



## FINANCIAL PROCEDURES

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## **A Financial management**

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

### Key controls

The key controls for financial management standards are:

- (a) to ensure their promotion throughout the council
- (b) to have a system in place to review compliance with financial standards.
- (c) to undertake regular monitoring of performance and report this to the cabinet.

## **1 General**

### Responsibilities of the chief finance officer

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

### Responsibilities of the chief executive, deputy chief executive (operations), chief finance officer, executive heads of service and heads of service

- 1.6 To promote the financial management standards set by the chief finance officer in their areas of responsibility and to monitor adherence to the standards and practices, liaising as necessary with the chief finance officer.
- 1.7 To promote sound financial practices in relation to the standards, performance and development of staff in their areas of responsibility.

## 2 Scheme of virement

Virement, as set out in the *Financial regulations*, is intended to enable the cabinet, members of the corporate leadership team and their staff to manage budgets with a degree of flexibility within the overall policy and budget framework determined by the council, and therefore to optimise the use of resources. The regulations ensure that funding for expenditure above the agreed policy and budget framework is controlled.

### Key controls

- (a) It is administered by the chief finance officer; any variation from this scheme requires the approval of the council.
- (b) The overall revenue budget and capital programme is drawn up by the cabinet and approved by the council. Members of the corporate leadership team and budget managers are therefore authorised to incur expenditure in accordance with the revenue budget and approved expenditure on capital schemes. The procedures below cover virement; that is, switching resources between approved budget headings or capital schemes.
- (c) Virement should not be used to create additional overall budget liability. Members of the corporate leadership team are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they should not support recurring revenue expenditure e.g. salaries or leases, from one-off sources of savings or additional income, or create future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. Members of the corporate leadership team must plan to fund such commitments from within their own budgets.
- (d) The financial limits and reporting requirements for virements are as follows:

	<b>Revenue</b>	<b>Capital</b>	<b>Documentation</b>
Approved by relevant member of the corporate leadership team and reported to the corporate leadership team	Up to £50,000	Up to £100,000	Approval documented as determined by each corporate leadership team member. Report to corporate leadership team minuted.
Approved by the corporate leadership team and reported to cabinet	£50,000 - £100,000	£100,000 - £200,000	Monthly budget monitoring report

	<b>Revenue</b>	<b>Capital</b>	<b>Documentation</b>
Approved by cabinet	Over £100,000	Over £200,000	Monthly budget monitoring report
Approved by the chief finance officer and reported to corporate leadership team	Release of earmarked sums from contingency provisions		Email approval. Monthly budget monitoring report (CLT only).
Approved by cabinet with advice from the chief finance officer	Use of balances		Monthly budget monitoring report

### Responsibilities of the chief finance officer

- 2.1 To ensure compliance with the scheme of virement.
- 2.2 To approve the release of an approved lump-sum budget intended for allocation during the year, provided that:
  - (a) the amount is used in accordance with the purposes for which it has been established
  - (b) the cabinet 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 cabinet

### Responsibilities of the corporate leadership team

- 2.3 No virements agreed by the chief finance officer and the corporate leadership team covered by 2(d) (above) can include the creation of additional posts without the approval of cabinet.
- 2.4 Virement that is likely to impact on the level of service activity of another member of the corporate leadership team should be implemented only after agreement with the relevant manager.
- 2.5 No virement relating to a specific financial year should be made after 31 March in that year.

## **3 Treatment of year- end balances**

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

### Key controls

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

### Responsibilities of the chief finance officer

- 3.1 To administer the scheme of carry-forward within the guidelines set out below.
- 3.2 To report all overspendings and underspendings on service estimates carried forward to the cabinet.

### Responsibilities of the corporate leadership team

- 3.3 Net under or overspending on service estimates under the control of a member of the corporate leadership team may be carried forward, subject to:
  - (a) agreement of the chief finance officer
  - (b) reporting to the cabinet the source of underspending or additional income and the proposed application of those resources
  - (c) reporting to the cabinet the source of the overspending and the proposed action to recover these resources.
- 3.4 All internal business unit surpluses shall be retained for the benefit of the council. Their application shall follow the same process as for underspendings on service estimates, except where the distribution of any surplus is set out in a contract won in open competition, or is covered by appropriate legislation.

## **4 Accounting policies, records, returns and statement of accounts**

Maintaining proper accounting records is one of the ways in which the council discharges its responsibility for stewardship of public resources.

The council has a statutory responsibility to prepare its annual accounts to present fairly its operations during the year. The chief finance officer is responsible for the preparation of the council's annual statement of accounts, in accordance with proper practices as set out in the format required by the *CIPFA Code of Practice on Local Authority Accounting in the United Kingdom*, for each financial year ending 31 March.

The audit committee is responsible for approving the statutory annual statement of accounts, and 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 proper arrangements have been made to secure economy, efficiency and effectiveness in the use of the council's resources.

### Key controls

- (a) The council is required to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of these affairs. In this authority, that officer is the chief finance officer.
- (b) Systems of internal control are in place that ensure that financial transactions are lawful.
- (c) Suitable accounting policies are selected and applied consistently.
- (d) Proper accounting records are maintained, such that all the council's transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis.
- (e) Prime documents are retained in accordance with legislative and other requirements.
- (f) Reconciliation procedures are carried out to ensure transactions are correctly recorded.
- (g) Finance staff and budget managers operate within the required accounting standards and timetables.
- (h) Procedures are in place to enable accounting records to be reconstituted in the event of systems failure.
- (i) Financial statements are prepared in accordance with proper practices as set out in the current Code of Practice on Local Authority Accounting in the United Kingdom, and present a true and fair view of the financial position of the authority and its expenditure and income.

### Responsibilities of the chief finance officer

- 4.1 To select suitable accounting policies in accordance with proper practices and to ensure that they are applied consistently. The accounting policies are set out in the statement of accounts, which is prepared at 31 March each year.
- 4.2 To determine the accounting procedures and records for the council.
- 4.3 To arrange for the compilation of all accounts and accounting records under his or her direction.
- 4.4 To comply with the following principles when allocating accounting duties:
  - (a) separating the duties of providing information about sums due to or from the council and calculating, checking and recording these sums from the duty of collecting or disbursing them

- (b) employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
- 4.5 To ensure that all claims for funds, including grants, for which he or she is responsible, are made by the due date.
- 4.6 To ensure the proper retention of financial documents in accordance with the requirements set out in the council's document retention schedule.
- 4.7 To administer the council's arrangements for under and overspendings to be carried forward to the following financial year.
- 4.8 To prepare and publish the audited accounts of the council for each financial year, in accordance with the statutory timetable and with the requirement for the audit committee to approve the statement of accounts by the due date.
- 4.9 To make proper arrangements for the audit of the council's accounts in accordance with the *Accounts and Audit (England) Regulations 2011*.
- 4.10 To properly plan final accounts preparation and to advise staff and external auditors accordingly.
- 4.11 To make judgements and estimates that are reasonable and prudent.
- 4.12 To comply with the *Code of Practice on Local Authority Accounting in the United Kingdom*.
- 4.13 To sign and date the statement of accounts, ensuring that the chief executive and a leading member have signed the annual governance statement, stating that it presents fairly the financial position of the council at the accounting date and its income and expenditure for the year ended 31 March.

Responsibilities of the corporate leadership team

- 4.14 To adhere to the accounting policies and guidelines approved by the chief finance officer.
- 4.15 To consult and obtain the approval of the chief finance officer before making any changes to accounting records and procedures.
- 4.16 To comply with the principles outlined in [paragraph 4.4](#) when allocating accounting duties.
- 4.17 To maintain adequate records to provide a management trail leading from the source of income and expenditure through to the accounting statements.
- 4.18 To ensure that all claims for funds, including grants, which he or she is responsible for, are made by the due date.



- 4.19 To ensure the proper retention of financial documents in accordance with the requirements set out in the council's document retention schedule.
- 4.20 To comply with accounting guidance provided by the chief finance officer and to supply the chief finance officer with information when required, including information to enable the statement of accounts to be completed in accordance with guidelines.

## **5 Statutory accounts**

The council is required to keep certain accounts by statute, including a collection fund (*Local Government & Finance Act 1992*) and a housing revenue account (*Local Government & Housing Act 1989*). Other statutory accounts may from time to time be required under other ordinances.

### Key controls

The key controls for statutory accounts are:

- (a) to maintain separate accounts in accordance with statutory requirements, the *Code of Practice on Local Authority Accounting in the United Kingdom*, and agreed accounting policies
- (b) for each statutory account the statutory requirement, purpose, usage and basis of separation should be clearly identified
- (c) transactions charged to each statutory account must be justifiable by reference to the underlying statute(s) as amended.

### Responsibilities of the chief finance officer

- 5.1 To advise the cabinet and the council on the statutory accounts required and to take account of the advice of the external auditor in this matter.
- 5.2 To maintain and report upon the required statutory accounts.
- 5.3 To provide guidance and advice to the corporate leadership team and budget managers on the management of the statutory accounts.

### Responsibilities of the corporate leadership team

- 5.4 To ensure that transactions charged to each statutory account are in accordance with the guidance and advice supplied by the chief finance officer.

## **B Financial planning**

### **6 Corporate plan and service plans**

#### Responsibilities of the chief finance officer

- 6.1 To advise and supply the financial information that needs to be included in the corporate plan and service plans in accordance with statutory requirements and agreed timetables.
- 6.2 To contribute to the development of corporate and service targets and objectives and performance information.

#### Responsibilities of the corporate leadership team

- 6.3 To ensure that systems are in place to measure activity and collect accurate information for use as performance indicators.
- 6.4 To ensure that performance information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met.
- 6.5 To contribute to the development of corporate and service plans in line with statutory requirements.
- 6.6 To contribute to the development of corporate and service targets and objectives and performance information.

### **7 Budget – format**

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

#### Key controls

The key controls for the budget format are:

- (a) the format complies with all legal requirements
- (b) the format complies with CIPFA's *Service Reporting – Code of Practice for Local Authorities*
- (c) the format reflects the accountabilities of service delivery.

#### Responsibilities of the chief finance officer

- 7.1 To recommend to cabinet a budget format to be approved by council.

### Responsibilities of the corporate leadership team

- 7.2 To comply with budget guidance provided by the chief finance officer.

## **8 Budgets and capital plans – medium term planning**

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

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

Medium term planning over three to five years involves a planning cycle in which changes to resources and spending requirements, both revenue and capital, are forecast. As each year passes, another future year will be added to the medium term plan. This ensures that the council is always preparing for events in advance.

### Key controls

The key controls for medium-term planning financial planning are:

- (a) a monitoring process is in place to review regularly the effectiveness and operation of medium term financial planning and to ensure that any corrective action is taken.

### Responsibilities of the chief finance officer

- 8.1 To prepare and submit reports on the medium term financial strategy for council and cabinet, including resource constraints set by the government and medium term prospects, where appropriate.
- 8.2 To advise on the medium term implications of spending decisions.

### Responsibilities of the corporate leadership team

- 8.3 To advise the chief finance officer of changes in funding and service delivery requirements in their areas of responsibility.

## **9 Resource allocation**

A mismatch often exists between available resources and required resources. A common scenario is that available resources are not adequate to fulfil service demands. It is therefore imperative that service demands are carefully prioritised and that resources are fairly allocated, in order to fulfil all legal responsibilities.

Resources may include staff, money, equipment, goods and materials.

### Key controls

The key controls for resource allocation are:

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

### Responsibilities of the chief finance officer

- 9.1 To advise on methods available for the funding of resources, such as grants from central government and borrowing requirements.
- 9.2 To advise on the suitability of proposals to introduce or modify financial procedures to control resources.

### Responsibilities of the corporate leadership team

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

## **10 Budgeting – revenue**

Proper 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 council to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.

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

Members of the corporate leadership team are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they should not support recurring revenue expenditure from one-off sources of savings or additional income, or create future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. Members of the corporate leadership team must plan to fund such commitments from within their own budgets, or delay making commitments until a growth bid has been approved through the budget approval process.

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

### Key controls

The key controls for preparing, managing and controlling the revenue budget are:

- (a) approval by the council of the medium term financial strategy, showing expenditure and resource projections, and for each year's budget
- (b) there is a nominated budget manager for each budget
- (c) budget managers are consulted in the preparation of the budgets for which they will be held responsible
- (d) budget managers are accountable for their delegated cost centre budget(s) and the level of service to be delivered and understand their financial responsibilities. The accountability covers the management of budget items within budget managers' control or influence, and the monitoring of budget items where the level of expenditure or income cannot be controlled or influenced
- (e) income and expenditure are properly authorised, recorded and accounted for

- (f) performance levels and levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget
- (g) budget managers are appropriately trained to carry out their budgetary control responsibilities
- (h) budget managers receive and follow guidance provided by the chief finance officer and finance staff.

Responsibilities of the chief finance officer

10.1 To establish an appropriate framework of budgetary management and control that ensures that:

- (a) budget management is exercised within approved budgets unless the council agrees otherwise
- (b) each member of the corporate leadership team 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 financial regulations
- (d) each cost centre has a single named manager, determined by the relevant member of the corporate leadership team. As a general principle, budget responsibility should be aligned as closely as possible to the decision making processes that commit expenditure
- (e) significant budget variations are investigated by the budget holder and the relevant member of the corporate leadership team, supported by finance staff.

10.2 To administer the scheme of virement.

10.3 Where a member of the corporate leadership team is unable to balance expenditure and resources within existing approved budgets under his or her control, the chief finance officer will, at their discretion, submit reports to the cabinet and to the council, in consultation with the relevant member of the corporate leadership team.

10.4 To prepare and submit reports to the cabinet on the council's projected income and expenditure compared with the budget on at least a quarterly basis.

- 10.5 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 cabinet and the corporate leadership team.
- 10.6 To prepare and submit reports to the cabinet on aggregate spending plans and on the resources available to fund them, identifying, where appropriate, the implications for the level of council Tax to be levied and housing rents to be set.
- 10.7 To encourage the best use of resources and value for money by working with members of the corporate leadership team 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.
- 10.8 To advise the council on cabinet proposals in accordance with his or her responsibilities under section 151 of the *Local Government Act 1972*.

#### Responsibilities of the corporate leadership team

- 10.9 To maintain budgetary control within their area of responsibility, in adherence to the principles in [paragraph 10.1](#), and to ensure that all income and expenditure is properly recorded and accounted for.
- 10.10 To ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the member of the corporate leadership team. As a general principle, budget responsibility should be aligned as closely as possible to the decision making that commits expenditure.
- 10.11 To ensure that spending remains within the service's overall approved budget, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast.
- 10.12 To ensure that a monitoring process is in place to review performance levels and levels of service in conjunction with the budget and is operating effectively.
- 10.13 To prepare and submit, in co-operation with finance staff, reports on the service's projected expenditure and income compared with its budget, in the form prescribed by and in accordance with, the timetable and guidelines issued by the chief finance officer.
- 10.14 To ensure prior approval by the council for new proposals outside the current policy and budget framework, 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 council's services.

10.15 To ensure compliance with the scheme of virement.

10.16 To agree with the relevant member of the corporate leadership team where it appears that a budget proposal, including a virement proposal, may impact materially on another service area or member of the corporate leadership team's level of service activity.

10.17 To prepare estimates of income and expenditure, in accordance with the *CIPFA Service Reporting Code of Practice for Local Authorities* and in consultation with the chief finance officer, to be submitted to the cabinet.

10.18 To prepare budgets that are consistent with any relevant cash limits, the council's annual budget cycle and with guidelines issued by the cabinet. The format should be as prescribed by the chief finance officer in accordance with the council's general directions.

10.19 To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.

10.20 In consultation with the chief finance officer and in accordance with the laid-down guidance and timetable, to prepare detailed draft revenue budgets for consideration by the cabinet and Scrutiny Committee.

10.21 When drawing up draft budget requirements, to have regard to:

(a) pending patterns and pressures revealed through the budget monitoring process

(b) legal requirements

(c) policy requirements as defined by the council in the approved policy framework

(d) initiatives already under way.

## **11 Budgeting – capital**

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

Capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources.



## Key controls

The key controls for capital are:

- (a) approval by the council of the five-year capital plan, showing expenditure and resource projections, and for each year's capital programme authorising expenditure on individual capital schemes, projects (group of like schemes) or packages of work.
- (b) a scheme and estimate, including project plan, risks, progress targets and associated revenue expenditure should be approved by the relevant member of corporate leadership team for each capital scheme, project or package of work before expenditure is incurred. To ensure efficient and effective control, these schemes, projects or packages of work should be as agreed by the relevant member of the corporate leadership team and aligned with budget items.
- (c) schedules for individual schemes within project budgets approved by the council must be agreed by cabinet or by other arrangements approved by cabinet.
- (d) capital schemes, projects and packages of work should be directed to the objectives of the corporate Asset management plan and Housing investment strategy
- (e) A named individual within the council or a partner organisation should be accountable for the delivery and financial management of each capital scheme, project or package of work.
- (f) progress and expenditure should be monitored and compared to the approved budget through regular reports to cabinet.

## Responsibilities of the chief finance officer

- 11.1 Jointly with the corporate leadership team, to collate capital estimates, taking into account the full year revenue effect of each capital scheme and associated financing requirements, into a five-yearly capital plan and an annual capital programme, for recommendation by cabinet to council.
- 11.2 To prepare and submit regular reports to the cabinet on the projected income, expenditure and resources compared with approved capital budgets.
- 11.3 To issue guidance concerning capital schemes and controls. The definition of 'capital' will be determined by the chief finance officer, having regard to government regulations and accounting requirements.
- 11.4 To prepare and submit an annual report to cabinet on the completion of each year's capital programme, identifying overspends and underspends, and recommending any carry forwards of expenditure and resources from one year into the next.

### Responsibilities of the corporate leadership team

- 11.5 In consultation with the chief finance officer and in accordance with the laid-down guidance and timetable, to submit a prioritised list of bids as part of the annual capital budgeting process representing the schemes, projects and packages of work required to deliver services within their areas of responsibility and to meet the aims of the Asset management plan and Housing investment strategy.
- 11.6 To ensure that all capital bids have undergone a project appraisal, stating the objective, risks, details of any alternative means of achieving the objective, the justification for the project, capital scheme or package of work and the estimated capital and revenue costs, in accordance with any guidance issued by the chief finance officer.
- 11.7 To prepare draft capital budgets for each proposed capital scheme, project or package of work for consideration by cabinet for inclusion in the annual capital programme.
- 11.8 To comply with guidance concerning capital schemes and controls issued by the chief finance officer.
- 11.9 To proceed with capital schemes, projects and packages of work only when there is adequate provision in the capital programme, where all necessary government approvals have been obtained, and where all necessary external arrangements are in place.
- 11.10 To report to cabinet, through the regular capital monitoring reports or separately, on schemes, projects or packages of work where the estimated expenditure exceeds the approved capital budget.
- 11.11 To ensure, in conjunction with the Corporate procurement unit, that adequate records are maintained for all capital contracts.
- 11.12 To ensure that any credit arrangements, such as leases, are not entered into without the prior approval of the chief finance officer and if applicable approval of the scheme through the capital programme.
- 11.13 To consult with the chief finance officer where the member of the corporate leadership team proposes to bid for financial support from government departments or other agencies to support capital expenditure that has not been included in the capital programme. To seek approval from the cabinet, retrospectively if made necessary by application deadlines.

## **12 Maintenance of reserves**

A local authority must decide the level of general reserves it wishes to maintain before it can decide the level of council tax. Reserves are maintained as a matter of prudence; they enable the authority to provide for unexpected events and thereby protect it from overspending, should such events occur.

Reserves for specific purposes may also be maintained, such as the purchase or renewal of capital items.

#### Key controls

The key controls for reserves are:

- (a) to maintain reserves in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom* and agreed accounting policies
- (b) for each reserve established, the purpose, usage and basis of transactions should be clearly identified

#### Responsibilities of the chief finance officer

- 12.1 To advise the cabinet and the council on prudent levels of reserves and to take account of the advice of the external auditor in this matter.

#### Responsibilities of the corporate leadership team

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

### **C Risk management and control of resources**

### **13 Risk management and insurance**

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 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 cabinet to approve the council's risk management strategy, and to promote a culture of risk management awareness throughout the council.

#### Key controls

The key controls for risk management and insurance are:

- (a) procedures are in place to identify, assess, prevent or contain material known risks, and these procedures are operating effectively throughout the council

- (b) a monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis
- (c) managers know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives
- (d) provision is made for losses that might result from the risks that remain
- (e) procedures are in place to investigate claims within required timescales
- (f) acceptable levels of risk are determined and insured against where appropriate
- (g) the council has identified business continuity plans for implementation in the event of disaster that results in significant loss or damage to its resources.

#### Responsibilities of the chief finance officer

- 13.1 To prepare and promote the council's Risk management strategy.
- 13.2 To develop risk management controls in conjunction with members of the corporate leadership team.
- 13.3 To include all appropriate employees of the council in a suitable fidelity guarantee insurance.
- 13.4 To effect corporate insurance cover, through external insurance and internal funding, and to arrange for the negotiation of all claims in consultation with other employees, where necessary.

#### Responsibilities of the corporate leadership team

- 13.5 To notify the chief finance officer immediately of any loss, liability or damage that may lead to a claim by or against the council, together with any information or explanation required by the chief finance officer or the council's insurers.
- 13.6 To provide the chief finance officer with any information that he or she needs and in the timescale that he or she sets to enable him or her to manage the council's insurances effectively.
- 13.7 To take responsibility for risk management, having regard to advice from the chief finance officer and other specialist employees as appropriate.
- 13.8 To ensure that there are regular reviews of risk within their areas of responsibility.

- 13.9 To notify the chief finance officer promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.
- 13.10 To consult the chief finance officer and the head of law and governance on the terms of any indemnity that the council is requested to give.
- 13.11 To ensure that employees, or anyone covered by the council's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.
- 13.12 If any assets covered by insurance are damaged or stolen, members of the corporate leadership team must not order replacements, remedial repairs or other work - except for emergency measures to prevent further damage or loss occurring - until the chief finance officer has been consulted. Damage or loss arising from malicious acts should be reported to the police.
- 13.13 To notify the chief finance officer promptly of any significant acquisitions or disposals of assets or any alteration to the scope or level of services provided, particularly where the risk of accident, injury, loss or damage is likely to increase.

#### **14 Internal controls**

The council is complex and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives. It has statutory obligations, and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations. The council faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives and internal controls are necessary to manage these risks.

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

- efficient and effective operations
- reliable financial information and reporting
- compliance with laws and regulations
- risk management.

##### Key controls

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

- (a) key controls should be reviewed on a regular basis and the council should 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 and approval procedures and information systems
- (d) an effective internal audit function that is properly resourced. It should operate in accordance with the principles contained in the Auditing Practices Board's auditing guideline *Guidance for Internal Auditors*, and CIPFA's *Code of Practice for Internal Audit in Local Government in the United Kingdom*, and with any other statutory obligations and regulations.

#### Responsibilities of the chief finance officer

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

#### Responsibilities of the corporate leadership team

- 14.2 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.
- 14.3 To review existing controls in the light of changes affecting the council and to establish and implement new ones in line with guidance from the chief finance officer. members of the corporate leadership team are also responsible for removing controls that are unnecessary or not cost or risk effective.
- 14.4 To ensure staff have a clear understanding of the consequences of lack of control.

### **15 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 (Amendment) (England) Regulations 2006*, more specifically requires that a relevant body must “maintain an adequate and

effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

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

#### Key controls

The key controls for internal audit are:

- (a) that it is independent in its planning and operation
- (b) the head of the internal audit function has direct access to the chief executive, all levels of management and directly to elected members
- (c) internal auditors comply with the Auditing Practices Board's guideline *Guidance for Internal Auditors*, as interpreted by CIPFA's *Code of Practice for Internal Audit in Local Government in the United Kingdom*.

#### Responsibilities of the chief finance officer

15.1 To ensure that internal auditors have the authority to:

- (a) enter at all reasonable times any council premises or land which is not let or occupied by a licensee
- (b) access all assets, records, documents, correspondence and control systems relating to any financial or other transaction of the council
- (c) receive any information and explanation he or she considers necessary concerning any matter under consideration
- (d) require any employee of the council to account for cash, stores or any other council asset under his or her control
- (e) access records belonging to third parties, such as contractors, when required
- (f) directly access the chief executive or any relevant committee.

15.2 To ensure that effective procedures are in place to investigate promptly any fraud or irregularity. Should it be found that an irregularity has occurred or is occurring and is of a serious nature it shall be the duty of the chief finance officer to take such action as she or he deems necessary in accordance with the council's anti-fraud and corruption policy and fraud response plan, including reporting the matter to the audit committee, if it is considered appropriate.

#### Responsibilities of the LGSS head of internal audit

- 15.3 In consultation with the chief finance officer, to present the annual audit plan, which takes account of the characteristics and relative risks of the activities involved, to the audit committee for endorsement.
- 15.4 To report to the audit committee on the adequacy of the council's internal control systems.
- 15.5 To report to the audit committee on the performance of the audit function and to ensure that the findings from all audit reports are presented to the committee for their consideration and approval.
- 15.6 In consultation with the chief finance officer, to assess annually the resource requirements required to complete the audit plan consultation with the chief finance officer and report to the audit committee. In order to fulfil the audit plan and exercise the internal audit responsibilities set out in these financial responsibilities, the LGSS head of internal audit shall have the authority to contract with the Audit Commission, other local authorities and such other bodies which are considered appropriate.

#### Responsibilities of the corporate leadership team

- 15.7 To ensure that internal auditors have unrestricted access to premises, personnel, assets and such records, electronic or otherwise, as the auditors consider necessary for the proper fulfilment of their responsibilities.
- 15.8 To ensure that auditors are provided with any information and explanations that they seek in the course of their work.
- 15.9 To consider and respond promptly to recommendations in audit reports.
- 15.10 To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- 15.11 To notify the chief finance officer and LGSS head of internal audit in writing immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the council's property or resources and provide facilities for investigation. Pending investigation and reporting, the member of the corporate leadership team should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration in accordance with the council's fraud response plan.
- 15.12 To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the LGSS head of internal audit prior to implementation.



## 16 Audit requirements – 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 sets out the auditor's objectives to review and report upon, to the extent required by the relevant legislation and the requirements of the code, the council's:

- (a) financial statements
- (b) arrangements for securing economy, efficiency and effectiveness in its use of resources

The council's accounts are scrutinised by external auditors, who must be satisfied that the statement of accounts present a true and fair view of the financial position of the council and its income and expenditure for the year in question and complies with legal requirements.

### 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.

### Responsibilities of the chief finance officer

- 16.1 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.
- 16.2 To ensure that there is effective liaison between external and internal audit.
- 16.3 To work with the external auditor and advise the council, relevant committees and members of the corporate leadership team on their responsibilities in relation to external audit.
- 16.4 To ensure that the reports of the external auditor are presented to the audit committee.

### Responsibilities of the corporate leadership team

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

## **17 Preventing fraud and corruption**

The council will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the council. The council's expectation of propriety and accountability is that members and employees at all levels will lead by example in ensuring adherence to legal requirements, procedures and practices. The council also expects that individuals and organisations with whom it comes into contact will act towards the council with integrity and without thought or actions involving fraud and corruption.

### Key controls

The key controls regarding the prevention of financial irregularities are that:

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

### Responsibilities of the chief finance officer

- 17.1 To develop and maintain an anti-fraud and anti-corruption policy.

- 17.2 To maintain adequate and effective internal control arrangements.
- 17.3 To ensure that all suspected irregularities are investigated and reported to the relevant committee.
- 17.4 To report suspicious transactions to the appropriate enforcement agency.

Responsibilities of the monitoring officer

- 17.5 To maintain and review a council-wide register of interests.

Responsibilities of the corporate leadership team

- 17.6 To ensure that all suspected irregularities or suspicious transactions are reported to the chief finance officer and LGSS head of internal audit.
- 17.7 To instigate the council's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.
- 17.8 To ensure that where financial impropriety is discovered, the chief finance officer and LGSS head of internal audit are 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.
- 17.9 To ensure that employees record any hospitality or gifts accepted in a register of interests.

## **18 Computer systems and data**

Responsibilities of the executive head of business relationship management

- 18.1 To draw up, maintain and review the *General user security policy*.

Responsibilities of the chief executive, deputy chief executive (operations), chief finance officer, executive heads of service and heads of service

- 18.2 To comply with the *General user security policy*, including internet and e-mail security, and ensure that all employees are aware that they have a personal responsibility for information security as set out in the policy.
- 18.3 To ensure that effective contingency arrangements, including back-up procedures, exist for computer systems. Wherever possible, back-up information should be securely retained in a fireproof location, preferably off site or at an alternative location within the building.
- 18.4 To ensure that, where appropriate, computer systems are registered in accordance with data protection legislation and that staff are aware of their responsibilities under the legislation.

- 18.5 To ensure that relevant standards and guidelines for computer systems issued by the executive head of business relationship management are observed.
- 18.6 To ensure that computer equipment and software are protected from loss and damage through theft, vandalism or other cause.
- 18.7 To comply with the copyright, designs and patents legislation and, in particular, to ensure that:
- (a) only software legally acquired and installed by the council is used on its computers
  - (b) staff are aware of legislative provisions
  - (c) in developing systems, due regard is given to the issue of intellectual property rights.
- 18.8 To ensure that all employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the council in some way.
- 18.9 To report all breaches of information security, whether actual or suspected, in accordance with the *Information security incident response plan*, which determines the procedure for investigating such breaches.

## **19 Assets**

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

### Key controls

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

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

- (d) an asset register is maintained for the council, assets are recorded when they are acquired by the council and this record is updated as changes occur with respect to the location and condition of the asset
- (e) all employees are aware of their responsibilities with regard to safeguarding the council's assets and information, including the requirements of the *Data Protection Act 1998* and software copyright legislation
- (f) all employees are aware of their responsibilities with regard to safeguarding the security of the council's computer systems, including maintaining restricted access to the information held on them and compliance with the council's information security and internet security policies.

### **General responsibilities**

#### Responsibilities of the chief finance officer

- 19.1 To ensure that an asset register is maintained in accordance with good practice for all fixed assets with a value in excess of £5,000.
- 19.2 To receive the information required for accounting, costing and financial records from each member of the corporate leadership team.
- 19.3 To ensure that assets are valued in accordance with the current *CIPFA Code of Practice on Local Authority Accounting in the United Kingdom* and that the asset values recorded in the register are regularly reviewed.

#### Responsibilities of the corporate leadership team

- 19.4 Members of the corporate leadership team shall maintain a record, in a form approved by the chief finance officer and compliant with the CIPFA code, for all properties, plant and machinery and moveable assets currently owned or used by the council. Any use of property other than for direct service delivery should be supported by documentation identifying terms, responsibilities and duration of use.
- 19.5 To ensure the proper security and safe custody of all buildings, vehicles, equipment, furniture, stock, stores and other property belonging to the council and under their control.
- 19.6 To ensure that no council asset is subject to personal use by an employee.
- 19.7 To consult the chief executive in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.

- 19.8 To arrange for the valuation of assets for accounting purposes to meet requirements specified by the chief finance officer.
- 19.9 To make sure that property is only used in the course of the council's business, unless the member of the corporate leadership team concerned has given permission otherwise.
- 19.10 To ensure that assets no longer required are disposed of in accordance with the law and the regulations of the council so as to maximise value for money and any other benefits.
- 19.11 To present to cabinet for approval all asset acquisitions and disposals in excess of £50,000 or at less than best consideration prior to entering into contracts for the acquisition or disposal.

### **Land and buildings**

#### Responsibilities of the head of city development

- 19.12 To ensure that the following minimum information relating to assets owned or leased by the council is maintained:
- (a) description and delineation of land or buildings, including location and Ordnance Survey map reference
  - (b) date of acquisition
  - (c) purchase details and terms of acquisition
  - (d) the nature of the council's interest
  - (e) details of statutory outgoings, including rents and any other charges payable
  - (f) purpose and power of acquisition
  - (g) restrictive covenants
  - (h) any tenancies or other interests granted and
  - (i) terms of subsequent disposal and review periods.
- 19.13 To ensure that a five year rolling programme of asset valuation is carried out, having been agreed with the chief finance officer. Information on asset valuations, purchases and sales must be provided to the chief finance officer for inclusion in the asset register in accordance with the timetable set by the chief finance officer. These valuations must include the estimated life of assets.

- 19.14 To ensure that where land or buildings are surplus to requirements, a recommendation for disposal should be reported to cabinet. In taking a report to cabinet the head of city development, in consultation with the appropriate portfolio holder, will have declared the property as surplus as informed by the council's asset review process. Following a decision by cabinet the head of city development will arrange for the disposal of the property in accordance with council [policy and guidance](#) and statutory responsibilities.
- 19.15 To ensure that a review of terms of leases is carried out in accordance with the conditions of the lease and to maintain a perpetual diary for this purpose. The head of law and governance shall ensure that deeds are stored in a fireproof safe.

#### Responsibilities of the corporate leadership team

- 19.16 To ensure that lessees and other prospective occupiers of council land are not allowed to take possession of or enter the land until a lease or agreement, in a form approved by the member of the corporate leadership team in consultation with the head of law and governance, has been established as appropriate.
- 19.17 To ensure the proper security of all buildings and other assets under their control.

#### **Vehicles, plant and equipment**

#### Responsibilities of the corporate leadership team

- 19.18 To ensure that a register of moveable assets is maintained in accordance with arrangements defined by the chief finance officer.
- 19.19 To ensure that assets are identified, their location recorded and that they are appropriately marked and insured.
- 19.20 To maintain inventories and record an adequate description of furniture, fittings, equipment, vehicles, plant and machinery above £5,000 in value.
- 19.21 To carry out an annual check of all items on the inventory in order to verify location and condition and to take appropriate action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the council. If an item is lost, stolen or disposed of, this must be recorded against the entry in the inventory.
- 19.22 When the council's property is removed from council premises for official purposes the permission of an officer authorised by a member of the corporate leadership team must be obtained. council property shall not be used for non-council purposes.

- 19.23 To ensure that all leased assets are identified, appropriately marked and maintained and a register kept to include location to ensure that they are available for return to lessors at the end of the lease period in accordance with the terms of the lease.

## **Stocks**

### Responsibilities of the corporate leadership team

- 19.24 To make arrangements for the care and custody of stocks and stores under their control.
- 19.25 To ensure that adequate records are kept and that 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.
- 19.26 To investigate and remove from the council's records discrepancies as necessary, or to obtain approval of the cabinet if they are in excess of £1,000.
- 19.27 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, or applied in part exchange for new items purchased by competitive quotation or tender unless, following consultation with the chief finance officer, the cabinet decides otherwise in a particular case. The chief finance officer shall be consulted before any leased furniture or equipment is sold or part exchanged.
- 19.28 To seek approval of the cabinet to write-off redundant stocks and equipment in excess of £1,000.

## **Cash**

### Responsibilities of the corporate leadership team

- 19.29 To ensure cash holdings on premises are kept to a minimum.
- 19.30 To ensure that a schedule is kept of the officers who hold keys to safes and similar receptacles and that keys to safes, security systems and similar equipment or apparatus 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. Any duplicate keys shall be kept in such safe places as shall be approved by the chief finance officer.
- 19.31 To ensure that cash holdings do not exceed the maximum amount set by the chief finance officer and that cash held in any safe does not exceed the amount of the insurance limit for that safe.
- 19.32 To ensure that cash handling is carried out in accordance with guidance issued by the chief finance officer.



- 19.33 To notify the chief finance officer of cash lost or stolen immediately. Stolen cash, which is not covered by insurance, can only be written-off with the agreement of the chief finance officer.
- 19.34 To ensure that under no circumstances are personal cheques cashed out of monies held on behalf of the council.

## **20 Asset disposal – land and buildings**

### Key controls

The key controls for disposal of land and buildings are:

- (a) land and buildings for disposal are identified and disposed of at the most appropriate time, and only when it is in the best interests of the council, and best price is obtained, bearing in mind other factors such as market conditions and state of repair
- (b) procedures should protect staff involved in the disposal of land and buildings from accusations of personal gain.

### Responsibilities of the chief finance officer

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

### Responsibilities of the head of city development

- 20.3 To obtain approval from cabinet for the disposal of land and buildings.
- 20.4 Before disposal to check if the asset is subject to leasing arrangements. If the asset is leased, disposal must be in accordance with the terms of the lease.
- 20.5 To ensure that income received for the disposal of an asset is properly banked and coded.
- 20.6 Subject to the exceptions below, to apply the following procedures to the disposal of any land or buildings belonging to the council.

1. For the purposes of ensuring that the council receives the best consideration available and for maintaining the probity of its actions, no offer to dispose of any land or building shall be accepted unless at least 21 days' public notice has been given seeking written tenders, giving details of where the terms of any disposal may be obtained and stating the last date by which tenders must be received.
2. For the avoidance of doubt it will be a condition of any such tender for the disposal of any land or buildings that:
  - (a) the council can in its absolute discretion refuse to accept any tender received and need not accept the highest tender
  - (b) no tender received shall be withdrawn
  - (c) any tender shall be for a specified amount and shall not in any event be fixed by reference to another tender; and
  - (d) the tenderer shall pay a deposit within 14 days of acceptance of the tender by the council and otherwise complete the disposal of the land or buildings otherwise in accordance with any particulars and special conditions of sale previously drawn up by the solicitor to the council.
3. This procedure shall not apply to:
  - (a) the exercise of any right of pre-emption conferred in any agreement
  - (b) the statutory renewal of any tenancy or licence under the *Landlord and Tenant Act 1954 Part II*
  - (c) any rent review carried out in accordance with an existing lease

## 21 Asset disposal – other assets

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 regulations of the council.

### Key controls

The key controls for asset disposal (other than land and buildings) are:

- (a) assets for disposal are identified and disposed of at the most appropriate time, and only when it is in the best interests of the council, and best price is obtained, bearing in mind other factors, such as environmental issues. For material items disposal should be by competitive tender or public auction

- (b) procedures should protect staff involved in the disposal of assets from accusations of personal gain.

#### Responsibilities of the chief finance officer

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

#### Responsibilities of the corporate leadership team

- 21.3 To authorise the disposal and write-off of redundant furniture, fittings, equipment, plant and machinery in accordance with guidance issued by the chief finance officer.
- 21.4 Before disposal to check if the asset is subject to leasing arrangements. If the asset is leased, disposal must be in accordance with the terms of the lease.
- 21.5 To record all disposal or part exchange of assets, which should normally be by competitive tender or public auction, unless, following consultation with the chief finance officer, the cabinet agrees otherwise. Vehicles and plant should be disposed of within six weeks of delivery of the replacement vehicle or plant. Any proposal to retain replaced items shall be reported to the cabinet.
- 21.6 Not to sell assets to an employee of the council without the approval of the chief finance officer.
- 21.7 To ensure that income received for the disposal of an asset is properly banked and coded.

## **22 Intangible assets, including intellectual property**

Intangible assets are identifiable items that lack physical substance, but can be shown to have service potential or future economic benefits for the council. Software is a common example of an intangible asset.

Intellectual property is one type of intangible asset. 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 council may give rise to items that may be patentable, for example, software development.

### Key controls

The key controls for intangible assets are:

- (a) to include intellectual property and other intangible assets in the asset register
- (b) in the event that the council decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with the council's approved intellectual property procedures.

### Responsibilities of the chief executive

- 22.1 Develop and disseminate good practice through the council's *Information security policy*.

### Responsibilities of the corporate leadership team

- 22.2 To ensure that controls are in place to ensure that employees do not carry out private work in council time and that employees are aware of an employer's rights with regard to intellectual property.
- 22.3 To identify intangible assets and to ensure that they are only used in the course of the council's business, unless the member of the corporate leadership team concerned has given permission otherwise.

## **23 Treasury management and banking**

Many millions of pounds pass through local authorities' books each year. This resulted in the establishment of *CIPFA's Prudential Code for Capital Finance in Local Authorities*. This aims to provide assurances that the council's money is properly managed in a way that balances risk with return, but with the overriding consideration being given to the security of the council's capital sum.

### Key controls

The key controls for treasury management and banking are:

- (a) that the council's borrowings and investments comply with the *CIPFA Code of Practice on Treasury Management in the Public Services*, and with the council's treasury management policy statement and treasury management strategy.

### Responsibilities of the chief finance officer

- 23.1 To arrange the borrowing and investments of the council in such a manner as to comply with the *CIPFA Code of Practice on Treasury Management in the Public Services* and the council's treasury management strategy and treasury

management policy statement. To authorise variations from the treasury policy statement and report such variations to the cabinet.

- 23.2 To present a treasury management strategy annually to the cabinet for approval, and for onward report to the council.
- 23.3 To report twice-yearly on treasury management activities to the cabinet and council.
- 23.4 To undertake all arrangements with the council's bankers concerning the council's bank accounts and the issue of cheques as are considered necessary.
- 23.5 The opening or closing of any bank account shall require the approval of the chief finance officer.
- 23.6 To order, store and control all cheques drawn on the council's main bank accounts.
- 23.7 To ensure that all investments of money are made in the name of the council or in the name of nominees approved by the council.
- 23.8 To ensure that all securities that are the property of the council or its nominees and the title deeds of all property in the council's ownership are held in the custody of the head of law and governance.
- 23.9 To effect all borrowings in the name of the council.
- 23.10 To act as the council's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the council.

#### Responsibilities of the corporate leadership team

- 23.11 To follow the instructions on banking issued by the chief finance officer. Members of the corporate leadership team who have control of their own bank accounts must work to arrangements approved by the chief finance officer, and must ensure that accounts do not become overdrawn.
- 23.12 To ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the cabinet, following consultation with the chief finance officer.
- 23.13 To arrange for all trust funds to be held, wherever possible, in the name of the council. All employees acting as trustees by virtue of their official position shall deposit securities relating to the trust with the chief finance officer, unless the deed otherwise provides.
- 23.14 To arrange, where funds are held on behalf of third parties, for their secure administration, including an annual audit, as approved by the chief finance officer, and to maintain written records of all transactions.

- 23.15 To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.

### **Petty cash and imprest accounts**

#### Responsibilities of the chief finance officer

- 23.16 To provide employees of the council with cash or bank imprest accounts to meet minor expenditure on behalf of the council and to prescribe rules for operating these accounts. No individual items of expenditure should exceed £25.
- 23.17 To determine petty cash limits, maintain a record of the employees who hold imprest accounts, signed by those employees, and all transactions and petty cash advances made, and periodically to review the arrangements for the safe custody and control of these advances.
- 23.18 To reimburse imprest holders as often as necessary to restore the imprest account balances, but normally not more than monthly.
- 23.19 To provide guidance on how imprest accounts are to be operated and how records are to be kept of payments and reimbursements.

#### Responsibilities of the corporate leadership team

- 23.20 To notify the chief finance officer when an authorised officer leaves the department and to ensure that the imprest advance is accounted for to the chief finance officer, unless responsibility for the imprest is transferred to a different officer; in which case the chief finance officer should be notified of the new account holder.
- 23.21 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 in the name of Norwich city council
  - (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 31 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 council'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 advanced to him or her
- (i) do not allow a bank account, in which an imprest account is held to become overdrawn.

## **24 Staffing**

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

### Key controls

The key controls for staffing are:

- (a) an appropriate staffing strategy and policy exists, in which staffing requirements and budget allocation are matched
- (b) procedures are in place for forecasting staffing requirements and cost
- (c) controls are implemented that ensure that staff time is used efficiently and to the benefit of the authority
- (d) checks are undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced and trustworthy.

### Responsibilities of the chief finance officer

- 24.1 To ensure that budget provision exists for all existing and new employees.
- 24.2 To act as an advisor to heads of service on areas such as national insurance and pension contributions, as appropriate.
- 24.3 To provide staff costings to budget managers for budget setting and options appraisals.

### Responsibilities of the corporate leadership team

- 24.4 To ensure that the staffing budget is an accurate forecast of staffing levels, reflecting staffing needs as determined by service standards and performance

targets, and is equated to an appropriate revenue budget provision (including on-costs and overheads).

- 24.5 To monitor staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff.
- 24.6 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.

## **D Financial systems and procedures**

### **25 General**

Services are 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 council's financial systems are sound and must be notified, in advance, of any new developments or changes.

#### Key controls

The key controls for systems and procedures are:

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

#### Responsibilities of the chief finance officer

- 25.1 To make arrangements for the proper administration of the council's financial affairs, including to:
  - (a) issue advice, guidance and procedures for employees and others acting on the council's behalf
  - (b) determine the accounting systems, form of accounts and supporting financial records
  - (c) establish arrangements for audit of the council's financial affairs



- (d) approve in advance any new financial systems to be introduced
- (e) approve in advance any changes to be made to existing financial systems.

#### Responsibilities of the corporate leadership team

- 25.2 To ensure that accounting records are properly maintained and held securely.
- 25.3 To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the chief finance officer.
- 25.4 To ensure that a complete audit trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained.
- 25.5 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.
- 25.6 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.
- 25.7 To ensure that there is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption.
- 25.8 To ensure that systems are documented and staff trained in operations.
- 25.9 To consult with and gain the approval of the chief finance officer before changing any existing system or introducing new systems.
- 25.10 To establish a scheme of delegation identifying employees authorised to act upon the member of the corporate leadership team's behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority.
- 25.11 To supply lists of authorised officers, with specimen signatures and delegated limits, to the chief finance officer, together with any subsequent variations.

## 26 Income

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

### Key controls

The key controls for income are:

- (a) all income due to the council is identified and charged correctly, in accordance with an approved charging policy, which is regularly reviewed
- (b) all income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery
- (c) all monies received by an employee on behalf of the council is paid without delay to the chief finance officer or, as he or she directs, to the council's bank account, and is properly recorded. The responsibility for cash collection should be separated from responsibility for identifying the amount due and responsibility for reconciling the amount due to the amount received
- (d) effective action is taken to pursue non-payment within defined timescales
- (e) The financial limits for the approval of write-offs are:

Relevant member of CLT	Up to £2,000
Chief finance officer	£2,000 - £25,000
Corporate leadership team	£25,000 - £50,000
Cabinet	Over £50,000

- (f) appropriate accounting adjustments are made following write-off action
- (g) all appropriate income documents are retained and stored for the defined period in accordance with the council's document retention schedule.
- (h) money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.

### Responsibilities of the chief finance officer

- 26.1 To agree arrangements for the collection of all income due to the council and to approve the procedures, systems and documentation for its collection and accounting for VAT.
- 26.2 To approve the format of all receipt forms, books or tickets and similar items and to obtain assurance regarding the procedures for their supply and control.
- 26.3 Where a debt is proven to be irrecoverable or uneconomic to recover, to agree the write-off of bad debts in accordance with the [table](#) above and to refer larger sums to corporate leadership team and cabinet for their approval.
- 26.4 To keep a record of all sums written off up to the approved limit and to adhere to the requirements of the *Accounts and Audit Regulations 2011*. Such records shall be made available for inspection by council members, the external auditor or such other persons who may be entitled to see the register.
- 26.5 To ensure that appropriate accounting adjustments are made following write-off action.

### Responsibilities of the corporate leadership team

- 26.6 To establish a charging policy, in consultation with the chief finance officer, for the supply of goods or services, including the appropriate charging of VAT, and to review it regularly, in line with corporate policies.
- 26.7 To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable.
- 26.8 To ensure that accounts raised require payments to be made payable to the council and that income is coded to the appropriate account. Where appropriate, VAT must be separately identified on both the account and the coded income.
- 26.9 To supply the chief finance officer with details relating to work done, goods supplied, services rendered or other amounts due, including all contracts, leases, tenancy agreements, sales and other agreements and arrangements entered into which involve the recoupment of money by the council, to enable the chief finance officer to record correctly the sums due to the council and to ensure accounts are sent out promptly. The chief finance officer shall have the right to inspect any document or other evidence in this connection as he may decide.
- 26.10 Where income relates to the provision of goods and services which are not part of a continuous supply, accounts must be raised within 14 days of the transactions being completed to comply with VAT regulations.
- 26.11 To issue official receipts or to maintain other documentation for income collection.

- 26.12 To ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded.
- 26.13 To hold securely receipts, tickets and other records of income for the appropriate period.
- 26.14 To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling. Only up to insured levels in cash can be held on the premises.
- 26.15 To ensure that cash handling is secure and that there is a record of every transfer of money between employees of the council. The receiving officer must sign for the transfer and the transferor must retain a copy.
- 26.16 To ensure that income is paid fully and promptly, or at such intervals as the chief finance officer may decide, into the appropriate council bank account in the form in which it is received. Appropriate details should be recorded on to paying-in slips to provide an audit trail. Money collected and deposited must be reconciled to the bank account on a regular basis.
- 26.17 To ensure income is not used to cash personal cheques, credit and debit card advances or other payments.
- 26.18 Members of the corporate leadership team should use established performance management systems to monitor recovery of income and flag up areas of concern to the chief finance officer.
- 26.19 To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid within specified time limits.
- 26.20 To agree all debt recovery processes prior to legal action with the chief finance officer and to pursue these promptly. With the assistance of the chief finance officer, to collect debts they have originated and to keep sufficiently detailed records to allow debts to be recovered through legal action and to reclaim VAT payments when bad debts are written-off.
- 26.21 In accordance with the [table](#) above, to agree the write-off of debts up to £2,000 in value, and to recommend to the chief finance officer all debts above this amount to be written off and to keep a record of all sums written off up to the approved limit. Once raised, no bona fide debt may be cancelled, except by full payment or by its formal writing off. A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt.
- 26.22 To notify the chief finance officer of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the chief finance officer and not later than 30 April.

26.23 To notify the chief finance officer where cash payments in excess of £5,000 have been received.

## **27 Ordering and paying for work, goods and services**

Public money should be spent with demonstrable probity and in accordance with the council's policies. Local authorities have a statutory duty to achieve best value in part through economy and efficiency. The council's procedures should help to ensure that services obtain value for money from their purchasing arrangements. These procedures should be read in conjunction with the council's *Standing orders relating to contracts*.

### Key controls

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

- (a) all work, goods and services are ordered and the purchase authorised by appropriate persons only and are correctly recorded
- (b) all work, goods and services shall be ordered in accordance with the council's *Standing orders relating to contracts* unless they are purchased from sources within the council
- (c) payments are not made unless work, goods or services have been received by the council to the correct price, quantity and quality standards
- (d) all payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method
- (e) all appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the council's document retention schedule
- (f) all expenditure is accurately recorded against the right budget, any exceptions are corrected and VAT is recorded correctly
- (g) processes are in place to maintain the security and integrity of data for transacting business electronically.

### General

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

27.2 Official orders must be in a format approved by the chief finance officer. Official orders must be issued for all work, goods or services to be supplied to

the council, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases, procurement in conjunction with purchase cards, or other exceptions specified by the chief finance officer.

- 27.3 All orders must be certified by an authorised employee. Urgent orders should be transmitted by email whenever possible. In exceptional circumstances orders may be issued by telephone and, in such cases, an order should be raised as soon as is reasonably practicable and retained pending the receipt of the work, services or goods.
- 27.4 Standard terms and conditions must not be varied without the prior approval of the chief finance officer.
- 27.5 Apart from petty cash, corporate procurement card and other payments from advance accounts, the normal method of payment from the council shall be through the banks' automated clearing system (BACS), by cheque, or other instrument or approved method, drawn on the council's bank account by the chief finance officer. Any arrangements for making payments other than by these means must be approved by the chief finance officer. The use of direct debit shall require the prior agreement of the chief finance officer.
- 27.6 Cheque payments must have the facsimile signature of the chief finance officer and be crossed 'account payee only'. A second signatory will be sought for all cheques over £2,500.
- 27.7 Official orders must not be raised for any personal or private purchases, except where such use has been approved by the chief finance officer, for example under council schemes such as Cycle to work, childcare vouchers etc.

#### Responsibilities of the chief finance officer

- 27.8 To ensure that all of the council's financial systems and procedures are sound and properly administered.
- 27.9 To approve any changes to existing financial systems and to approve any new systems before they are introduced.
- 27.10 To approve the format of official orders and associated terms and conditions.
- 27.11 To make payments from the council's funds on the member of the corporate leadership team's authorisation that the expenditure has been duly incurred in accordance with *Financial regulations*.
- 27.12 To authorise the use of corporate credit cards and to determine individual card limits.
- 27.13 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.

- 27.14 To make payments to contractors on the certificate of the appropriate member of the corporate leadership team, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.
- 27.15 To provide advice and encouragement on making payments by the most economical means.
- 27.16 To ensure that a budgetary control system is established that enables commitments incurred by placing orders to be shown against the appropriate budget allocation so that they can be taken into account in budget monitoring reports.

#### Responsibilities of the corporate leadership team

- 27.17 To ensure that orders in the prescribed format are used for all work, goods and services, other than the exceptions specified in [paragraph 27.2](#).
- 27.18 To ensure that orders are only used for work, goods and services provided to the council. Individuals must not use official orders to obtain goods or services for their private use.
- 27.19 To ensure that only those employees authorised by the member of the corporate leadership team authorise orders and to maintain and make available to the chief finance officer an up-to-date list of such authorised employees, identifying in each case the limits of their authority. The authoriser of the order should be satisfied that the work, goods and services ordered are appropriate and needed, that there is adequate budgetary provision, that *Standing orders relating to contracts* have been complied with and that quotations or tenders have been obtained if necessary. Best value principles should underpin the council's approach to procurement. Value for money should always be achieved.
- 27.20 To ensure that all orders state the nature, quantity, and agreed or estimated costs of the works, goods or services being ordered. The order must also state the address for deliveries and the address to which the invoice should be sent.
- 27.21 To ensure that a copy of every order (or record in any other authorised media) is kept with the details of payments made for the works, goods or services covered by that order. The chief finance officer may approve alternative arrangements where computerised purchasing systems are in use.
- 27.22 To ensure that work, 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 employee from the person who authorised the order. Appropriate entries should then be made in the council's accounting and management systems.

- 27.23 To ensure that invoices are properly matched to a purchase order and receipt for payment (or the operation of other, authorised arrangements) and for submitting invoices to the chief finance officer for payment.
- 27.24 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 work, 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) the correct accounting treatment of tax
  - (f) that the invoice is correctly coded
  - (g) that discounts have been taken where available.
- 27.25 To ensure that at least two authorised members of staff are involved in the ordering, receiving and payment process. If possible, a different employee from the person who authorised the order, should receipt the work, goods or services.
- 27.26 To ensure that a list of employees approved to receipt work, goods and services is maintained and periodically reviewed. Names of receipting employees shall be forwarded to the chief finance officer.
- 27.27 To ensure that payments are not made on a photocopied or faxed invoice, statement or other document other than the formal invoice. In exceptional circumstances when a copy invoice needs to be certified for payment, to clearly endorse the copy invoice with a statement that it is a copy and that payment has not already been made.
- 27.28 All accounts duly certified in accordance with [paragraph 27.24](#) shall be forwarded to the chief finance officer for payment to be made on such day as the chief finance officer shall determine.
- 27.29 To encourage suppliers of work, goods and services to receive payment by the most economical means for the council. It is essential, however, that payments made by direct debit have the prior approval of the chief finance officer.
- 27.30 To ensure that best value from purchases is achieved 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 council's procurement procedures.

27.31 To utilise the purchasing procedures established by the chief finance officer in putting purchases, where appropriate, out to competitive quotation or tender. These will comply with *Contract procedures* and will cover:

- (a) authorised employees and the extent of their authority
- (b) advertisement for tenders
- (c) procedure for creating, maintaining and revising a standard list of contractors
- (d) selection of tenderers
- (e) compliance with UK and EU legislation and regulations
- (f) procedures for the submission, receipt, opening and recording of tenders
- (g) the circumstances where financial or technical evaluation is necessary
- (h) procedures for negotiation
- (i) acceptance of tenders
- (j) the form of contract documentation
- (k) cancellation clauses in the event of corruption or bribery
- (l) contract records.

27.32 To ensure that employees are aware of the code of conduct for local government employees as summarised in the *Employee handbook*.

27.33 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 council's borrowing powers, to protect the council against entering into unapproved credit arrangements and to ensure that value for money is being obtained.

27.34 To notify the chief finance officer of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the chief finance officer.

27.35 With regard to contracts for construction and alterations to buildings and for civil engineering works, to document and agree with the chief finance officer the systems and procedures to be adopted in relation to financial aspects, including certification of interim and final payments, checking, recording and

authorising payments, the system for monitoring and controlling capital schemes and the procedures for validation of subcontractors' tax status. The final certificate for payment of a contract will not be issued until the relevant member of the corporate leadership team has examined all supporting documents and is satisfied that the final statement of account has been prepared properly and is correct.

- 27.36 To notify the chief finance officer immediately of any expenditure to be incurred as a result of statute or court order where there is no budgetary provision.
- 27.37 To ensure that all appropriate payment records are retained and stored for the defined period, in accordance with the document retention schedule.

## **28 Payments to employees and members**

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

### Key controls

The key controls for payments to employees and members are:

- (a) proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to starters, leavers, variations and enhancements, and that payments are made on the basis of timesheets or claims
- (b) regular reconciliation of payroll expenditure against approved budgets and bank accounts
- (c) all appropriate payroll documents are retained and stored for the defined period, in accordance with the council's document retention schedule
- (d) all expenditure, including VAT, is accurately recorded against the right department and any exceptions are corrected
- (f) HM Revenue and Customs regulations are complied with.

### Responsibilities of the chief finance officer

- 28.1 To arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees, in accordance with procedures prescribed by him or her, on the due date.
- 28.2 To make arrangements for payment of all travel and subsistence claims or financial loss allowance.
- 28.3 To provide advice and encouragement to secure payment of salaries and wages by the most economical means.
- 28.4 To ensure that there are adequate arrangements for administering pension matters on a day-to-day basis.
- 28.5 To record and make arrangements for the accurate and timely payment of tax, national insurance, superannuation and other deductions, relating to both employees and members.
- 28.6 To make arrangements for paying members in accordance with the approved members' allowance scheme.
- 28.7 To make arrangements for paying members travel or other allowances upon receiving the prescribed form, duly completed and authorised.

### Responsibilities of the corporate leadership team

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

- 28.11 To advise the chief finance officer of the names of employees authorised to sign records, together with specimen signatures.
- 28.12 To ensure that payroll transactions are processed only through the payroll system. Members of the corporate leadership team should give careful consideration to the employment status of individuals retained on a self-employed consultant or subcontract basis. HM Revenue and Customs applies a tight definition for employee status, and in cases of doubt, advice should be sought from the chief finance officer.
- 28.13 To certify travel and subsistence claims and other allowances. Certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred, and that allowances are properly payable by the council, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and that the chief finance officer is informed where appropriate.
- 28.14 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.
- 28.15 To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule.

#### Responsibilities of members

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

## **29 Taxation**

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

#### Key controls

The key controls for taxation are:

- (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.

#### Responsibilities of the chief finance officer

- 29.1 To ensure the completion of all HM Revenue and Customs returns regarding PAYE.
- 29.2 To complete a monthly return of VAT inputs and outputs to HM Revenue and Customs.
- 29.3 To provide details to HM Revenue and Customs of deductions made under the construction industry tax deduction scheme.
- 29.4 To maintain up-to-date guidance for employees on taxation issues.
- 29.5 To maintain an up-to-date record of the VAT partial exemption calculation.

#### Responsibilities of the corporate leadership team

- 29.6 To ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Revenue and Customs regulations and all output tax is properly identified and recorded.
- 29.7 To ensure that the council is not put at risk in any funding arrangements by identifying the correct VAT treatment for new schemes or partnership arrangements.
- 29.8 To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.
- 29.9 To ensure that all persons employed by the council are added to the council's payroll and that tax is deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency.
- 29.10 To follow the guidance on taxation issued by the chief finance officer.

### **30 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.

### Responsibilities of the chief finance officer

- 30.1 To advise and issue guidance, as appropriate, on the establishment and financial operation of trading accounts and business units.

### Responsibilities of the corporate leadership team

- 30.2 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 council. In general, such contracts should not be entered into unless they can be terminated within the main contract period without penalty.
- 30.3 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.
- 30.4 To ensure that the same accounting principles are applied in relation to trading accounts as for other services or business units.
- 30.5 To ensure that each business unit prepares an annual business plan.

## **E External arrangements**

### **31 Partnerships**

Working in partnership offers both opportunities and challenges. With good governance arrangements in place, partnerships can be effective in delivering added value and value for money. The council sees many benefits of working in partnership including:

- effectively joining up and co-ordinating service delivery – reducing silo working and maximizing impact
- addressing cross-cutting issues
- supporting its own objectives and priorities
- maximizing the use of limited resources and to attract additional resources to the area
- championing the area and focus on the big issues facing the city
- agreeing a shared vision, objectives, action plans and commissioning of services to meet identified need.

A partnership is defined as an agreement between two or more independent bodies to work collectively to achieve an objective, excluding:

- any contractual agreement entered into by the council e.g. Procurement arrangements and service level agreements except where these arrangements create a separate decision-making structure
- any agreement where the council provides an organisation with grant aid except where these arrangements create a separate decision-making structure
- public finance initiative (PFI)
- any basic networking function
- task and finish groups and project teams.

The council's *Corporate governance framework and toolkit for working in partnerships* provides guidance for members and officers involved in partnership working.

#### Key controls

The key controls for the council's partnerships are:

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

#### Responsibilities of the chief finance officer

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

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

- (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.

31.3 To ensure that the accounting arrangements are satisfactory.

Responsibilities of the corporate leadership team

- 31.4 To maintain a register of all agreements entered into with external bodies in accordance with procedures specified by the chief finance officer.
- 31.5 To ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared for the chief finance officer.
- 31.6 To ensure that such agreements and arrangements do not impact adversely upon the services provided by the council.
- 31.7 To ensure that the identities of third parties have been verified and that all agreements and arrangements are properly documented.
- 31.8 To provide appropriate information to the chief finance officer to enable a note to be entered into the council's statement of accounts concerning material items.

## **32 Awarding grants**

The council achieves its objectives by carrying out activities directly or by working with external parties in the public, private voluntary and community sectors. Working with external parties is described as commissioning. Further information on commissioning is available in the council's *Commissioning framework*.

The commissioning cycles has a number of stages:

- Assessing need and identifying the priority needs and outcomes;
- Designing the specification which will achieve these outcomes;
- Sourcing the providers to meet this specification;
- Managing the delivery of outcomes;
- Monitoring, reviewing and learning from delivery to inform future commissioning.

Where it has been decided to seek external provision of services through commissioning, a further decision is required as to the appropriate route to achieve desired outcomes: procurement, grant, grant in aid or grant in kind.



Where the procurement route is to be followed, the procedures above for '[Ordering and paying for work, goods and services](#)', and *Standing orders relating to contracts* should be followed.

### Key controls

The key controls for the award of grants are:

- (a) to ensure that applications/submissions are assessed against commissioning or grant criteria by relevant officers
- (b) to ensure that a grant agreement or award letter is put in place to specify the roles and obligations of both the organisation and the council in delivering agreed outcomes, including full terms and conditions and the basis of the payment
- (c) to ensure that risk management processes are in place to identify and assess all known risks
- (d) to ensure that programme / project reporting, monitoring and evaluation processes are agreed and implemented

### Responsibilities of the chief finance officer

- 32.1 To advise on effective controls that will ensure that resources are not wasted.
- 32.2 To ensure that the accounting arrangements are satisfactory.

### Responsibilities of the corporate leadership team

- 32.3 To ensure that effective assessment and risk management processes are undertaken in relation to the award of grants.
- 32.4 To ensure that applications are endorsed by members as appropriate.
- 32.5 To ensure that the identities of third parties have been verified and that all agreements and arrangements are properly documented.
- 32.6 To ensure that intended outcomes are achieved alongside the optimal use of resources.

## **33 External funding**

External funding is potentially a very important source of income, but the funding conditions attached to grants and contributions need to be carefully considered to ensure that they are compatible with the aims and objectives of authorities. Local authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private

service providers. Funds from external agencies provide additional resources to enable the council to deliver services to the local community. However, in some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the council's overall plan.

#### Key controls

The key controls for external funding are:

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

#### Responsibilities of the chief finance officer

- 33.1 To ensure that all funding notified by external bodies is received and properly recorded in the council's accounts including the collation and retention of all relevant grant documentation.
- 33.2 To ensure that specific budget approval is given for expenditure of funding secured by grant or contribution from external parties and any match funding related to it.
- 33.3 To ensure that audit requirements are met.
- 33.4 Where the chief finance officer is specifically responsible for submitting grant claims, to ensure that all claims for funds are made by the due date.
- 33.5 To ensure that grants and contributions received from external parties are correctly classified and disclosed in accordance with current CIPFA code of practice
- 33.6 To ensure the correct accounting treatment for unutilised grants and contributions held over for expenditure in a subsequent accounting year.

#### Responsibilities of the corporate leadership team

- 33.7 To ensure that all claims for funds are made by the due date.
- 33.8 To maintain adequate supporting documentation to enable claims for funding to be maximised.

- 33.9 To ensure that activity progresses in accordance with agreed delivery plans and that expenditure against grant, contribution and levy income from external parties is properly incurred, recorded and accounted for.
- 33.10 To ensure that agreements are monitored and that grant, contribution and levy income from external parties is properly collected, recorded and accounted for in accordance with the legal obligations laid out in each agreement.

#### **34 Work for third parties**

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

##### Key controls

The key controls for working with third parties are:

- (a) proposals are costed properly in accordance with guidance provided by the chief finance officer
- (b) contracts are drawn up using legal advice and guidance provided by the chief finance officer and that the formal approvals process is adhered to
- (c) guidance is issued with regard to the financial aspects of third party contracts and a contract register is maintained.

##### Responsibilities of chief finance officer

- 34.1 To issue guidance with regard to the financial aspects of third party contracts and to maintain a register of all contracts entered into with third parties.

##### Responsibilities of the corporate leadership team

- 34.2 Unless authorised under the *Scheme of Delegation*, to ensure that the approval of the cabinet is obtained before any negotiations are concluded to work for third parties.
- 34.3 To ensure that appropriate insurance arrangements are made.
- 34.4 To ensure that the council is not put at risk from any bad debts.
- 34.5 To ensure that no contract is subsidised by the council unless approved by the cabinet.

- 34.6 To ensure that, wherever possible, payment is received in advance of the delivery of the service.
- 34.7 To ensure that the division or section has the appropriate expertise to undertake the contract.
- 34.8 To ensure that such contracts do not impact adversely upon the services provided for the council.
- 34.9 To ensure that all contracts are properly documented.
- 34.10 To provide appropriate information to the chief finance officer to enable a note to be entered into the statement of accounts.
- 34.11 To provide the chief finance officer with the information he or she requires to maintain a register of works undertaken for third parties.

### **35 Review of the financial procedures**

- 35.1 The chief finance officer shall review and amend these financial procedures periodically as appropriate.