

### STATUS OF FINANCIAL REGULATIONS

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In order to comply with statutory provisions it is necessary to compile a set of Regulations as a means of guidance and assistance to both Members and officers. The Financial Regulations are intended to operate within the context of senior management's (Chief Executive/Directors/Heads of Service) responsibility for corporate management and their responsibility to give advice to the Council and Committees and cover the main principles of financial control.

Whilst the terms 'Chief Executive' and 'Head of Service' are used within this document for defining overall responsibility, all employees have a duty to comply with Financial Standing Regulations.

### FINANCIAL REGULATIONS

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#### **3.5.1. Financial Management**

##### **3.5.1.1 Council**

3.5.1.1.1 The Full Council is responsible for adopting the authority's constitution, the Members' code of conduct and for approving the policy framework and budget within which the authority operates. The Full Council is also responsible for approving procedures for recording and reporting decisions taken. This includes key decisions delegated by and decisions taken by the council and its committees.

##### **3.5.1.2 Policy and Resources Committee**

3.5.1.2.1 The Policy & Resources Committee is responsible for proposing the policy framework and budget to the Full Council, regulating and controlling the finances of the Council.

3.5.1.2.2 A Committee can delegate its decision making powers to a Director. In doing so the Director must take account of legal and financial liabilities and risk management issues that may arise from the decision.

##### **3.5.1.3 The Statutory Officers**

3.5.1.3.1 The Head of Paid Service (Chief Executive) is responsible for the corporate and overall strategic management of the authority as a whole. The Head of Paid Service is also responsible, together with the Monitoring Officer, for the system of record keeping in relation to all the Full Council's decisions.

3.5.1.3.2 The Monitoring Officer is responsible for promoting and maintaining high standards of conduct. The Monitoring Officer is also responsible for reporting any actual or potential breaches of the law or maladministration to the Full Council and/or to the Policy and Resources Committee, and for ensuring that procedures for recording and reporting key decisions are operating effectively.

3.5.1.3.3 The Monitoring Officer (together with the Director of Resources) is responsible for advising the Committees or Full Council about whether a decision is likely to be considered contrary or not wholly in accordance with the budget.

3.5.1.3.4 The Director of Resources has statutory duties in relation to the financial administration and stewardship of the authority. This statutory responsibility cannot be overridden. The statutory duties arise from:

- Section 151 of the Local Government Act 1972
- The Local Government Finance Act 1988
- The Local Government and Housing Act 1989
- The Local Government Acts 2000
- The Local Government Act 2003
- The Accounts and Audit Regulations

3.5.1.3.5 The Director of Resources is responsible for:

- the proper administration of the authority's financial affairs
- setting and monitoring compliance with financial management standards
- advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
- providing financial information
- preparing the revenue budget and capital programme
- treasury management.

3.5.1.3.6 Section 114 of the Local Government Finance Act 1988 requires the Director of Resources to report to the Full Council and the external auditor if the authority or one of its officers:

- has made, or is about to make, a decision which involves incurring unlawful expenditure
- has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the authority
- is about to make an unlawful entry in the authority's accounts.

3.5.1.3.7 Section 114 of the 1988 Act also requires:

- the Director of Resources to nominate a properly qualified member of staff to deputise should they be unable to perform the duties under section 114 personally
- the authority to provide the Chief Financial Officer with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under section 114.

3.5.1.3.8 Senior Management are responsible for:

- ensuring that Members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Director of Resources
- signing contracts on behalf of the authority.

3.5.1.3.9 It is the responsibility of Senior Management to consult with the Director of Resources and seek approval on any matter liable to affect the authority's finances materially, before any commitments are incurred.

3.5.1.3.10 The Strategic Management Team shall report to the Policy and Resources Committee with respect to the level of resources proposed to be utilised in each financial year and shall keep the Policy and Resources Committee informed with respect to the Council's finances and financial performance and other Committees informed with respect to the financial implications of their activities.

3.5.1.3.11 Full Council is responsible for making, and amending, such financial regulations as it considers necessary for the supervision and control of the finances and assets of the Council. The Policy and Resources Committee is to be responsible for proposals to make or amend such financial regulations.

3.5.1.3.12 The Committees, Forums and Panels shall observe the Council's Financial Standing Orders and Financial Regulations in all aspects of their work.

3.5.1.3.13 The Strategic Management Team and each Head of Service are responsible for the observance of the Council's Financial Regulations, and for the accountability and control of staff and the security, custody and control of all resources including plant, materials, cash and stores appertaining to their area of activity.

#### **3.5.1.4 Other Financial Accountabilities**

3.5.1.4.1 The Council is responsible for agreeing procedures for virement of expenditure between budget headings. The Strategic Management Team is responsible for agreeing in-year virements within delegated limits, in consultation with the Director of Resources where required.

3.5.1.4.2 The Policy and Resources Committee is responsible for agreeing procedures for carrying forward under and overspendings on budget headings.

3.5.1.4.3 The Director of Resources is responsible for selecting accounting policies and ensuring that they are applied consistently.

3.5.1.4.4 The Director of Resources is responsible for determining the accounting procedures and records for the authority, and for ensuring statutory accounting returns are made to the relevant body.

3.5.1.4.5 The Director of Resources is responsible for ensuring that the annual statement of accounts is prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom* (CIPFA/LASAAC). The Audit Committee is responsible for approving the annual statement of accounts.

## **3.5.2. Financial Planning**

### **3.5.2.1 Budgeting**

3.5.2.1.1 The detailed form of capital and revenue estimates shall be determined by the Director of Resources consistent with the general directions of the Policy and Resources Committee and in accordance with the budget policies, in particular the Medium Term Financial Plan and Corporate Plan and its priorities. The Medium Term Financial Plan should be reviewed annually by the Policy and Resources Committee and recommend any changes in budget policy to the Council.

3.5.2.1.2 Revenue and capital estimates shall be prepared by the Heads of Finance in consultation with the senior management who shall collate the approved estimates and report to the Policy and Resources Committee thereon, such report to include compliance with the financial plan(s) approved by the Council and other financial implications. Opportunities to improve economy, efficiency and effectiveness; by encouraging the best use of resources and value for money should be reflected in service planning.

3.5.2.1.3 The Director of Resources and the Chair of Policy and Resources Committee shall prepare the annual budget report to the Policy and Resources Committee. Following receipt of any comments from the Policy and Resources Committee and taking into account the views of the Service Committees and making any amendments that as a result seem appropriate, the Policy and Resources Committee shall make recommendations to the Full Council for approval.

3.5.2.1.4 By 11 March each year the Full Council shall consider the proposals on the budget and policy framework and the recommendation as to the amount of the Council Tax to be levied for the ensuing financial year. The Council shall set the amount of Council Tax to be levied after taking into account the precepts issued by the County Council, Police and Fire and Rescue Services and Town/Parish Councils.

### **3.5.2.2 Maintenance of Reserves**

3.5.2.2.1 It is the responsibility of the Director of Resources to advise the Policy and Resources Committee and Council on prudent levels of reserves for the authority.

3.5.2.2.2 The use of reserves during the year to cover operational expenditure will be handled through the virement rules.

### **3.5.3. Risk Management and Control of Resources**

#### **3.5.3.1 Risk Management**

3.5.3.1.1 The Council is responsible for approving the Council's risk management strategy. The Audit Committee is responsible for the review and monitoring of the Council's arrangements for managing risk.

3.5.3.1.2 The Head of Audit Partnership is responsible for preparing the Council's risk management strategy and for promoting it throughout the Council.

#### **3.5.3.2 Internal Control**

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

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

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

#### **3.5.3.3 Audit Requirements**

3.5.3.3.1 The Accounts and Audit Regulations require every local authority to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control.

3.5.3.3.2 The Council shall be responsible for ensuring that there are continuous arrangements to measure, evaluate and report upon the effectiveness of internal control and efficient use of resources, by the establishment of an adequate internal audit function.

3.5.3.3.3 The Council has the option to opt into the "appointing person" national auditor appointment arrangements established by the Public Sector Audit Appointments (PSAA). The Audit Committee will make a recommendation to Council on whether to opt in to this arrangement. The basic duties of the external auditor are governed by Section 5 of the Audit Commission Act 1998. The Local Audit and Accountability Act 2014

requires a relevant Council/Authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year.

#### **3.5.3.4 Preventing Fraud and Corruption**

3.5.3.4.1 The Head of Audit Partnership is responsible for the development and maintenance of an anti-fraud and anti-corruption policy.

#### **3.5.3.5 Non-property Assets**

3.5.3.5.1 Officers should ensure that records and assets are properly maintained and securely held. They should ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

#### **3.5.3.6 Treasury Management**

3.5.3.6.1 This Council has adopted CIPFA's Code of Practice on Treasury Management in Local Authorities.

3.5.3.6.2 This Council:

- will create and maintain a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;
- will create and maintain suitable treasury management practices (TMP's), setting out how those policies and objectives will be achieved;
- will receive an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close;
- has nominated the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies;
- has delegated responsibility for the implementation and regular monitoring to Audit Committee and
- has delegated responsibility for the execution and administration of treasury management decisions to the Director of Resources or, through them, to their staff, who shall all be required to act in accordance with CIPFA's Code of Practice on Treasury Management in Local Authorities.

3.5.3.6.3 Unless statutory or regulatory requirement demand otherwise, all monies in the hands of the Council will be aggregated for cashflow and investment management purposes and will be under the control of the Director of Resources being the officer designated for the purposes of Section 151 of the Local Government Act 1972.

3.5.3.6.4 The Council shall invest only with institutions approved, and within criteria set by the Council on recommendation by the Policy and Resources Committee within the terms of the Treasury Management Policy Statement and Investment Strategy.

3.5.3.6.5 All investments and borrowing of money under its control shall be made in the name of the Council or in the name of nominees approved by the Council; bearer securities shall be excluded from this rule but any purchase of such securities shall be reported to the Council.

3.5.3.6.6 All securities held in the name of the Council or its nominees shall be held by the Director of Resources under secure arrangement.

3.5.3.6.7 The Director of Resources shall be the Council's registrar of stocks, bonds and mortgages and shall maintain records of all borrowing of money by the Council.

3.5.3.6.8 All officers acting as trustees by virtue of their official position shall deposit all securities etc. relating to the trust with the Chief Executive, unless the deed otherwise provides.

### **3.5.3.7 Staffing**

3.5.3.7.1 The Head of Paid Service is responsible for the terms and conditions of all staff and for providing overall management to staff. They are also responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job.

## **3.5.4. Systems and Procedures**

### **3.5.4.1 Income & Expenditure**

3.5.4.1.1 The collection, recording and banking of money due to the Council shall be under the supervision of or under arrangements approved by the Director of Resources.

3.5.4.1.2 All payments must be made in accordance with the internal controls and authorisations approved by the Director of Resources.

3.5.4.1.3 All arrangements with the Council's Bankers shall be made by or under arrangements approved by the Director of Resources, who shall be authorised to operate such banking accounts.

### **3.5.4.2 Payments to Employees and Members**

3.5.4.2.1 The payment of all salaries, Member's allowances, compensations, gifts and other emoluments to all employees or former employees of the Council shall be made by the Head of Human Resources.

### **3.5.4.3 Taxation**

3.5.4.3.1 The Director of Resources is responsible for advising senior management, in light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the authority.

3.5.4.3.2 The Director of Resources is responsible for maintaining the authority's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

### **3.5.4.4 Trading Accounts**

3.5.4.4.1 It is the responsibility of the Director of Resources to advise on the establishment and operation of trading accounts and business units.

## **3.5.5. External Arrangements**

### **3.5.5.1 Partnerships**

3.5.5.1.1 Financial matters relating to arrangements whereby one Council administers funds jointly on behalf of itself and others shall be subject to the Financial Regulations of the administering Council, unless these Rules are more stringent.

3.5.5.1.2 The Director of Resources must ensure the accounting arrangements to be adopted relating to partnerships are satisfactory.

### **3.5.5.2 External Funding**

3.5.5.2.1 The Director of Resources is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the authority's accounts.

### **3.5.5.3 Work for Third Parties**

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



## FINANCIAL REGULATIONS APPENDICES

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This section expands upon the core principles outlined in the financial regulations, and provides a more detailed list of responsibilities, agreed procedure and guidance.

### A. Financial Management

#### Why is this important?

All staff and Members have a duty to abide by the highest standards of probity in dealing with financial issues. This is facilitated by ensuring everyone is clear about the standards to which they are working and the controls that are in place to ensure that these standards are met. This set of Financial Standing Orders and Financial Regulations prescribe the main standards and controls. Each Head of Service shall ensure that their staff are fully aware of these standards and controls and comply with them whilst carrying out their duties

1.1 Senior management shall consult the Director of Resources with respect to any matter within their remit which is liable to affect the finances, other than provided in estimates, of the Council before any provisional or other commitment is incurred or before reporting thereon to the relevant Committee.

1.2 The Director of Resources is responsible for ensuring the proper administration of the financial affairs of the Council and that financial management standards and controls are in place and are effectively monitored for compliance.

### A1. Accounting

#### Why is this important?

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

A1.1 All accounting procedures, accounting policies, and financial records of the Council and its officers shall be as determined by the Director of Resources. The financial procedures and records maintained in other Service Units are the responsibility of Senior Management and shall be subject to the approval of the Director of Resources.

A1.2 The Director of Resources shall make proper arrangements for the external audit of the Council's accounts in accordance with the most recent Accounts and Audit Regulations.

A1.3 Senior Management are required to maintain adequate records to provide an audit trail leading from the source of income/expenditure through to the accounting statements and to provide such information as required to enable the Statement of Accounts to be completed in accordance with the guidelines issued by the Director of Resources.

A1.4 Senior Management are to consult and obtain approval from the Chief Financial Officer before making changes to accounting records and procedures.

A1.5 The following principles shall be observed in the allocation of accounting duties:-

- The duties of providing information regarding sums due to or from the Council and of calculating, checking and recording these sums, shall be separated as completely as possible from the duty of collecting or disbursing them;
- Officers charged with the duty of examining and checking the accounts of each transaction shall not themselves be engaged in any of those transactions.

A1.6 Schedules of authorised signatories are held within the Finance Unit, which should be updated at least on an annual basis and where necessary senior management should inform Finance of any intervening changes such as the appointment of new staff.

## **A2. Budgetary Control**

### **Why is this important?**

Budget management ensures that once the budget has been approved by the Full Council, allocated 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 revenue limit, approved when setting the overall annual budget. To ensure that the Council in total does not overspend, each service is required to manage its own expenditure within the budget allocated to it. For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure excluding support and capital charges, for the service area or cost centre.

A2.1 Where it appears that the amount of any budget estimate of approved expenditure may be exceeded or the amount of any head of approved income may not be reached by a significant amount, it shall be the duty of the Senior Management concerned after consultation with the Director of Resources, to inform the Strategic Management Team and the Policy and Resources Committee.

A2.2 A summary of such variations from budgeted amounts, whether or not previously reported, shall be included within the monthly reports to Strategic Management Team and quarterly reports to Policy and Resources Committee. This summary would include income and expenditure programmed for the remainder of the financial year, effectively presenting an updated outturn for the financial year. The Strategic Management Team would advise of any remedial action required to adjust the overall budget to bring it back in line with the original budget, subject to any Policy and Resources Committee approval to vary the original budget.

A2.3 The Director of Resources shall provide each Head of Service with periodic statements of receipts and payments under each head of approved budget. It is the responsibility of senior management to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Director of Resources. They should report on variances within their own areas. They should also take any action necessary to avoid exceeding their budget allocation and alert the Director of Resources to any problems.

### **A3. Budget Virement**

#### **Why is this important?**

The scheme of virement is intended to enable the Policy and Resources Committee, senior management and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by the Full Council, and therefore to optimise the use of resources.

A3.1 Under virement a Head of Service may propose to spend more than originally planned on one budget head provided that this is matched by a corresponding reduction on some other budget head within their control. Within the Council scheme of virement there are other rules to be applied as detailed in the following table.

## Virement Limits

<b>Level of authority</b>	<b>Value of virement</b> (including any partnership funding)	<b>Notes</b>
Budget holders	Up to £5,000 for any single virement within the approved budget framework coming under the budget holder's individual responsibility	Must be approved by service accountant.
Heads of Service	Up to £20,000 for any single virement within the approved budget framework coming under the Head of Service's individual responsibility	Must be approved by the Director of Resources and Chief Executive
Chief Executive	Up to £100,000 for any single virement within the approved budget framework	Must be approved by the Director of Resources
Policy and Resources Committee	£100,000 and above for any single virement within the approved budget framework	Requires a joint report from the Head of Service and Director of Resources and endorsed by the Chief Executive
Full Council	Any amount outside of the approved budget framework or which would significantly affect service standards	Requires a joint report from the Head of Service and Director of Resources and endorsed by the Chief Executive

Services not within the control of a Head of Service, (eg depreciation, recharges from central services such as Finance, Legal, etc.) are not available for virement except at the discretion of the Executive Management Team.

Any virement that is likely to impact on the level of service of another Head of Service should only be implemented after the agreement with the relevant Head of Service. Where in setting the annual budget there is an approved lump-sum budget intended for allocation during the year, its allocation will not be treated as a virement, provided that the amount is used in accordance with the purposes for which it was established.

## **B. Financial Planning**

### **B1. Budget Preparation**

#### **Why is this important?**

The budget determines the level of activity which can be delivered in each service area.

B1.1 The revenue and capital budget proposals for the year ahead and the Medium Term Financial Strategy will be submitted to the Policy and Resources Committee. Any submission should take into account the Corporate Plan and the associated corporate priorities.

B1.2 The Policy and Resources Committee shall consider the aggregate effect of these proposals upon the Council's financial resources and shall submit them to the Council for approval with a recommendation of the council tax to be levied for the ensuing financial year.

B1.3 Each Member of the Council shall be provided with a copy of the Revenue and Capital Budget and Medium Term Financial Plan together with a statement and report by the Director of Resources of their effect on the Council's finances including reserves and the council tax to be levied before any meeting of the Council at which such matters will be considered.

B1.4 The Policy and Resources Committee shall review fees and charges as part of the annual budget setting process.

B1.5 The Director of Resources is responsible for ensuring that a revenue budget is prepared on an annual basis and a Medium Term Financial Plan on a three-yearly basis for consideration by Policy and Resources Committee, before submission to the Full Council. The Full Council may amend the budget.

B1.6 The Director of Resources is responsible for issuing guidance on the general content of the budget as soon as possible following approval by the Full Council.

B1.7 It is the responsibility of senior management to ensure that budget estimates reflecting agreed service plans are submitted to the Policy and Resources Committee and that these estimates are prepared in line with guidance issued by the Director of Resources.

B1.8 The Director of Resources is responsible for providing appropriate financial information to enable budgets to be monitored effectively. They must ensure processes are in place for monitoring and controlling expenditure and income against

budget allocations and report to the Policy and Resources Committee on the overall position on a regular basis.

B1.9 It is the responsibility of senior management to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Director of Resources. They should report on variances within their own areas. They should also take any action necessary to avoid exceeding their budget allocation and alert the Director of Resources to any problems as early in the financial year as possible.

B1.10 The Director of Resources is responsible for developing and maintaining a resource allocation process that ensures due consideration of the Full Council's policy framework.

B1.11 The Director of Resources is responsible for ensuring that a capital programme is prepared on an annual basis for consideration by the Policy and Resources Committee before submission to the Full Council.

B1.12 Guidelines on budget preparation are issued to senior management by the Director of Resources following agreement with the Strategic Management Team. The guidelines will take account of:

- legal requirements
- medium-term planning prospects
- the corporate plan
- available resources
- spending pressures
- best value and other relevant government guidelines
- other internal policy documents
- cross-cutting issues (where relevant).

B1.13 Senior management shall prepare schemes and estimates for new capital schemes, including associated revenue expenditure, for consideration by the Strategic Management Team. The Director of Resources will co-ordinate these capital bids and following ranking according to the Council's priority matrix, present the draft capital programme to the Strategic Management Team.

B1.14 Those new schemes that are approved by the Strategic Management Team together with an updated position of the existing capital schemes forming the new three year Capital Programme shall be presented to the Policy and Resources Committee for consideration. The Policy and Resources Committee submits its recommendations on the capital programme to the Council. Upon the approval by the Council of a programme of capital expenditure senior management shall be authorised:-

- To take steps to enable land required for the purposes of the programme to be acquired in due time;

- To submit to tender in accordance with the accompanying contract standing orders those works and/or services approved in the capital programme;
- Secure the partnership funding including taking into account any governance arrangements necessary to pursue a joint funded capital scheme.

B1.15 It is the responsibility of the Director of Resources to advise the Policy and Resources Committee and/or the Full council on prudent levels of reserves for the authority.

## **B2. Reserves**

### **Why is this important?**

The Council needs to maintain Reserves to enable it to deal with unexpected events and thereby protect it from overspending should such an event occur.

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

B2.1 Section 25 of the Local Government Act 2003 requires the Director of Resources to report on the robustness of the estimates and the adequacy of financial reserves held by the Council. As part of the setting of the annual budget and the level of the council tax the Director of Resources shall report to the Council on the robustness of the estimates and the adequacy of financial reserves. The report will include an evaluation of the risk to the General Fund and the General Reserve, the two principal reserves. A full schedule of all the reserves will be part of the report to Council.

B2.2 The Director of Resources shall approve the setting up and the purpose of any reserves and funds where they are within the approved budget framework. The Director of Resources has authority to rationalise reserves that are no longer required.

B2.3 The Director of Resources will be responsible for the authorisation and expenditure from reserves in consultation with the senior management. For some, reserves authorisation by the Policy and Resources Committee is required.

## **C. Risk Management and Control of Resources**

### **C1. Audit Requirements**

#### **Internal Audit**

##### **Why is this important?**

The requirement for an internal audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit Regulations more specifically require that a “relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.

The role of Internal Audit shall be based upon the principles contained within the most recent Code of Practice for Internal Audit in Local Government. Accordingly, internal audit is an independent and objective appraisal function established by the Council for reviewing the system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

C1.1 The Council shall be responsible for ensuring that there are continuous arrangements to measure, evaluate and report upon the effectiveness of internal control and efficient use of resources. These aspects will be subject to evaluation and review by Internal Audit which shall be headed by the Head of Audit Partnership normally reporting directly to the Chief Executive, but who also has rights of unrestricted access to Members. The Head of Audit Partnership shall report regularly to the Audit Committee.

C1.2 The Head of Audit Partnership will consult with the Director of Resources, the Council’s Section 151 officer, and the external auditors in drafting the annual Internal Audit Plan to be approved by the Audit Committee.

C1.3 The Council will once a year conduct a review of the effectiveness of its internal audit. The findings of the review must be considered as part of the consideration of the system of internal control by the Audit Committee.

C1.4 The Head of Audit Partnership has authority to:-

- Enter at all reasonable times on any Council premises or land;
- Have access to all records, documents and information relating to the business of the Council;
- Require and receive such explanations as are necessary concerning any matter under examination, and,



- Require any employee of the Council to produce cash, stores or any other Council property under their control.

C1.5 The Internal Audit Section shall be sufficiently independent to enable its auditors to perform their duties in a manner which will allow their professional judgements and recommendations to be effective and impartial.

C1.6 It is a management responsibility to apply sound internal controls in the Authority's systems and to maintain those controls. This includes responsibility for the prevention and detection of fraud and other illegal acts. However, the Head of Audit Partnership should be consulted about any significant proposed changes to existing systems and implementation of new systems, and make recommendations on the standard of control to be applied.

C1.7 Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores or other property of the Council, or any suspected irregularity in the exercise of the functions of the authority, the Head of Service concerned shall forthwith notify the Director of Resources and the Head of Audit Partnership. The Director of Resources and the Head of Audit Partnership and, as necessary, the Council's Monitoring Officer, shall also be informed of the steps that the senior management has taken/intends to take by way of investigation or other action.

C1.8 The Accounts and Audit Regulations require that any officer or Member must;

- Make available such documents and records as appear to be necessary for the purposes of the audit; and
- supply such information and explanation as the Head of Audit considers necessary for that purpose.

## **External Audit**

### **Why is this important?**

Public audit allows authorities to be held accountable for the public money at their disposal.

Auditors are to satisfy themselves that the authority's accounts have been prepared in accordance with the necessary directions; proper practices have been observed in the compilation of accounts; and proper arrangements are in place for securing economy, efficiency and effectiveness of use of resources.

C1.9 The external auditors shall be given access at all reasonable times to premises, personnel, documents and assets that they consider necessary for the purposes of their work.

C1.10 There should be effective liaison between the external and internal auditors.

C1.11 The external auditors will present their Audit Plan, Annual Governance Report and other findings to the Audit Committee and/or Full Council as deemed necessary.

## **C2. Internal Control**

### **Why is this important?**

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

### **Authorised Signatories**

C2.1 The Senior Management shall determine who is authorised to sign official documents on their behalf.

C2.2 The Senior Management shall provide the Director of Resources with up-to-date lists of specimen signatures of authorised officers.

C2.3 The Director of Resources shall maintain a register of all officers authorised to sign official documents.

C2.4 The Head of Legal Partnership, and any other officer authorised by them, are authorised to seal any document.

## **C3. Preventing Fraud and Corruption**

### **Why is this important?**

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 officers at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices. The Council also expects that individuals and organisations (e.g. suppliers, contractors, service providers) with whom it comes into contact will act towards the Council with integrity and without thought or actions involving fraud and corruption.

C3.1 The Head of Audit Partnership will maintain an anti-fraud and anti-corruption policy.

C3.2 All Heads of Service are expected to maintain adequate and effective internal control arrangements, with advice from the Head of Audit Partnership and/or Director of Resources.

C3.3 Where suspected irregularities are reported to the Head of Audit Partnership, Director of Resources or Chief Executive, the necessary investigations will be carried out expediently and any resulting actions will be reported as appropriate.

C3.4 The Council will comply with the requirements of the Bribery Act 2011.

## **C4. Assets**

### **Why is this important?**

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

### **Inventories**

C4.1 Senior Management shall be responsible for the security and safe keeping of all equipment, stores and other property under their control.

C4.2 Each senior manager shall be responsible for maintaining an inventory of assets under their control, for taking action in relation to surpluses or deficiencies and annotating the inventory accordingly.

C4.3 The Council's property shall not be removed otherwise than in accordance with the ordinary course of the Council's business or used otherwise than for the Council's purposes.

C4.4 Any acquisition, disposal or transfer of items of property must be recorded on the inventory at the time when the physical transaction takes place.

C4.5 None of the Council's property shall be sold, scrapped or otherwise disposed of without prior sanction of the responsible senior manager. All disposals shall be by competitive tender or by a method approved by the Director of Resources.

### **Land and Property**

C4.6 The Head of Legal Partnership shall maintain a terrier of all properties owned by the Council (except dwellings provided under the Housing Acts), and a record of the Council's interests in land.

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C4.7 The form of the record is as laid down by the Head of Legal Partnership, but should detail:-

- The purpose for which the property is held;
- Location and plan reference;
- Area/size of land/property;
- The Council's interest in the land/property (e.g. freehold/leasehold);
- Purchase details;
- Rents payable;
- Tenancies granted;
- The vesting body.

C4.8 The Head of Legal Partnership shall notify the Director of Resources and other appropriate senior managers of rights and liabilities in connection with land or property newly acquired or controlled by the Council and shall also advise of any disposal of land or property.

C4.9 The Head of Legal Partnership shall have the custody of all Title Deeds under secure arrangements.

C4.10 The Head of Property Services shall keep up-to-date records of maintenance, rent reviews and other related matters of all properties owned or controlled by the Council.

## **Security**

C4.11 Maximum limits for cash holdings shall be agreed with the Director of Resources and shall not be exceeded without their express permission.

C4.12 Each Senior Manager shall be responsible for maintaining proper security at all times for stocks, stores, furniture, equipment, cash, etc under their control. Officers having responsibility for buildings or the sections of buildings will be designated.

C4.13 The specification of all safes and similar receptacles is to be checked for compliance with the Director of Resources to ensure its acceptability to the Council's insurers.

C4.14 Keys to safes and similar receptacles are to be kept securely by the person responsible at all times; the loss of any such keys must be reported to the Chief Financial Officer immediately. Combination for safes and receptacles are to be held by the person responsible, and by the Chief Financial Officer.

C4.15 The Head of ICT Partnership shall be responsible for maintaining proper security and privacy in respect of information held on the networked computer systems.

C4.16 Each Senior Manager shall be responsible for maintaining proper security and privacy of all information held within their Service Unit, including that held on PC and laptop based systems.

C4.17 Each Senior Manager shall ensure there are controls in place so that staff do not carry out private work in Council time and that staff are aware of an employer's rights with regard to intellectual property.

C4.18 Senior Managers shall immediately report all breaches of security (and associated damage) to the Police. The Senior Manager, in consultation with the Director of Resources and Head of Audit Partnership shall consider both insurance and internal control implications and take appropriate action.

## **Insurances**

C4.19 The Director of Resources shall effect all insurance cover and negotiate all claims in consultation with other officers where necessary.

C4.20 Heads of Service shall give prompt notification to the Director of Resources of all new risks, properties, equipment (including portable equipment) or vehicles which require to be insured and of any alterations affecting existing insurances.

C4.21 Senior managers will notify the Director of Resources in writing of any loss, liability or damage or any event likely to lead to a claim.

C4.22 All appropriate employees of the Council shall be included in a suitable fidelity guarantee insurance.

C4.23 The Director of Resources shall periodically review all insurance in consultation with other senior managers as appropriate.

C4.24 Senior managers shall consult the Director of Resources and the Head of Legal Partnership regarding the terms of any indemnity which the Council is requested to give.

C4.25 To comply with the Council's insurance policies, no admission of liability shall be made by any officer without the prior agreement of the insurers.

## **Intellectual Property and Management of Information (Financial and Non-Financial)**

C4.26 Intellectual property is a generic term that includes inventions and writings if these are created by any employee during the course of their employment. As a general rule, they belong to the employer, not the employee.

C4.27 Certain activities undertaken within the Council may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property.

### **D. Financial Systems and Procedures**

#### **Why is this important?**

Public money should be spent with demonstrable probity and in accordance with the Council's policies. Authorities have a statutory duty to achieve best value. The Council's procedures should help to ensure that its services obtain value for money from their purchasing arrangements.

#### **D1. Selective Tendering**

(Please refer also to Standing Orders with Regard to Contracts).

D1.1 All Selective Tendering procedure shall comply with Standing Orders with Regard to Contracts.

D1.2 For work carried out on an agency basis for the Kent County Council, or other statutory authority, the Council shall adopt the use of such authorities' procedures for the appointment of contractors and other contractual processes. In the absence of any established agent procedures Swale Borough Council's own requirements, as outlined within these Financial Regulations and Contract Standing Orders, shall prevail.

#### **D2. Contracts for Services, Building, Constructional or Engineering Work**

D2.1 The responsible Senior Manager shall provide the Director of Resources with the details and conditions of any contracts/agreements in respect of Capital Works, Repairs and Maintenance where payment is to be made net of retention monies, and which require payment by instalments. This shall also apply to Professional Fees to be paid by instalments.

D2.2 The responsible Senior Manager shall provide the Director of Resources with the details and conditions of any contracts/agreements in respect of Goods and Services which require payment by instalments. Included in this category would be the major service contracts for Refuse Collection, Street Sweeping, Public Conveniences, Leisure Management and Grounds Maintenance.

D2.3 Where a certificate is not available for a Services Contract, payment shall be made on an invoice or other documentation in a form acceptable to the Director of Resources, and certified by an authorised officer.

D2.4 All variations shall be authorised in writing by an authorised officer or consultant.

D2.5 Any variation or costs which are likely to have a significant effect on the approved tender sum shall be reported by the Head of Service to the relevant Committee and the Council as soon as is practicable. The report shall detail the cumulative effect on the original tender sum. Significance shall be determined by the Strategic Management Team and/or the appropriate Head of Service in consultation with the Director of Resources.

D2.6 The final certificate of completion of any contract shall not be issued until the contractor, private architect, engineer or consultant, has produced a detailed statement of account, and all relevant documents to the Council's officer responsible for the supervision of the contract as defined under the terms of the particular contract who shall examine final accounts for contracts and make all such enquiries and receive such information and explanations as they may require in order to satisfy themselves as to the accuracy of the accounts.

D2.7 Claims from contractors in respect of matters not clearly within the terms of any existing contract shall be referred to the Head of Legal Partnership for consideration of the authority's legal liability and, where necessary, to the Director of Resources for financial consideration before a settlement is reached.

### **D3. Orders for Work, Goods and Services**

D3.1 Official orders and associated commitments are only to be raised and entered into the accounting system by officers authorised by the appropriate senior manager, who shall be responsible for official orders issued from their Service Unit. The estimated cost of the order should always be entered on the system.

D3.2 Official orders shall be issued for all work, goods or services to be supplied to the Council except for supplies of public utility services, for periodical payments such as rent or rates, for petty cash purchases or such other exceptions as the Director of Resources may approve. Verbal orders must be confirmed by the issue of an Official Order clearly marked "Confirmation Only".

D3.3 Each order shall conform with the directions of the Council with respect to central purchasing and the standardisation of supplies and materials. Quotations or tenders for all orders should be sought in accordance with the Council's Standing Orders with Regard to Contracts.

D3.4 A copy of each order shall be kept by the senior manager raising the order and be available for inspection by the Director of Resources and their nominated staff.

D3.5 The detailed rules and thresholds in relation to contracts and procurements are set out in the Contract Standing Orders in Part 3.9 of this Constitution.

#### **D4. Payments**

D4.1 The normal method of payment of money due from the Council shall be by BACS or other instrument drawn on the Council's banking account by the Director of Resources.

D4.2 All electronic payments such as CHAPS and BACS must be made in accordance with the internal controls and authorisations approved by the Director of Resources.

D4.3 All cheques, shall be ordered only on the authority of the Director of Resources who shall make proper arrangements for their safe custody.

D4.4 Cheques on the Council's banking accounts, shall bear the facsimile signature of the Director of Resources, signed by the Director of Resources or other officer authorised to do so. Two signatures are required on cheques in excess of £50,000.

D4.5 All payments made on purchase cards must be made in accordance with the internal controls and expenditure limits approved by the Director of Resources. Officers who are cardholders shall be responsible for maintaining a log of transactions and providing adequate documentation to support expenditure.

D4.6 The Head of Service, when issuing an order is responsible for examining, verifying and certifying the related invoice(s) and any other payment vouchers or accounts arising from sources in his Unit. Such certification shall be via the Agresso certification workflow system based on the scanned images of the related invoices or such other payment vouchers by or on behalf of the Head of Service.

D4.7 The Senior Manager must ensure that all invoices or other payment vouchers including internally generated proformas are sent to the Exchequer Section for scanning into the Agresso certification workflow system as soon as they are received or internally generated. This will help to make payment within the Performance Indicator target of 30 days from receipt of invoice.

D4.8 Certification of accounts should not be unduly delayed, BUT before certifying an account, the certifying officer shall be satisfied that:-

- The work, goods or services to which the account relates have been received, carried out, examined and approved;

- The prices, extensions, calculations, trade discount, other allowances, credits and tax are correct. With regard to VAT, VAT invoices may only be altered with the permission of the Customs and Excise Department. Otherwise adjustments must be made with the knowledge of the supplier, normally by issuing credit notes or supplementary invoices;



- The relevant expenditure has been properly incurred, and is within the relevant estimate provision;
- Appropriate entries have been made in inventories, stores' records or stock books as required, and,
- The account has not been previously passed for payment and is a proper liability of the Council.

D4.9 The payment of all salaries, Members' allowances, compensations, gifts and other emoluments to all employees or former employees of the Council shall be made by the Head of Human Resources.

D4.10 Each Senior Manager shall notify Human Resources as soon as possible of all matters affecting the payment of such emoluments, and in particular:-

- Appointments, resignations, dismissals, suspensions, secondments, transfers and casual employment;
- Absences from duty for sickness or other reason, apart from approved leave;
- Changes in remuneration, other than normal increments and pay awards and agreements of general application;
- Information necessary to maintain records of service for superannuation, income tax, national insurance and the like.

D4.11 All time records or other pay documents shall be in a form prescribed or approved by the Head of Human Resources and shall be certified in manuscript by or on behalf of the senior manager.

D4.12 Each Senior Manager shall, as soon as possible after 31st March notify the Director of Resources of all outstanding expenditure relating to the previous financial year, (i.e. Goods and services received by 31st March but not yet paid for, known as "Reserved Creditors").

D4.13 Claims for payment of car allowances, college expenses, travelling and subsistence allowances shall be made in a form approved by the Head of Human Resources.

D4.14 Claims shall be certified by another authorised officer or another elected Member in the case of their own claims.

D4.15 Claims shall normally be made monthly and passed to the Payroll Section within 5 calendar days of the end of the month.

D4.16 Certifying officers are responsible for ensuring, to the best of their knowledge, that the claims relate to journeys made and expenses properly incurred whilst carrying out official duties or training.

## **D5. Income**

### **Why is this important?**

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 cashflow and also avoids the time and cost of administering debt.

D5.1 The collection, recording and banking of money due to the Council shall be under the supervision of or under arrangements approved by the Director of Resources.

D5.2 Each senior manager shall furnish the Director of Resources with such particulars in connection with work done, goods supplied or services rendered and of all other amounts due as may be required by them, to record correctly all sums due to the Council and to ensure the prompt rendering of accounts for the recovery of income due (i.e. the raising of sundry debtors). The accounts for Housing Benefit overpayments are dealt with separately within the Benefits Section.

D5.3 The Director of Resources shall be notified promptly of all money due to the Council and of contracts, leases and other agreements and arrangements entered into which involve the receipt of money by the Council.

D5.4 Receipt forms, tickets, official order forms and other such financial stationery (excluding cheques and other negotiable instruments) shall normally be ordered and held as controlled stationery by the appropriate Senior Manager, who shall be responsible for their adequate security and control. Such arrangements, together with the design and format of financial stationery, shall be approved by the Director of Resources. Certain multi-user items shall be ordered and controlled by the Director of Resources who shall also periodically review the Authority's overall controlled stationery arrangements.

D5.5 All money received by an officer on behalf of the Council shall without delay be paid to the Director of Resources or, as they may direct, to the Council's banking account or PayPoint account; no deduction may be made from such money.

D5.6 Personal cheques shall not be cashed out of the money held on behalf of the Council.

D5.7 Payments to staff or for goods and services shall not be paid from monies received.

D5.8 Once raised, no bona fide debt may be cancelled, except by full payment or by its formal writing off, unless the debt has a factual inaccuracy or administrative error in the calculation or other administrative error. In all cases the reason for cancellation shall be documented.

D5.9 Once raised, no bona fide debt or part of the debt may be written off, unless the reason for write off is fully documented and approved by the Director of Resources.

- (a) all debts arising from bankruptcies and liquidations, which are not covered by distributions from liquidators, receivers or administrators; and
- (b) any other single amount due to the Council up to £5,000 or with Strategic Management Team approval £10,000. Any outstanding debt in excess of this amount can only be written off with the consent of the Policy and Resources Committee.

D5.10 It is the responsibility of all senior managers to assist with appropriate recovery action in conjunction with the Director of Resources, including legal action where necessary, for debts not paid promptly, by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf.

D5.11 Each senior manager shall as soon as possible after 31 March notify the Director of Resources of all uncollected income on accounts not rendered relating to the previous financial year (i.e. Goods and services delivered by 31st March but not yet paid for, known as "Reserved Debtors").

## **E. External Arrangements**

### **E1. Partnerships**

#### **Why is this important?**

Increasingly local authorities are working in partnership to deliver services. It is important that the financial arrangements around partnerships are clearly defined and liabilities and risks are made explicit.

E1.1 Financial matters relating to arrangements whereby one Council administers funds jointly on behalf of itself and others shall be subject to the Financial Standing Orders and Regulations of the administering Council, unless the other parties rules are more stringent.

E1.2 The Director of Resources will ensure that the accounting arrangements are satisfactory.

E1.3 Senior Managers will maintain a record of all contracts entered into with external bodies in accordance with procedures specified by the Chief Financial Officer.

E1.4 Senior Managers will ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared for the Strategic Management Team and Policy and Resources Committee.

E1.5 Senior Managers will ensure that such agreements and arrangements do not impact adversely upon the services provided by the Council.

E1.6 Senior Managers will ensure that all agreements and arrangements are properly documented and that the appropriate governance arrangements have been approved by the Director of Resources.

E1.7 Senior Managers will provide appropriate information to the Director of Resources to enable a note to be entered into the Council's Statement of Accounts concerning material items.

## **E2. External Funding**

### **Why is this important?**

Funding from external agencies will remain an important potential source of funding for the Council. Such opportunities need to be maximised whilst ensuring that the Council can meet any financial obligations which may be placed on it.

E2.1 The appropriate senior manager will ensure that any decisions are made by Strategic Management Team and Policy and Resources Committee within the appropriate governance framework.

E2.2 The Director of Resources to ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts.

E2.3 The Director of Resources to ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.

E2.4 The Director of Resources to ensure that all specified audit requirements are met.

E2.5 The appropriate Senior Manager to ensure that all claims for funds are made by the due date.

E2.6 The appropriate Senior Manager to ensure that the project progresses in accordance with the agreed project and that all expenditure is properly incurred and recorded.