Revenue Budget.

4.3.3 Responsibilities of Corporate Directors (Chief Officers)

A Corporate Director may exercise virements on budgets under his or her control for any amount on any one budget head during the year, following notification to the Chief Finance Officer provided that:

- (a) overall expenditure and income is contained within the Revenue Budget Cash Limit; and
- (b) except where virement would involve a significant variation in the level or nature of the delivery of the service approved by Council in the Revenue Budget.

In the case of (b) amounts greater than £500,000 on any one budget head will require the approval of Council. Virements which are less than this amount may be approved (a) by Corporate Directors up to £100,000 (b) by the Executive (i.e. Cabinet) between £100,000 and £500,000.

The prior approval of the Council is required for any virement, of whatever amount greater than £500,000 where it is proposed to vary between budget guidelines previously approved by Council. Virements which are less than this amount may be approved (a) by Corporate Directors up to £100,000 (b) by the Executive (i.e. Cabinet) between £100,000 and £500,000.

Virement that is likely to impact on the budget guideline of another Corporate Director should be implemented only after agreement with the relevant Corporate Director and the Chief Finance Officer.

No virement relating to a specific financial year should be

made after 31st March in that year.

Where an approved budget is a lump-sum budget or contingency intended for allocation during the year, its allocation will not be treated as a virement, provided that:

- (i) The amount is used in accordance with the purposes for which it has been established;
- (ii) the executive has approved the basis and the terms, including financial limits, on which it will be allocated. Individual allocations in excess of the financial limits should be reported to the executive.

4.4 Treatment of Year-end Balances

The Authority's scheme of virement sets out the Authority's treatment of year-end balances. It is administered by the Chief Finance Officer within guidelines set by the Council. Any variation from the scheme of virement (as set out above) requires the approval of the Council.

The rules below cover arrangements for the transfer of resources between accounting years, i.e. a carry-forward.

4.4.1 Key Controls

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

4.4.2 Responsibilities of the Chief Finance Officer

- To administer the scheme of carry-forward within the guidelines approved by the Council
- To report all overspending and underspending on service estimates carried forward to the executive and to the Council.

4.4.3 Responsibilities of Corporate Directors (Chief Officers)

- Any overspending on service estimates in total on

budgets under the control of the Corporate Director must be carried forward to the following year, and will constitute the first call on service estimates in the following year, except where special circumstances may be deemed to apply. The Chief Finance Officer will report the extent of overspending carried forward to the executive and to the Council, together with any special circumstances that may apply.

- Net underspending on service estimates under the control of the Corporate Director may be carried forward, subject to:
 - (a) reporting to the executive the source of underspending or additional income and the proposed application of those resources
 - (b) the overall financial position of the Council at the time.
- All internal business unit surpluses shall be retained for the benefit of the Authority and their application shall require the approval of the executive.

4.5 Accounting Policies

The Chief Finance Officer is responsible for the preparation of the Authority's statement of accounts, in accordance with proper practices as set out in the format required by the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC), for each financial year ending 31st March.

4.5.1 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 Authority and its expenditure and income.

4.5.2 Responsibilities of the Chief Finance Officer

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

4.5.3 Responsibilities of Corporate Directors (Chief Officers)

To adhere to the accounting policies and guidelines approved by the Chief Finance Officer.

4.6 **Accounting Records and Returns**

Maintaining proper accounting records is one of the ways in which the Authority discharges its responsibility for stewardship of public resources. The Authority has a

statutory responsibility to prepare its annual accounts to present fairly its operations during the year. These are subject to external audit. This audit provides assurance that the accounts are prepared properly, that proper accounting practices have been followed and that quality arrangements have been made for securing economy, efficiency and effectiveness in the use of the Authority's resources.

4.6.1 Key Controls

- (a) All executive members, finance employees and budget managers operate within the required accounting standards and timetables.
- (b) All the Authority's transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis.
- (c) Procedures are in place to enable accounting records to be reconstituted in the event of systems failure.
- (d) Reconciliation procedures are carried out to ensure transactions are correctly recorded.
- (e) Prime documents are retained in accordance with legislative and other requirements – including criteria set out by external funding bodies.

4.6.2 Responsibilities of the Chief Finance Officer

- To determine the accounting procedures and records for the Authority. Where these are maintained outside the finance department, the Chief Finance Officer should consult the Corporate Director concerned.
- To arrange for the compilation of all accounts and accounting records under his or her direction.
- To comply with the following principles when allocating accounting duties:
 - (a) separating the duties of providing information about sums due to or from the Authority and calculating, checking and recording these sums from the duty of collecting or disbursing

them;

- (b) employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions

- To make proper arrangements for the audit of the Authority's accounts in accordance with the Accounts and Audit Regulations 1996.
- To ensure that all claims for funds including grants are made by the due date.
- To prepare and publish the audited accounts of the Authority for each financial year, in accordance with the statutory timetable and with the requirement for the Council to approve the statement of accounts before 30th September.
- To administer the Authority's arrangements for under- and overspendings to be carried forward to the following financial year.
- To ensure the proper retention of financial documents in accordance with the requirements set out in the Authority's agreed policy.

4.6.3 Responsibilities of Corporate Directors (Chief Officers)

- To consult and obtain the approval of the Chief Finance Officer before making any changes to accounting records and procedures.
- To comply with the principles outlined in the proceeding section regarding division of duties when allocating accounting duties.
- To maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements.
- To supply information required to enable the statement of accounts to be completed in accordance with guidelines issued by the Chief Finance Officer.
- To ensure that all claims for funds including grants are made by the due date.

4.7 The Annual Statement of Accounts

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

4.7.1 Key Controls

The Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of these affairs. In this Authority, that officer is the Chief Finance Officer.

The Authority's statement of accounts must be prepared in accordance with proper practices as set out in the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (the SORP) (CIPFA/LASAAC).

4.7.2 Responsibilities of the Chief Finance Officer

- To select suitable accounting policies and to apply them consistently.
- To make judgements and estimates that are reasonable and prudent
- To comply with the SORP
- To sign and date the statement of accounts, stating that it presents fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 20xx.
- To draw up the timetable for final accounts preparation and to advise employees and external auditors accordingly.

4.7.3 Responsibilities of Corporate Directors (Chief Officers)

To comply with accounting guidance provided by the Chief Finance Officer and to supply the Chief Finance Officer with information when required.

4.8 Financial Planning

Improvement Plans

The Authority is required to publish annually a forward looking document which is termed the Corporate Plan and the Authority is also required to publish a backward looking document which is termed the Annual Report.

4.8.1 Key Controls

- (a) To ensure that all relevant plans are produced and that they are consistent.
- (b) To produce plans in accordance with statutory requirements.
- (c) To meet the timetables set.
- (d) To ensure that all performance information is accurate, complete and up to date
- (e) To determine improvement priorities which are meaningful, relevant, realistic and challenging

4.8.2 Responsibilities of the Chief Finance Officer

- To advise and supply the financial information that needs to be included in improvement/performance plans in accordance with statutory requirements and agreed timetables.
- To contribute to the development of corporate improvement priorities and performance information.

4.8.3 Responsibilities of Corporate Directors (Chief Officers)

- To contribute to the development of improvement/performance plans in line with statutory requirements.
- To contribute to the development of corporate improvement priorities and performance information.
- To ensure that systems are in place to measure activity and collect accurate information for use as

- performance indicators.
- To ensure that performance information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met.

Budgeting

Format of the Budget

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

4.8.4 Key Controls

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

4.8.5 Responsibilities of the Chief Finance Officer

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

4.8.6 Responsibilities of Corporate Directors (Chief Officers)

To comply with accounting guidance provided by the Chief Finance Officer.

Revenue Budget Preparation, Monitoring and Control

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

to account managers responsible for defined elements of the budget.

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

4.8.7 Key Controls

- (a) Budget managers should be responsible for controllable income and expenditure
- (b) There is a nominated budget manager for each cost centre heading
- (c) Budget managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities.
- (d) Budget managers follow an approved certification process for all expenditure
- (e) Income and expenditure are properly recorded and accounted for.
- (f) Performance levels/levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget.
- (g) The requirements in terms of budget monitoring frequency are identified in the following table:

Frequency	Requirements
Quarterly	<ol style="list-style-type: none"> 1. Actual - v- Budget 2. Projected outturn 3. Analysis of significant variances 4. Full analysis of action to be taken to resolve any overspends – actual or projected. 5. Any emerging issues that may have an impact upon the financial position (a form of risk analysis) 6. Information reported as an aggregate

	report to the executive.
Monthly	<ol style="list-style-type: none"> 1. Exception reports of any emerging issues. 2. Information not formally collated as an Authority wide report – requirement is that monthly monitoring takes place with Directorates – service areas.

4.8.8 Responsibilities of the Chief Finance Officer

- To establish an appropriate framework of budgetary management and control that ensures that:
 - (a) budget management is exercised within annual cash limits unless the Council agrees otherwise;
 - (b) each Corporate Director has available timely information on receipts and payments on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities;
 - (c) expenditure is committed only against an approved budget head;
 - (d) all officers responsible for committing expenditure comply with relevant guidance, and the financial regulations;
 - (e) each budget head has a single named manager, determined by the relevant Corporate Director. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commit expenditure;
 - (f) significant variances from approved budgets are investigated and reported by budget managers regularly.
- To administer the Authority's scheme of virement.
- To submit reports to the executive and to the Council, in consultation with the relevant Corporate

Director, where a Corporate Director is unable to balance expenditure and resources within existing approved budgets under his or her control.

- To prepare and submit reports on the Authority's projected income and expenditure compared with the budget on a quarterly basis – see (g) above for details of table contents. Reports may also be made upon an ad hoc basis should there be a material issue, judged so, by the Chief Finance Officer.

4.8.9 Responsibilities of Corporate Directors (Chief Officers)

- To maintain budgetary control within their directorates, in adherence to the principles described earlier, and to ensure that all income and expenditure are properly recorded and accounted for.
- To ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the Corporate Director (grouped together in a series of cost centres). As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.
- To ensure that spending remains within the service's overall cash limit, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast.
- To ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and is operating effectively.
- To prepare and submit to the executive reports on the service's projected income and expenditure compared with its budget, in consultation with the Chief Finance Officer.
- To ensure prior approval by the Council or executive (as appropriate) for new proposals, of whatever amount, that:

- (a) create financial commitments in future years
 - (b) change existing policies, initiate new policies or cease existing policies
 - (c) materially extend or reduce the Authority's services.
- To ensure compliance with the scheme of virement.
 - To agree with the relevant Corporate Director where it appears that a budget proposal, including a virement proposal, may impact materially on another service area or Corporate Director's level of service activity.

Budgets and Medium Term Financial Planning

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

The revenue budget must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of the Council. Budgets (spending plans) are needed so that the Authority can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for an Authority to budget for a deficit.

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

4.8.10 Key Controls

- (a) Specific budget approval for all expenditure.
- (b) Budget managers are consulted in the preparation of the budgets for which they will be held responsible and accept accountability within delegations set by the executive for their budgets

- and the level of service to be delivered.
- (c) A monitoring process is in place to review regularly the effectiveness and operation of budget preparation and to ensure that any corrective action is taken.

4.8.11 Responsibilities of the Chief Finance Officer

- To prepare and submit reports on budget prospects for the executive, including resource constraints set by the National Assembly for Wales. Reports should take account of medium-term prospects, where appropriate.
- To determine the detailed form of revenue estimates and the methods for their preparation, consistent with the budget approved by the Council, and after consultation with the executive and Corporate Directors.
- To prepare and submit reports to the executive on the aggregate spending plans of directorates and on the resources available to fund them, identifying, where appropriate, the implications for the level of Council tax to be levied.
- To advise on the medium-term implications of spending decisions.
- To encourage the best use of resources and value for money by working with Corporate Directors to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.
- To advise the Council on executive proposals in accordance with his or her responsibilities under Section 151 of the Local Government Act 1972.

4.8.12 Responsibilities of Corporate Directors (Chief Officers)

- To prepare estimates of income and expenditure, in consultation with the Chief Finance Officer, to be submitted to the executive.
- To prepare budgets that are consistent with any relevant cash limits, with the Authority's annual budget cycle and with guidelines issued by the executive. The format should be prescribed by the Chief Finance Officer in accordance with the Council's general directions.
- To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.
- In consultation with the Chief Finance Officer and in accordance with the laid-down guidance and timetable, to prepare detailed draft revenue and capital budgets for consideration by the executive and then Council.
- When drawing up draft budget strategy requirements, to have regard to:
 - (a) goals of the Community Plan;
 - (b) customer consultation;
 - (c) spending patterns and pressures revealed through the budget monitoring process;
 - (d) legal requirements;
 - (e) policy requirements as defined by the Council in the approved policy framework;
 - (f) initiatives already under way.

Resource Allocation

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

4.8.13 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.

4.8.14 Responsibilities of the Chief Finance Officer

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

4.8.15 Responsibilities of Corporate Directors (Chief Officers)

- To work within budget limits and to utilise resources allocated, and further allocate resources, in the most efficient, effective and economic way.
- To identify opportunities to minimise or eliminate resource requirements or consumption without having a detrimental effect on service delivery.

Capital Programmes

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

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

4.8.16 Key Controls

- (a) Specific approval by the Council for the programme of capital expenditure.

- (b) Development of a capital programme with a medium term planning horizon.
- (c) Expenditure on capital schemes is subject to the approval of the Chief Finance Officer
- (d) A scheme and estimate, including project plan, progress targets and associated revenue expenditure is prepared for each capital project, for approval by the executive
- (e) Approval by the executive where capital schemes are to be financed from the revenue budget, up to a specified amount, and subject to the approval of the Council, where the expenditure exceeds this amount
- (f) Proposals for improvements and alterations to buildings must be approved by the appropriate Corporate Director.
- (g) Schedules for individual schemes within the overall budget approved by the Council must be submitted to the executive for approval (for example, minor works), or under other arrangements approved by the Council.
- (h) The development and implementation of asset management plans.
- (i) Accountability for each proposal is accepted by a named manager.
- (j) Monitoring of progress with approved budget, the project plan and agreed outputs.
- (k) Maximisation of potential external grant funding is achieved.

4.8.17 Responsibilities of the Chief Finance Officer

- To prepare an estimate of available resources to fund the capital programme in a financial year and/or for a longer period where medium term planning requires.
- To prepare capital estimates jointly with Corporate Directors and the Chief Executive and to report them to the executive for approval. The executive will make recommendations on the capital estimates and on any associated financing requirements to the Council. Executive approval is required where a Corporate Director proposes to bid for or exercise additional borrowing approval not

anticipated in the capital programme. This is because the extra borrowing may create future commitments to financing costs.

- To prepare and submit reports to the executive on the projected income, expenditure and resources compared with the approved estimates.
- To issue guidance concerning capital schemes and controls, for example, on project appraisal techniques. The definition of 'capital' will be determined by the Chief Finance Officer, having regard to government regulations and accounting requirements.
- To obtain authorisation from the executive for individual schemes where the estimated expenditure exceeds the capital programme provision by more than 10% of the scheme cost or £50,000 whichever is the lesser.

4.8.18 Responsibility of Corporate Directors (Chief Officers)

- To comply with guidance concerning capital schemes and controls issued by the Chief Finance Officer
- To ensure that all capital proposals have undergone a project appraisal in accordance with the attached guidance issued by the Chief Finance Officer.
- To prepare regular reports reviewing the capital programme provisions for their services. They should also prepare a quarterly return of estimated final costs of schemes in the approved capital programme for submission to the Chief Finance Officer.
- To ensure that adequate records are maintained for all capital contracts.
- To proceed with projects only when there is adequate provision in the capital programme and with the agreement of the Chief Finance Officer, where required.
- To prepare and submit reports, jointly with the Chief Finance Officer, to the executive, of any variation in contract costs greater than the approved limits.
- To prepare and submit reports, jointly with the Chief

Finance Officer, to the executive, on completion of all contracts where the final expenditure exceeds the approved contract sum by more than 10% or £50,000 whichever is the lesser.

- To ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the Chief Finance Officer and, if applicable, approval of the scheme through the capital programme.
- To consult with the Chief Finance Officer and to seek executive approval where the Corporate Director proposes to bid for supplementary credit approvals to be issued by government departments to support expenditure that has not been included in the current year's capital programme.
- To consult with the Chief Finance Officer and to seek executive approval where the Corporate Director proposes to bid for external capital grant aid to support expenditure that has not been included in the current year's capital programme.

Maintenance of Reserves

The 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.

4.8.19 Key Controls

- (a) to maintain reserves in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC) and agreed accounting policies.
- (b) For each reserve established, the purpose, usage and basis of transactions should be clearly identified.
- (c) Authorisation and expenditure from reserves by the appropriate Corporate Director in consultation with

the Chief Finance Officer.

4.8.20 Responsibilities of the Chief Finance Officer

To advise the executive and/or the Council on prudent levels of reserves for the Authority and to take account of the advice of the external auditor on this matter.

4.8.21 Responsibilities of Corporate Directors (Chief Officers)

To ensure that reserves are used only for the purpose for which they were intended.

4.9 Risk Management and Control of Resources

Risk Management

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.

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

It is the overall responsibility of the executive to approve the Authority's risk management strategy, and to promote a culture of risk management awareness throughout the Authority.

4.9.1 Key Controls

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

4.9.2 Responsibilities of the Chief Finance Officer

- To prepare and promote the Authority's risk management policy statement
- To develop risk management controls in conjunction with other Corporate Directors
- To include all appropriate employees of the Authority in a suitable fidelity guarantee insurance
- To offer insurance cost to schools in accordance with Fair Funding arrangements
- To effect corporate insurance cover, through external insurance and internal funding, and to negotiate all claims in consultation with other officers, and all other relevant parties, where necessary.

4.9.3 Responsibilities of Corporate Directors (Chief Officers)

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

Internal Controls

The Authority is complex and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives.

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

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

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

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

4.9.4 Key Controls

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

4.9.5 Responsibilities of the Chief Finance Officer

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.

4.9.6 Responsibilities of Corporate Directors (Chief Officers)

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

Audit Requirements

Internal Audit

The requirement for an internal audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit Regulations 1996 (SI 1996/590), regulation 5, more specifically require that a “relevant body shall maintain an adequate and effective system of internal audit of their accounting records and control systems”.

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

4.9.7 Key Controls

- (a) That it is independent in its planning and operation.
- (b) The head of internal audit has direct access to the

Chief Finance Officer and the Chief Executive, all levels of management and directly to elected members.

- (c) The internal auditors comply with the Public Sector Internal Audit Standards (PSIAS) which were adopted by the Relevant Internal Audit Standards Setters (RIASS) from 1st April 2013. PSIAS encompasses the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF).

4.9.8 Responsibilities of the Chief Finance Officer

- To ensure that internal auditors have the authority to:
 - (a) access Authority premises at reasonable times
 - (b) access all assets, records, documents, correspondence and control system
 - (c) receive any information and explanation considered necessary concerning any matter under consideration
 - (d) require any employee of the Authority to account for cash, stores or any other Authority asset under his or her control.
 - (e) access records belonging to third parties, such as contractors, when required
 - (f) directly access the Chief Executive, the executive and Governance and Audit Committee
- To ensure that effective procedures are in place to investigate promptly any fraud, irregularity or malpractice.

4.9.9 Responsibilities of Corporate Directors (Chief Officers)

- To ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets that the external auditors

- consider necessary for the purposes of their work
- To ensure that auditors are provided with any information and explanations that they seek in the course of their work
- To consider and respond promptly to recommendations in audit reports
- To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion
- To notify the Chief Finance Officer immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Authority's property or resources. Pending investigation and reporting, the Corporate Director should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.

External Audit

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.

The basic duties of the external auditor are defined in the Audit Commission Act 1998 and the Local Government Act 1999. In particular, section 4 of the 1998 Act requires the Audit Commission to prepare a code of audit practice, which external auditors follow when carrying out their duties. The code of audit practice issued in March 2000 sets out the auditor's objectives to review and report upon:

- (a) the financial aspects of the audited body's corporate governance arrangements;
- (b) the audited body's financial statements;
- (c) aspects of the audited body's arrangements to manage its performance, including the preparation and publication of specified performance information and compliance in respect of the preparation and publication of the BVPP.

The Authority's accounts are scrutinised by external auditors, who must be satisfied that the statement of accounts 'presents fairly' the financial position of the Authority and its income and expenditure for the year in question and complies with the legal requirements.

4.9.10 Key Controls

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

4.9.11 Responsibilities of the Chief Finance Officer

- To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purposes of their work
- To ensure there is effective liaison between external and internal audit
- To work with the external auditor and advise the Council, executive and Corporate Directors on their responsibilities in relation to external audit.
- To ensure access is permitted to appropriate records of any external bodies where a relationship with the Authority exists, e.g. third party arrangements for grants.

4.9.12 Responsibilities of Corporate Directors (Chief Officers)

- To ensure that external auditors are given at all reasonable times to premises, personnel, documents and assets which the external auditors consider necessary for the purposes of their work.
- To ensure that all records and systems are up to date and available for inspection
- To ensure that all working papers to support accounting entries, grant claims etc. are of a sufficiently high standard so as to be fully acceptable for external audit use.

Preventing Fraud and Corruption

The Authority will not tolerate fraud, corruption or any acts of malpractice in the administration of its responsibilities, whether from inside or outside the Authority.

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

The Authority also expects that individuals and organisations (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.

4.9.13 Key Controls

- (a) The Authority has an effective anti-fraud, corruption and malpractice strategy policy document and maintains a culture that will not tolerate fraud, corruption or any acts of malpractice.
- (b) All members and employees 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.

4.9.14 Responsibilities of the Chief Finance Officer

- To develop and maintain an anti-fraud, corruption and malpractice strategy policy document.
- To maintain adequate and effective internal control arrangements.

- To ensure that all suspected irregularities which fall under necessary notification requirements are reported to the chief internal auditor, the Chief Executive, the executive and the Governance and Audit Committee.

4.9.15 Responsibilities of Corporate Directors (Chief Officers)

- To ensure that all suspected irregularities are reported to the chief internal auditor
- To instigate the Authority's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour
- To ensure that where financial impropriety is discovered, the Chief Finance Officer is informed, and where sufficient evidence exists to believe that a criminal offence may have been committed, the police are called in to determine with the Crown Prosecution Service whether any prosecution will take place
- To maintain a departmental register of interests

Assets

Security

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

4.9.16 Key Controls

- (a) Resources are used only for the purposes of the Authority and are properly accounted for
- (b) Resources are available for use when required
- (c) Resources no longer required are disposed of in accordance with the law and the regulations of the Authority so as to maximise benefits

- (d) An asset register is maintained for the Authority, assets are recorded when they are acquired by the Authority and this record is updated as changes occur with respect to the location and condition of the asset.
- (e) All staff are aware of their responsibilities with regard to safeguarding the Authority's assets and information, including the requirements of the Data Protection Act and software copyright legislation
- (f) All staff are aware of their responsibilities with regard to safeguarding the security of the Authority's computer systems, including maintaining restricted access to the information held on them and compliance with the Authority's computer and internet security policies.

4.9.17 Responsibilities of the Chief Finance Officer

- To ensure that an asset register is maintained in accordance with proper practice for all capital expenditure in excess of £10,000 which enhances asset value and is contained within the Authority's approved Capital Programme (the only exceptions being multiple items, e.g. vehicles, personal computers under £10,000 which are included in the Asset Register).
- The function of the asset register is to provide the Authority with information about fixed assets so that they are:
 - safeguarded;
 - used efficiently and effectively;
 - adequately maintained;
 - charged to the appropriate user within the Revenue Accounts
- To receive the information required for accounting, costing and financial records from each Corporate Director
- To ensure that assets are valued in accordance with the Statements of Asset Valuation Practice and Guidance Notes published by the Royal Institution of Chartered Surveyors in conjunction with the guidelines set out in CIPFA's Valuations for accounting purposes circa 1997.

4.9.18 Responsibilities of Corporate Directors (Chief Officers)

- The appropriate Corporate Director (Director of Environment) shall maintain a property database in a form approved by the Chief Finance Officer for all properties, plant and machinery and moveable assets currently owned or used by the Authority and to arrange for the valuation of assets for accounting purposes to meet requirements specified by the Chief Finance Officer. Any use of property by a directorate or establishment other than for direct service delivery should be supported by documentation identifying terms, responsibilities and duration of use
- The appropriate Corporate Director (Director of Environment) to ensure that lessees and other prospective occupiers of Council land are not allowed to take possession or enter the land until a lease or agreement, in a form approved by the appropriate Corporate Director (Director of Environment) in consultation with the Chief Finance Officer, has been established as appropriate
- To ensure the proper security of all buildings and other assets under their control
- Where land or buildings are surplus to requirements, a recommendation for sale should be subject of a joint report by the appropriate Corporate Director (Director of Environment) and the Chief Finance Officer.
- To pass title deeds to the Chief Finance Officer who is responsible for custody of all title deeds
- To ensure that no Authority asset is subject to personal use by an employee without proper authority
- To ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the Authority.
- To ensure that the directorate maintains a register of moveable assets in accordance with arrangements defined by the Chief Finance Officer
- To ensure that assets are identified, their location

recorded and that they are appropriately marked and insured

- To consult the Chief Finance Officer in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- To ensure cash holdings on premises are kept to a minimum
- To ensure that keys to safes and similar receptacles are carried on the person of those responsible at all times; loss of any such keys must be reported to the Chief Finance Officer as soon as possible
- To record all disposal or part exchange of assets that should normally be by competitive tender or public auction, unless, following consultation with the Procurement Officer and the Chief Finance Officer, the executive agrees otherwise
- To ensure that all employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the Authority in some way

Inventories

Responsibilities of Corporate Directors (Chief Officers)

- To maintain inventories and record an adequate description of furniture, fittings, plant and machinery and other valuable items of equipment with a cost in excess of £250
- To carry out an annual check of all items on the inventory in order to verify location, review, condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the Authority

- To make sure that property is only used in the course of the Authority's business, unless the Corporate Director concerned has given permission otherwise
- Items above £10,000 in value must also be provided to the Risk & Insurance Manager on an annual basis.

Stocks and Stores

4.9.19 Responsibilities of Corporate Directors (Chief Officers)

- To make arrangements for the care and custody of stocks and stores in the directorate
- To ensure stocks are maintained at reasonable levels and are subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion
- To investigate and remove from the Authority's records (i.e. write off) discrepancies as necessary, or to obtain executive approval if they are in excess of the predetermined limit set by the Chief Finance Officer
- To authorise or write off disposal of redundant stocks and equipment. Procedures for disposal of such stocks and equipment should be by competitive quotations or auction, unless, following consultation with the Procurement Officer and the Chief Finance Officer, the executive decides otherwise in a particular case
- To seek executive approval to the write-off of redundant stocks and equipment in excess of the predetermined sum set by the Chief Finance Officer

Intellectual Property

Intellectual property is a generic term that includes inventions and writing. If these are created by the employee during the course of employment, then, as a general rule, they belong to the employer, not the employee. Various acts of Parliament cover different

types of intellectual property.

Certain activities undertaken within the Authority may give rise to products that may be patentable. These items are collectively known as intellectual property. In addition, copyright will apply to software development.

4.9.20 Key Controls

In the event that the Authority decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with the Authority's approved intellectual property procedures.

4.9.21 Responsibilities of the Chief Finance Officer

To develop and disseminate good practice through the Authority's intellectual property procedures.

4.9.22 Responsibilities of Corporate Directors (Chief Officers)

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

Asset Disposal

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

4.9.23 Key Controls

Assets for disposal are identified and are disposed of at the most appropriate time, and only when it is in the best interests of the Authority, and best price 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.

Procedures protect employees involved in the disposal

from accusations of personal gain.

4.9.24 Responsibilities of the Chief Finance Officer

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

4.9.25 Responsibilities of Corporate Directors (Chief Officers)

- To seek advice from the Procurement Officer on the disposal of surplus or obsolete materials, stores and equipment
- To ensure that income received for the disposal of an asset is properly banked and coded

Treasury Management

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

4.9.26 Key Controls

That the Authority's borrowings and investments comply with the CIPFA Code of Practice on Treasury Management and with the Authority's treasury policy statement

4.9.27 Responsibilities of Chief Finance Officer – Treasury Management and Banking

- To arrange the borrowing and investments of the Authority in such a manner as to comply with the *CIPFA Code of Practice on Treasury Management* and the Authority's treasury management policy

statement and strategy

- To report no fewer than four times a year on treasury management activities to the executive
- To operate bank accounts as are considered necessary – opening or closing any bank account shall require the approval of the Chief Finance Officer

4.9.28 Responsibilities of Corporate Directors (Chief Officers) – Treasury Management and Banking

To follow the instructions on banking issued by the Chief Finance Officer

4.9.29 Responsibilities of Chief Finance Officer – Investments and Borrowing

- To ensure that all investments of money are made in the name of the Authority or in the name of nominees approved by the Council
- 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 Head of Legal Services or nominated representative
- To effect all borrowings in the name of the Authority
- To act as the Authority's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the Authority
- To ensure all investments of money are made in accordance with the Local Authorities (Capital Finance and Approved Investments) (Amendment) (Wales) Regulations 2002

4.9.30 Responsibilities of Corporate Directors (Chief Officers) – Investments and Borrowing

To ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the Executive and the Council, following consultation with the Chief Finance Officer.

4.9.31 Responsibilities of Corporate Directors (Chief Officers) – Trust Funds and Funds held for Third Parties

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

Imprest Accounts

4.9.32 Responsibilities of the Chief Finance Officer

- To provide employees of the Authority with cash or bank imprest accounts to meet minor expenditure on behalf of the Authority and to prescribe rules for operating these accounts. Minor items of expenditure should not exceed the prescribed amount
- To determine the petty cash limit and to maintain a record of all transactions and petty cash advances made, and periodically to review the arrangements for the safe custody and control of these advances
- To reimburse imprest holders as often as necessary to restore the imprests, but normally not more than monthly

4.9.33 Responsibility of Corporate Directors (Chief Officers) – Imprest Account

To ensure that employees operating an imprest account:

- (a) obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained;
- (b) make adequate arrangements for the safe custody of the account;
- (c) produce upon demand by the Chief Finance Officer cash and all vouchers to the total value of the imprest amount;
- (d) record transactions promptly;
- (e) reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder;
- (f) provide the Chief Finance Officer with a certificate of the value of the account held at 31st March each year;
- (g) ensure that the float is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made;
- (h) on leaving the Authority's employment or otherwise ceasing to be entitled to hold an imprest advance, an employee shall account to the Chief Finance Officer for the amount advances to him or her;
- (i) claim to be forwarded to the Chief Finance Officer in sufficient time to prevent the account from being overdrawn
- (j) promptly notify the Chief Finance Officer of any change of signatories

Staffing

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

4.9.34 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.
- (c) Controls are implemented that ensure that employees time is used efficiently and to the benefit of the Authority.
 - (d) Checks are undertaken prior to employing new employees to ensure that they are appropriately qualified, experienced and trustworthy.
 - (e) An appropriate check is undertaken prior to employment with the Disclosure & Barring Service in respect of employees working in designated posts.
 - (f) The Authority operates a full equal opportunities policy for all positions.

4.9.35 Responsibilities of the Chief Finance Officer

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

4.9.36 Responsibilities of Corporate Directors (Chief Officers)

- To produce an annual staffing budget.
- To ensure that the staffing budget is an accurate forecast of staffing levels and is equated to an appropriate revenue budget provision (including on-costs and overheads).
- To appoint employees in accordance with equal opportunities and other human resource policies of the Authority.
- To monitor employee activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff.
- 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
- To ensure that the Chief Finance Officer is immediately informed if the staffing budget is likely to be materially over- or underspent

4.10 Financial Systems and Procedures

General Issues

Directorates have many systems and procedures relating to the control of the Authority's assets, including purchasing, costing and management systems. Directorates 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.

The Chief Finance Officer has a professional responsibility to ensure that the Authority's financial systems are sound and should therefore be notified at the outset of any new developments or changes.

4.10.1 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.

4.10.2 Responsibilities of the Chief Finance Officer

To make arrangements for the proper administration of the Authority's financial affairs, including to:

- (a) issue advice, guidance and procedures for officers and others acting on the Authority's behalf;
- (b) determine the accounting systems, form of accounts and supporting financial records;
- (c) establish arrangements for audit of the Authority's financial affairs;

- (d) define minimum standards for financial matters;
- (e) approve any changes to be made to existing financial systems.

4.10.3 Responsibilities of Corporate Directors (Chief Officers)

- To ensure that accounting records are properly maintained and held securely.
- To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Chief Finance Officer.
- To ensure that a complete management trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained
- To incorporate appropriate controls to ensure that, where relevant:
 - (a) all input is genuine, complete, accurate, timely and not previously processed;
 - (b) all processing is carried out in an accurate, complete and timely manner;
 - (c) output from the system is complete, accurate and timely
- To ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice
- To ensure there is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption
- To ensure that systems are documented and employees trained in operations
- To ensure that any financial systems within their service area meet the minimum standards laid down by the Chief Finance Officer
- To establish a scheme of delegation identifying officers authorised to act upon the Corporate Director's behalf in respect of payments, income

- collection and placing orders, including variations, and showing the limits of their authority
- To supply lists of authorised officers, with specimen signatures and delegated limits, to the Chief Finance Officer, together with any subsequent variations
 - To ensure that effective contingency arrangements, including back-up procedures, exist for computer systems in accordance with the Authority's Policies
 - To ensure that, where appropriate, computer systems are registered in accordance with data protection legislation and that employees are aware of their responsibilities under the legislation
 - To ensure that relevant standards and guidelines for computer systems issued by the Corporate Director are observed
 - To ensure that computer equipment and software are protected from loss and damage through theft, vandalism, etc.
 - To comply with the copyright, designs and patents legislation and, in particular, to ensure that:
 - (a) only software legally acquired and installed by the Authority is used on its computers;
 - (b) staff are aware of legislative provisions;
 - (c) in developing systems, due regard is given to the issue of intellectual property rights.

Income and Expenditure

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. All efforts must be made 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.

4.10.4 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 employee on behalf of the Authority is paid without delay to the Chief Finance Officer or, as he or she directs, to the Authority's bank or National Giro account, and properly recorded. The responsibility for cash collection should be separated from that:
 - for identifying the amount due;
 - for reconciling the amount due to the amount received
 - (d) Effective action is taken to pursue non-payment within defined timescales.
 - (e) Formal executive approval for debt write-off is obtained (above that approved in the scheme of delegation)
 - (f) Appropriate write-off action is taken within defined timescales.
 - (g) Appropriate accounting adjustments are made following write-off action.
 - (h) All appropriate income documents are retained and stored for the defined period in accordance with the document retention schedule.
 - (i) Money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.

4.10.5 Responsibilities of the Chief Finance Officer

- To agree arrangements for the collection of all income due to the Authority and to approve the procedures, systems and documentation for its collection.
- To agree the write-off of bad debts or seek approval from the Executive:
 - (a) where the irrecoverable debt is £1000 or less by the Chief Finance Officer;
 - (b) where the irrecoverable debit is over £1000 by

the Executive after considering a report of the Chief Finance Officer

- To ensure that appropriate adjustments are made following write-off action.
- To set the debt recovery policies for the Authority including the minimum standards of information required to support any debts outstanding.
- To advise service areas where appropriate of the level and details of debt outstanding for their areas.
- To set appropriate levels of bad debt provisions taking account of the level of outstanding debt.
- To follow appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.

4.10.6 Responsibilities of Corporate Directors (Chief Officers)

- To ensure that wherever possible income is received in advance of the service being provided.
- To establish a charging policy for the supply of goods or services, including the appropriate charging of VAT, and to review it regularly, in line with corporate policies. This review is likely to be at least on an annual basis in accordance with budget setting requirements.
- To ensure that all income is correctly coded to the appropriate cost centre/fund.
- To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable.
- To order and supply all receipt forms, books or tickets and similar items and to satisfy himself or herself regarding the arrangements for their control.
- To issue official receipts or to maintain other documentation for income collection.
- To ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded.
- To hold securely receipts, tickets and other records of income for the appropriate period.
- To lock away all income to safeguard against loss or

theft, and to ensure the security of cash handling. Only up to approved limits of cash can be held on the premises as advised by the Chief Finance Officer.

- To ensure that income is paid fully and promptly into the appropriate Authority bank account in the form in which it is received. Appropriate details including correct VAT indicator (liability) should be recorded on to paying-in slips to provide an audit trail. Money collected and deposited must be reconciled to the bank account on a regular basis.
- To ensure income is not used to cash personal cheques or other payments.
- To supply the Chief Finance Officer with details relating to work done, goods supplied, services rendered or other amounts due, to enable the Chief Finance Officer to record correctly the sums due to the Authority and to ensure accounts are sent out promptly. To do this, Corporate Directors should use established performance management systems to monitor recovery of income and flag up areas of concern to the Chief Finance Officer. Corporate Directors have a responsibility to assist the Chief Finance Officer in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the Authority's behalf.
- To keep a record of every transfer of money between employees of the Authority. The receiving officer must sign for the transfer and the transferor must retain a copy.
- To notify the Chief Finance Officer of outstanding income relating to the previous financial year as soon as possible after 31st March in line with the timetable determined by the Chief Finance Officer and not later than 30th April

Ordering and Paying for Work, Goods and Services

Public money should be spent with demonstrable probity and in accordance with the Authority's policies.

Authorities have a statutory duty to achieve best value in part through economy and efficiency. The Authority's

procedures should help to ensure that services obtain value for money from their purchasing arrangements. These procedures should be read in conjunction with the Authority's Contracts and Procedure Rules and any associated procurement policies.

General Issues

Every officer and member of the Authority has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the Authority, in accordance with appropriate adopted codes of conduct.

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

Each order must conform to the guidelines approved by the Council on central purchasing and the standardisation of supplies and materials. Standard terms and conditions must not be varied without the prior approval of the Chief Finance Officer.

Apart from petty cash and other payments from advance accounts, the normal method of payment from the Authority shall be by cheque or other instrument or approved method, drawn on the Authority's bank account or National Giro account by the Chief Finance Officer. Payment means other than cheque shall require the prior agreement of the Chief Finance Officer.

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

4.10.7 Key Controls

(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 Contracts Procedure Rules and any associated procurement policies 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. Goods should not be received by the person who placed 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, 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 document retention policies.
 - (g) All expenditure, including VAT, is accurately recorded against the right budget and any exceptions are corrected.
 - (h) In addition, the effect of e-business/e-commerce and electronic purchasing/credit cards requires that processes are in place to maintain the security and integrity of data for transacting business electronically.

4.10.8 Responsibilities of the Chief Finance Officer

- To approve the form of official orders and associated terms and conditions.
- To make payments from the Authority's funds in accordance with National Performance Indicators on the Corporate Director's authorisation that the expenditure has been duly incurred in accordance with financial regulations.
- To make payments, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a court order.
- To make payments to contractors on the certificate

of the appropriate Corporate Director, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.

- To provide advice and encouragement on making payments by the most economical means.
- To be satisfied that a budgetary control system exists within the service that enables, where possible, commitments incurred by placing orders to be shown against the appropriate budget allocation so that they can be taken into account in budget monitoring reports.

4.10.9 Responsibilities of Corporate Directors (Chief Officers)

- In general terms, to adhere to effective procedures in order to facilitate compliance with National KPI on payment time.
- To ensure that unique pre-numbered official orders are used for all goods and services.
- To ensure that orders are only used for goods and services provided to the directorate. Individuals must not use official orders to obtain goods or services for their private use.
- To ensure that only those staff authorised by him or her sign orders and to maintain an up-to-date list of such authorised staff, including specimen signatures identifying in each case the limits of their authority. The authoriser of the order should be satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that questions or tenders have been obtained if necessary. Best value principles should underpin the Authority's approach to procurement. Value for money should always be achieved.
- To ensure that goods and services are checked on receipt to verify that they are in accordance with the order. This check should, where possible be carried out by a different officer from the person who authorised the order. Appropriate entries should then be made in inventories or stores records.
- To ensure that payment is not made unless a proper

VAT invoice has been received, checked, coded and certified for payment, confirming:

- (a) receipt of goods or services;
 - (b) that the invoice has not previously been paid;
 - (c) that expenditure has been properly incurred and is within budget provision;
 - (d) that prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices;
 - (e) correct accounting treatment of tax, including the deduction and administration of the Construction Industry Scheme (CIS) where appropriate;
 - (f) that the invoice is correctly coded;
 - (g) that discounts have been taken where available;
 - (h) that appropriate entries will be made in accounting records.
-
- To ensure that a budgetary control system exists within the service that enables, where possible, commitments incurred by placing orders to be shown against the appropriate budget allocation so that they can be taken into account in budget monitoring reports.
 - To ensure that two authorised employees are involved in the ordering, receiving and payment process. If possible, a different officer from the person who signed the order, and in every case, a different officer from the person checking a written invoice, should authorise the invoice.
 - To ensure that the Directorate maintains and reviews periodically a list of staff approved to authorise invoices. Names of authorising officers together with specimen signatures and details of the limits of their authority shall be forwarded to the Chief Finance Officer and kept up to date.
 - To ensure that payments are not made on a photocopied or faxed invoice, statement or other document other than the formal invoice unless suitably endorsed and certified.
 - To encourage suppliers of goods and services to

receive payment by the most economical means for the Authority. It is essential, however, that payments made by means other than cheques have the prior approval of the Chief Finance Officer.

- To ensure that the Directorate obtains best value from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality, with regard to the best practice guidelines issued by the Chief Finance Officer, which are in line with best value principles and contained in the Authority's Contractual Standing Orders and associated procurement policies.
- To ensure that employees are aware of the employee code of conduct for local government employees as adopted by the Authority.
- To ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the Chief Finance Officer. This is because of the potential impact on the Authority's borrowing powers, to protect the Authority against entering into unapproved credit arrangements and to ensure that value for money is being obtained.
- To notify the Chief Finance Officer of outstanding expenditure relating to the previous financial year as soon as possible after 31st March in line with accounts closure procedures issued by the Chief Finance Officer.
- To notify the Chief Finance Officer immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.
- To ensure that all appropriate payment records are retained and stored for the defined period, in accordance with document retention policies.

Contracts of Building, Constructional or Engineering Work

Specific requirements exist in relation to larger scale contracts for building, constructional or engineering works. These requirements will exist equally for in-house and external contractors and are covered by the Authority's

Contracts Procedure Rules.

4.10.10 Key Controls

- Contracts must comply with the Authority's Contracts Procedure Rules and these Financial Procedures relating to Contracts
- Any standard form of contract adopted by the Authority for the purpose in hand
- National and European Unit legislation.

4.10.11 Responsibilities of the Chief Finance Officer

To ensure that formal procedures are in place including the maintenance of a contract register(s) to control all contracts from tendering/quotation to final payment stages. The register shall show the state of accounts on each contract between the Authority and the contractor, together with any payments and related professional fees.

4.10.12 Responsibilities of Corporate Directors (Chief Officers)

- To maintain a contracts register to control all contracts within their service areas from tendering/quotation to final payment stages
- All payments to contractors shall be made on a certificate signed by the appropriate Corporate Director in a form approved by the Chief Finance Officer. This certificate shall show the total amount of the contract, the value of work executed to date, retention money, amount paid to date and the amount now certified.
- Any variation of, addition to or omission from a contract duly authorised shall be given in writing to the contractor by the responsible Corporate Director.
- In every case, before a final certificate is issued by or on behalf of a Corporate Director, the Chief Finance Officer shall be informed, and all documentation relating to individual contracts shall be made available to him for examination, when required

- Where professional architects, engineers or surveyors are employed to design or supervise work for the Authority, it shall be a condition of their employment:
 - that they be engaged on the basis of collaboration with the relevant Corporate Director and at fee rates competitively and fairly set;
 - that before a final certificate of costs is issued, they make available to the appropriate Corporate Director and the Chief Finance Officer all documents relating to the contract for which they are acting on the Authority's behalf.

- Each Corporate Director, in consultation with the Chief Finance Officer, shall be responsible for reporting to the Executive any variations, additional payments and likely overspending in excess of 10% of the contract sum unless covered by the initial report. No payment above these values will be made without approval, other than in exceptional circumstances (e.g. potential breach of contract) which must be agreed with the Chief Finance Officer. In every case, before a Corporate Director issues a final certificate, the Chief Finance Officer shall be informed, and all documentation relating to individual contracts shall be made available for examination, when required.

- The Supervising Officer for the contract shall draw the potential for the deduction of liquidated and ascertained damages to the client Corporate Director, who shall make the decision to pursue or otherwise based upon the full facts, including the nature of the claim, materiality and any relevant legal considerations. Any proposal not to deduct liquidated damages, where such a right has accrued, shall be reported by the Corporate Director to the Chief Finance Officer.

- Technical and financial vetting of prospective contractors shall be carried out for all contracts exceeding £150,000 in value.

- A detailed report on the progress and costs of capital schemes shall be made regularly to the

Executive; the detailed format and frequency of these reports to be agreed by the Chief Finance Officer.

- A Performance Bond will be required where it is felt that special circumstances make this prudent. The surety shall be approved by the Chief Finance Officer.

Payments to Employees and Members

Employee costs are the largest item of expenditure for most Authority services. It is therefore essential 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 member's allowances are authorised in accordance with the scheme adopted by the Council.

4.10.13 Key Controls

- (a) Proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to:
 - Starters;
 - Leavers;
 - Variations;
 - Enhancementsand that payments are made on the basis of timesheets or claims.
- (b) Appropriate validation procedures exist and division of duties is adhered to.
- (c) Frequent reconciliation of payroll expenditure against approved budget and bank account
- (d) All appropriate payroll documents are retained and stored for the defined period in accordance with document retention policies.
- (e) That Inland Revenue regulations are complied with

4.10.14 Responsibilities of the Chief Finance Officer

- The management of the Payroll Service.

- To arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments to existing employees, in accordance with procedures prescribed by him or her, on the due date
- To ensure that the workforce and Members are paid in accordance with various conditions of service and in compliance with all statutory regulations in respect of Tax, National Insurance and Pensions.
- To record and make arrangements for the accurate and timely payment of both statutory and non-statutory deductions.
- To make arrangements for payment of all travel and subsistence claims and allowances in accordance with National and Local Policy
- To make arrangements for paying members travel or other allowances upon receiving the prescribed form, duly completed and authorised.
- To provide advice and encouragement to secure payment of salaries and wages by the most economical means.
- To ensure that there are adequate arrangements for administering superannuation matters on a day-to-day basis including effective liaison with the administering body – City & County of Swansea.

4.10.15 Responsibilities of Corporate Directors (Chief Officers)

- To ensure appointments are made in accordance with the regulations of the Authority and approved establishments, grades and scale of pay and that adequate budget provision is available.
- To notify the Chief Finance Officer of all appointments, terminations or variations which may affect the pay or pension of any employee or former employee, in the form and to the timescale required by the Chief Finance Officer.
- To ensure that adequate and effective systems and procedures are operated, so that:
 - payments are only authorised to bona fida employees;

- payments are only made where there is a valid entitlement;
 - conditions and contracts of employment are correctly applied;
 - employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.
-
- To send an up-to-date list of the names of officers authorised to sign records to the Chief Finance Officer, together with specimen signatures. The payroll provider should have signatures of personnel officers and officers authorised to sign timesheets and claims.
 - To ensure that payroll transactions are processed only through the payroll system. Corporate Directors should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. The Inland Revenue applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Chief Finance Officer. All payments for self-employed personnel must be processed through the sessional payroll.
 - To certify travel and subsistence claims and other allowances (submission to Chief Finance Officer within 10 days of the end of the monthly period in which they are incurred). Certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred, and that allowances are properly payable by the Authority, ensuring that cost-effective use of prescribed travel arrangements is achieved. Invoices/receipts must be obtained and submitted for all non-mileage expenses claims. Claims submitted more than 2 months after the expenses were incurred must be accompanied by a letter or explanation for the delay, via the Accountable Manager, and shall be paid only with the express approval of the Chief Finance Officer.
 - To ensure that the Chief Finance Officer is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income

- tax self-assessment system
- To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with document retention policies.

4.10.16 Responsibilities of Members

- To make claims for travel and subsistence allowances in accordance with National and Local Policy.
- To submit claims for travel and subsistence allowances on a monthly basis (submission to Chief Finance Officer within 10 days of the end of the month in which they are incurred)
- To subscribe to payment by the most economical means.

Taxation

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

4.10.17 Key Controls

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

4.10.18 Responsibilities of the Chief Finance Officer

- To complete all Inland Revenue returns regarding PAYE

- To complete a monthly return of VAT inputs and outputs to HM Customs and Excise
- To ensure monthly payment to the Inland Revenue as per instructions and details received from directorates
- To complete annual CIS return by the statutory deadline
- To maintain up-to-date guidance for Authority employees on taxation issues in the relevant procedural notes.

4.10.19 Responsibilities of Corporate Directors (Chief Officers)

- To ensure details are forwarded to the Inland Revenue regarding the construction industry deduction scheme.
- To ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Customs and Excise regulations
- To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.
- To ensure that all persons employed by the Authority are added to the Authority's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency. Self-employed persons will be catered for in the sessional payroll.
- To follow the guidance on taxation issued by the Chief Finance Officer in the Authority's relevant procedural notes.
- To inform the Chief Finance Officer of any items of expenditure and/or income that may have a material effect on the taxation position of the Authority

Trading Accounts and Business Units

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 Improvement Plan

4.10.20 Responsibilities of the Chief Finance Officer

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

4.10.21 Responsibilities of Corporate Directors (Chief Officers)

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

4.11 External Arrangements

Partnerships

Partnerships are likely to play a key role in delivering community strategies and in helping to promote and improve the well-being of the area. Local authorities are working in partnership with others – public agencies, private companies, community groups and voluntary organisations. Local authorities still deliver some

services, but their distinctive leadership role is to bring together the contributions of the various stakeholders. They therefore need to deliver a shared vision of services based on user wishes.

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

General issues

The main reasons for entering into a partnership are:

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

A partner is defined as either:

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

Partners participate in projects by:

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

Partners have common responsibilities:

- (a) to be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation;
- (b) to act in good faith at all times and in the best interests of the partnership's aims and objectives;
- (c) be open about any conflict of interests that might arise;
- (d) to encourage joint working and promote the sharing of information, resources and skills between public, private and community sectors;
- (e) to hold confidentially any information received as a result of partnership activities or duties that is of a confidential or commercially sensitive nature;
- (f) to act wherever possible as ambassadors for the project.

4.11.1 Key Controls

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

4.11.2 Responsibilities of the Chief Finance Officer

- To advise on effective controls that will ensure that resources are not wasted
- To advise on the key elements of funding a project. They include:
 - (a) a scheme appraisal for financial viability in both the current and future years;

- (b) risk appraisal and management;
 - (c) resourcing, including taxation issues;
 - (d) audit, security and control requirements;
 - (e) carry-forward arrangements.
- To ensure that the accounting arrangements are satisfactory

4.11.3 Responsibilities of Corporate Directors (Chief Officers)

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

External Funding

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

4.11.4 Key Controls

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

4.11.5 Responsibilities of the Chief Finance Officer

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

4.11.6 Responsibilities of Corporate Directors (Chief Officers)

- To ensure that all claims for funds are made by the due date.
- To ensure that the project progresses in accordance with the agreed criteria and that all expenditure is properly incurred and recorded
- To ensure that sufficient project management skills and resources are assigned to schemes to facilitate successful completion of all projects
- To ensure that third party agreements are notified to the Chief Finance Officer
- To ensure that all relevant documentation is retained in accordance with the Authority's Document Retention policies.

Work for Third Parties

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

4.11.7 Key Controls

- (a) To ensure that proposals are costed properly in accordance with guidance provided by the Chief Finance Officer.
- (b) To ensure that contracts are drawn up using guidance provided by the Chief Finance Officer and that the formal approvals process is adhered to.
- (c) To issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register.

4.11.8 Responsibilities of the Chief Finance Officer

- To issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register.
- To ensure that appropriate insurance arrangements are made

4.11.9 Responsibilities of the Corporate Directors (Chief Officers)

- To ensure that the approval of the executive is obtained before any negotiations are concluded to work for third parties.
- To maintain a register of all contracts entered into with third parties in accordance with procedures specified by the Chief Finance Officer.
- To ensure that the Authority is not put at risk from any bad debts
- To ensure that no contract is subsidised by the Authority.
- To ensure that, wherever possible, payment is

- received in advance of the delivery of service.
- To ensure that the Directorate/service area has the appropriate expertise to undertake the contract.
 - To ensure that such contracts do not impact adversely upon the services provided by the Authority.
 - To ensure that all contracts are properly documented.
 - To provide appropriate information to the Chief Finance Officer to enable a note to be entered into the Statement of Accounts.