

PART 8 – OTHER RULES OF PROCEDURE

C – FINANCE PROCEDURE RULES

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STATUS OF FINANCE RULES

- 1.1 Finance Rules provide the framework for managing the authority's financial affairs. Chief Executive They apply to every Member and officer of the authority and anyone acting on its behalf.
- 1.2 The rules identify the financial responsibilities of the Council, Cabinet and other Councillors, the (as Head of Paid Service), the Monitoring Officer, the Executive Director of Resources (as s151 officer) and the Executive Directors and staff.
- 1.3 Cabinet Members and Executive Directors should maintain a written record where decision making has been delegated to them or for Executive Directors to members of their staff, including seconded staff. Where decisions have been delegated or devolved to other responsible officers, such as school governors, references to the Director in the rules should be read as referring to them.¹
- 1.4 All Councillors and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, is properly authorised, provides value for money and achieves best value.
- 1.5 The Executive Director of Resources is the Council's Statutory S151 officer with responsibility for the proper administration of the Council's financial affairs, under Section 151 of the Local Government Act 1972. The Executive Director of Resources works closely with the Monitoring Officer to enable them to fulfil this role.
- 1.6 The Finance Rules play an important role in assisting the Executive Director of Resources to fulfil these statutory responsibilities. The authority's detailed financial procedures, setting out how the rules will be implemented, are contained in the appendices to the Finance Rules.
- 1.7 The Executive Director of Resources will keep these rules under review and advise the Council on any necessary changes to them.
- 1.8 The Executive Director of Resources is responsible for issuing advice and guidance to underpin the Finance Rules that Councillors, officers and others acting on behalf of the authority are required to follow.
- 1.9 The Executive Director of Resources is responsible for reporting, where appropriate, any breaches of the Finance rules to the Council or Cabinet.
- 1.10 Executive Directors are responsible for ensuring that all staff in their Directorates are aware of the existence and content of the authority's Finance Rules and other internal regulatory documents and that they comply with them.
- 1.11 Schools have a separate scheme of delegation in respect of financial matters, the Scheme of Financial Management of Schools.

FINANCE RULE A: FINANCIAL MANAGEMENT

RULE IN SUMMARY

Introduction

- A.1 Financial management covers all financial accountabilities in relation to the running of the authority, including the policy framework and budget.

The Council

- A.2 The Council is responsible for adopting the authority's Constitution and Councillors' Code of Conduct and for approving the policy framework and budget within which the Cabinet operates. It is also responsible for approving and monitoring compliance with the authority's overall framework of accountability and control. The framework is set out in its Constitution. The Council is also responsible for monitoring compliance with the agreed policy and related Cabinet decisions.
- A.3 The Council is responsible for approving procedures for recording and reporting decisions taken. This includes those key decisions delegated, and decisions taken by the Council and its panels and committees. These delegations and details of who has responsibility for which decisions are set out in the Constitution.

The Cabinet

- A.4 The Cabinet is responsible for reviewing and proposing the policy framework and budget to the Council, and for discharging Cabinet functions in accordance with the policy framework and budget.
- A.5 Cabinet decisions can be delegated to a committee of the Cabinet, an individual Cabinet Member, an officer or a joint committee.
- A.6 The Cabinet is responsible for establishing protocols to ensure that individual Cabinet Members consult with relevant officers before taking a decision within his or her delegated authority. In doing so, the individual Member must take account of legal and financial liabilities and risk management issues that may arise from the decision.

Executive Directors

- A.7 Executive Directors are responsible for:
- ensuring that Cabinet Members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Executive Director of Resources
 - signing contracts on behalf of the authority in accordance with the Contract Procedures Rules 8A 16.1

- A.8 It is the responsibility of Executive Directors to consult with the Executive Director of Resources and seek approval on any matter liable to exceed their delegated authority to vire between budget heads or in any other way affect the authority's finances materially, before any commitments are incurred.

OTHER FINANCIAL ACCOUNTABILITIES

Virement

- A.9 The Council is responsible for agreeing procedures for virement of expenditure between budget headings.

Treatment of year-end balances

- A.10 The Cabinet is responsible for agreeing procedures for carrying forward under- and overspendings on budget headings.

Accounting policies

- A.11 The Executive Director of Resources is responsible for setting accounting policies and ensuring that they are applied consistently.

Accounting records and returns

- A.12 The Executive Director of Resources is responsible for determining the accounting procedures and records for the authority.

The annual statement of Accounts

- A.13 The Executive 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: A Statement of Recommended Practice* (CIPFA/LASAAC). The Audit and Governance Committee is responsible for approving the annual statement of accounts, including the Statement of Internal Control.

APPENDIX A**FINANCIAL MANAGEMENT****DETAILED RULES****FINANCIAL MANAGEMENT STANDARDS****Why is this important?**

F1.01 All staff and Councillors 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

F1.02 The key controls and control objectives for financial management standards are:
(a) their promotion throughout the authority
(b) a monitoring system to review compliance with financial standards, and regular comparisons of performance indicators and benchmark standards that are reported to the Cabinet and Council.

Responsibilities of the Executive Director of Resources

- F1.03 To ensure the proper administration of the financial affairs of the authority.
- F1.04 To set the financial management standards and to monitor compliance with them.
- F1.05 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 authority.
- F1.06 To advise on the key strategic controls necessary to secure sound financial management.
- F1.07 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 Executive Directors

- F1.08 To promote the financial management standards set by the Executive Director of Resources in their departments and to monitor adherence to the standards and practices, liaising as necessary with the Executive Director of Resources.
- F1.09 To promote sound financial practices in relation to the standards, performance and development of staff in their Directorates.

MANAGING EXPENDITURE

Scheme of Virement

Why is this important?

F1.10 The scheme of virement is intended to enable the Cabinet, Executive Directors, and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by the Council, and therefore to optimise the use of resources.

Key controls

F1.11 Key controls for the scheme of virement are:

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

Responsibilities of the Executive Director of Resources

F1.12 To prepare jointly with the relevant Director a report to the Cabinet where virements in excess of £100,000 are proposed up to a limit of £500,000

F1.13 To consult with the Chief Executive, where virements in excess of £25,000 are proposed up to a limit of £100,000 as detailed in Part 3A section 5a.

Responsibilities of Executive Directors

F1.14 A Director may exercise virement on budgets under his or her control for amounts up to **£25,000** on any one budget head during the year, following notification to the Executive Director of Resources under arrangements agreed by the Council and subject to the conditions in paragraphs 1.15 to 1.20 below. (This measure includes the transfer of budget from income targets to fund additional expenditure).

- F1.15 Amounts between £25,001 and £100,000 can be vired with the agreement of the Executive Director of Resources and Chief Executive, amounts greater than £100,001 up to £500,000, require the approval of the Cabinet, following a joint report by the relevant Director and Executive Director of Resources, in consultation with the Cabinet Member for the relevant service area and the Cabinet Member for Finance, which must specify the proposed expenditure and the source of funding, and must explain the implications in the current and future financial year. Amounts greater than £500,000 will be referred to Council as they are outside the Policy and Budget Framework and the Cabinet Member will be informed.
- F1.16 The prior approval of the Cabinet is required for any virement over £25,000, where it is proposed to:
- vire between budgets within the remit of different accountable Cabinet Members.
 - vire between budgets managed by different Executive Directors.
- F1.17 Virement that is likely to impact on the level of service activity of another Director should be implemented only after agreement with the relevant Executive Director.
- F1.18 No virement relating to a specific financial year should be made after 31 March in that year.
- F1.19 A school's governing body may transfer budget provision between heads of expenditure within the delegated school budget following notification to the Director of Children's Services.
- F1.20 Where an approved budget is a lump-sum budget or contingency intended for allocation during the year, its allocation will not be treated as a virement, provided that:
- (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.

Treatment of Year-End Balances

Why is this important?

- F1.21 The authority's scheme of virement sets out the authority's treatment of year-end balances. It is administered by the Executive Director of Resources within guidelines set by the Council. Any variation from the scheme of virement (as set out above) requires the approval of the Council.
- F1.22 The rules below cover arrangements for the transfer of resources between accounting years, i.e. a carry-forward. For the purposes of this scheme, a budget heading is a line in the budget report.

Key controls

- F1.23 Appropriate accounting procedures are in operation to ensure that carried-forward totals are correct.

Responsibilities of the Executive Director of Resources

- F1.24 To seek the approval of the Cabinet to the proposed carry-forward of resources and addition to or use of reserves at the year end.
- F1.25 To report all overspending and under-spending on service estimates carried forward to the Cabinet.

Responsibilities of Executive Directors

- F1.26 Net under-spending on service estimates under the control of the Director will not usually be able to be carried forward. In exceptional circumstances this may be done, subject to the approval of the Executive Director of Resources and reporting to the Cabinet the source of underspending or additional income and the proposed application of those resources.
- F1.27 All internal unit and service surpluses shall be retained for the benefit of the authority and their application shall require the approval of the Cabinet.
- F1.28 Schools' balances shall be available for carry-forward to support the expenditure of the school concerned. Where an unplanned deficit occurs, the governing body shall prepare a detailed financial recovery plan for consideration by the Cabinet member concerned, following evaluation by the Director of Children's Services and the Executive Director of Resources. Schools will normally be expected to agree a plan to recover the deficit within a defined period which must be within any limit defined by statute.
- F1.29 In exceptional circumstances, schools may seek to incur expenditure to be financed by anticipating the following year's budget share. Such arrangements require the prior approval of the Director of Children's Services, in consultation with the Executive Director of Resources. Proposals shall be accompanied by a detailed plan setting out how the arrangement is to be accommodated as the first call on the reduced budget share.

ACCOUNTING POLICIES

Why is this important?

F1.30 The Executive Director of Resources is responsible for the preparation of the authority's statement of accounts, in accordance with proper practices as set out in the format required by the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC), for each financial year ending 31 March.

Key controls

F1.31 The key controls for accounting policies are:

- 2(a) systems of internal control are in place that ensure that financial transactions are lawful
- (b) suitable accounting policies are selected and applied consistently
- (c) proper accounting records are maintained
- (d) financial statements are prepared which give a "*true and fair*" view of the financial position and transactions of the local authority.

Responsibilities of the Executive Director of Resources

F1.32 To select suitable accounting policies and to ensure that they are applied consistently. The accounting policies are set out in the statement of accounts, which is prepared at 31 March each year, and covers such items as:

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

Responsibilities of Executive Directors

F1.33 To adhere to the accounting policies and guidelines approved by the Executive Director of Resources.

ACCOUNTING RECORDS AND RETURNS

Why is this important?

F1.34 Maintaining proper accounting records is one of the ways in which the authority discharges its responsibility for stewardship of public resources. The authority has a statutory responsibility to prepare its annual accounts to present fairly its operations during the year. These are subject to external audit. This audit provides assurance that the accounts are prepared properly, that proper accounting practices have been followed and that quality arrangements have been made for securing economy, efficiency, and effectiveness in the use of the authority's resources. The Council is required to comply with timetables set out by the Ministry for Housing, Communities and Local Government that are required to meet the "whole of Government Accounts" regime.

Key controls

F1.35 The key controls for accounting records and returns are:

- (a) all Cabinet Members, finance staff and budget managers operate within the required accounting standards and timetables
- (b) all the authority's transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis
- (c) procedures are in place to enable accounting records to be reconstituted in the event of systems failure
- (d) reconciliation procedures are carried out to ensure transactions are correctly recorded
- (e) prime documents are retained in accordance with legislative and other requirements.

Responsibilities of the Executive Director of Resources

F1.36 To determine the accounting procedures and records for the authority. Where these are maintained outside the Directorate within which the finance team reside, the Executive Director of Resources should consult the Director concerned.

F1.37 To arrange for the compilation of all accounts and accounting records under his or her direction.

F1.38 To comply with the following principles when allocating accounting duties:

- (a) separating the duties of providing information about sums due to or from the authority and calculating, checking and recording these sums from the duty of collecting or disbursing them
- (b) employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.

F1.39 To make proper arrangements for the audit of the authority's accounts in accordance with the Accounts and Audit Regulations 2015.

F1.40 To ensure that all claims for funds including grants are made by the due date.

- F1.41 To prepare and publish the audited accounts of the authority for each financial year, in accordance with the statutory timetable and with the requirement for the Audit and Governance Committee to approve the statement of accounts within that timetable before they are submitted for audit.
- F1.42 To administer the authority's arrangements for under- and overspendings to be carried forward to the following financial year.
- F1.43 To ensure the proper retention of financial documents in accordance with the requirements set out in the authority's document retention schedule.
- F1.44 To access, as necessary, financial information held by and in respect of schools and to make any returns required to government agencies. Headteachers will ensure that the Executive Director of Resources is given access as required.

Responsibilities of Executive Directors

- F1.45 To consult and obtain the approval of the Executive Director of Resources before making any changes to accounting records and procedures.
- F1.46 To comply with the principles outlined in paragraph 1.38 when allocating accounting duties.
- F1.47 To maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements.
- F1.48 To supply information required to enable the statement of accounts to be completed in accordance with guidelines issued by the Executive Director of Resources.

THE ANNUAL STATEMENT OF ACCOUNTS

Why is this important?

- F1.49 The authority has a statutory responsibility to prepare its own accounts to present fairly its operations during the year. The Audit and Governance Committee is responsible for approving the statutory annual statement of accounts.

Key controls

- F1.50 The key controls for the annual statement of accounts are:
- the authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of these affairs. In this authority, that officer is the Executive Director of Resources
 - the authority's statement of accounts must be prepared in accordance with proper practices as set out in the *Code of Practice on Local Authority Accounting in the United Kingdom: (the COPLAA) (CIPFA/LASAAC)*.

- the authority is required to prepare an Annual Governance Statement to accompany the annual statement of accounts as set out in the Accounts and Audit Regulations 2015.

Responsibilities of the Executive Director of Resources

- F1.51 To select suitable accounting policies and to apply them consistently.
- F1.52 To make judgements and estimates that are reasonable and prudent.
- F1.53 To comply with the COPLAA.
- F1.54 To sign and date the statement of accounts, stating that it presents fairly the financial position of the authority at the accounting date and its income and expenditure for each year ended 31 March.
- F1.55 To draw up the timetable for final accounts preparation and to advise staff and external auditors accordingly.
- F1.56 To contribute to the production of the Annual Governance Statement and to implement any relevant actions.

Responsibilities of Executive Directors

- F1.57 To comply with accounting guidance provided by the Executive Director of Resources and to supply the Executive Director of Resources with information when required.

Responsibilities of the Monitoring Officer

- F1.58 To prepare an Annual Governance Statement in consultation with the Chief Executive and Executive Director of Resources and keep under review the actions agreed within the statement to achieve a system of sound corporate governance.

Responsibilities of the Leader and Chief Executive

- F1.59 To review and approve an Annual Governance Statement, which will accompany the annual statement of accounts in accordance with the Accounts and Audit Regulations 2015.

Responsibilities of the Chair of the Audit and Governance Committee

- F1.60 To sign the Annual Statement of Accounts, in accordance with the Accounts and Audit Regulations 2015

Responsibilities of the Audit and Governance Committee

- F1.61 To review and authorise the Chair to sign the Annual Statement of Accounts, in accordance with the Accounts and Audit Regulations 2015

- F1.62 To review and recommend the Annual Governance Statement prior to agreement and final sign-off by the Leader and Chief Executive.
- F1.63 To receive the report of the External Auditor under ISA260 to fulfil their responsibility for oversight of the financial reporting process and governance requirements

FINANCE RULE B: FINANCIAL PLANNING

RULE IN SUMMARY

INTRODUCTION

- B.1** The Council is responsible for agreeing the authority's policy framework and budget, which will be proposed by the Cabinet. In terms of financial planning, the key elements are:
- the revenue budget, incorporating the elements referred in Article 4.01 b) and associated medium term financial strategy
 - the capital programme and associated capital strategy
 - the prudential indicators and associated Treasury Management Strategy

Policy Framework

- B.2** The Council is responsible for approving the policy framework and budget. The policy framework comprises the plans and strategies set out in Part 3B of the Constitution and the Budget.
- Council Plan
 - Medium Term Financial Strategy (incorporating the Medium-Term Financial Plan)
 - Reserves Strategy
 - Capital Strategy
 - Treasury Management Strategy
 - Asset Management Plan
- B.3** The provisions of section 25, Local Government Act 2003 require that, when the Council is making the calculation of its budget requirement, it must have regard to the report of the Chief Finance (section 151) Officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves.
- B.4** The Council is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework and for determining the circumstances in which a decision will be deemed to be contrary to the budget or policy framework. Decisions should be referred to the Council by the Monitoring Officer
- B.5** The Council is responsible for setting the level at which the Cabinet may reallocate budget funds from one service to another. The Cabinet is responsible for taking in-year decisions on resources and priorities to deliver the budget policy framework within the financial limits set by the Council.

BUDGETING

Budget format

- B.6** The general format of the budget will be approved by the Cabinet on the advice of the Executive Director of Resources. The draft budget should include allocation to different services and projects, proposed taxation levels and contingency funds.

Budget preparation

- B.7** The Executive Director of Resources is responsible for ensuring that a revenue budget is prepared on an annual basis together with an updated financial strategy incorporating a medium-term financial plan, which projects council spending for 5 years for consideration by the Cabinet, before submission to the Council. The Council may amend the budget or ask the Cabinet to reconsider it before approving it.
- B.8** The Cabinet is responsible for developing the Policy framework and associated budget plans prior to consideration by the Council.
- B.9** It is the responsibility of Executive Directors to ensure that budget estimates reflecting agreed service plans are submitted to the Cabinet and that these estimates are prepared in line with guidance issued by the Cabinet and Executive Director of Resources.

Budget monitoring and control

- B.10** The Executive Director of Resources is responsible for providing appropriate financial information to enable budgets to be monitored effectively. He or she must monitor and control expenditure against budget allocations and report to the Cabinet on the overall position at least quarterly.
- B.11** It is the responsibility of Executive Directors to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Executive 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 Executive Director of Resources to any problems immediately they become known.

Resource allocation

- B.12** The Executive Director of Resources is responsible for developing and maintaining a resource allocation process that produces budget targets that supports the implementation of the Council's policy framework.

Budget Guidelines

B.13 Guidelines on budget preparation are issued to Councillors and Executive Directors by the Cabinet following agreement with the Executive Director of Resources. The guidelines will take account of:

- legal requirements
- medium-term planning prospects
- available resources
- spending pressures
- best value and other relevant government guidelines
- other internal policy documents
- cross-cutting issues (where relevant).
- results of consultations carried out
- results of exercises to prioritise budget proposals

MAINTENANCE OF RESERVES

B.14 The Executive Director of Resources is responsible for advising the Council on the adequacy of Council Reserves. This is a statutory responsibility under section 25 of the Local Government Act 2003. The Council must pay due regard to this report when they set the annual revenue budget.

B.15 The Executive Director of Resources is required to issue a S114 report under Local Government Finance Act 1988, where they consider that the Council does not have sufficient resources, including financial reserves to set a balanced budget for the following year.

CAPITAL PROGRAMME

Preparation and revision of the capital programme

B.16 The Cabinet is responsible for developing the Capital Strategy and considering and prioritising business cases for capital schemes as it develops the Capital Programme prior to consideration by the Council.

B.17 The Executive Director of Resources is responsible for ensuring that a capital programme is prepared on an annual basis for consideration by the Cabinet before submission to the Council.

B.18 It is the responsibility of Executive Directors to ensure that business cases for Capital Schemes are submitted to the Cabinet in line with guidance issued by the Cabinet and Executive Director of Resources.

Capital Programme Gateway Process

B.19 The development, approval and implementation of capital projects is subject to a Gateway Process. This is a key control for Capital Projects and includes.

- (a) **A Project Mandate** to provide a brief preliminary description of the project and is designed to introduce the basic project concept and identify key issues at the earliest stages of project development.
- (b) **An outline business case** will be prepared at the project initiation stage prior to submission as part of the annual capital programme development process. This will set out the projected costs, risks and benefits associated with the project in a form prescribed by the Executive Director of Resources. Funding decisions will be based on the information contained within this process.
- (c) **A full business case** will then be prepared once a project has been approved and prior to the commitment of significant project (contract) resources. This will provide a clearer estimate more detailed estimate of project costs and benefits together with a more up to date assessment of project risks. The final approval to proceed with the project will be based on this business case.

TREASURY MANAGEMENT

- B.20** The authority has adopted CIPFA's *Code of Practice for Treasury Management in Local Authorities*.
- B.21** The Council is responsible for approving the treasury management policy statement setting out the matters detailed in paragraph 15 of CIPFA's *Code of Practice for Treasury Management in Local Authorities*. The policy statement is proposed to the Council by the Cabinet. The Executive Director of Resources has delegated responsibility for implementing and monitoring the statement.
- B.22** All money in the hands of the authority is controlled by the officer designated for the purposes of section 151 of the Local Government Act 1972, referred to in the code as the Executive Director of Resources.
- B.23** The Executive Director of Resources is responsible for reporting to the Council a proposed treasury management strategy for the coming financial year as part of the annual budget setting process.
- B.24** All Cabinet decisions on borrowing, investment or financing shall be delegated to the Executive Director of Resources, who is required to act in accordance with CIPFA's *Code of Practice for Treasury Management in Local Authorities*.
- B.25** The Executive Director of Resources shall advise the Council on any long-term borrowing requirements necessary to finance the Capital Programme. The Executive Director of Resources can only make these decisions within the parameters set out within the Treasury Management Strategy.
- B.26** The Executive Director of Resources is responsible for reporting to the Audit and Governance Committee and Cabinet in each financial year on the activities of the

treasury management operation and on the exercise of his or her delegated treasury management powers on at least a half yearly basis.

FINANCIAL PLANNING**APPENDIX B****DETAILED RULES****PERFORMANCE PLANS****Why is this important?**

F2.01 Each local authority has a statutory responsibility to publish various performance plans. The purpose of performance plans is to explain overall priorities and objectives, current performance, and proposals for further improvement.

Key controls

F2.02 The key controls for performance plans are:

- (a) to ensure that all relevant plans are produced and that they are consistent with the Authority's overall policy framework
- (b) to produce plans in accordance with statutory requirements
- (c) to meet the timetables set
- (d) to ensure that all performance information is accurate, complete and up to date
- (e) to provide improvement targets which are meaningful, realistic and challenging.

Responsibilities of the Executive Director of Resources

F2.03 To advise and supply the financial information that needs to be included in performance plans in accordance with statutory requirements and agreed timetables.

F2.04 To contribute to the development of corporate and service targets and objectives and performance information in accordance with the priorities of the Authority.

F2.05 To ensure that systems are in place to measure activity and collect accurate information for use as performance indicators.

F2.06 To ensure that performance information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met.

Responsibilities of Executive Directors

F2.07 To contribute to the development of performance plans in line with statutory requirements.

F2.08 To contribute to the development of corporate and service targets and objectives and performance information.

BUDGETING

Format of the budget

Why is this important?

F2.09 The format of the budget determines the level of detail to which financial control and management will be exercised. The format shapes how the rules around virement operate, the operation of cash limits and sets the level at which funds may be reallocated within budgets.

Key controls

F2.10 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 (**SeRCOP**)
- (c) the format reflects the accountabilities of service delivery.

Responsibilities of the Executive Director of Resources

F2.11 To advise the Cabinet on the format of the budget that is approved by the Council.

Responsibilities of Executive Directors

F2.12 To comply with accounting guidance provided by the Executive Director of Resources.

Revenue Budget Preparation, Monitoring and Control

Why is this important?

F2.13 Budget management ensures that once the budget has been approved by the Council, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the authority to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.

F2.14 By continuously identifying and explaining variances against budgetary targets, the authority can identify changes in trends and resource requirements at the earliest opportunity. The authority itself operates within an annual cash limit, approved when setting the overall budget. To ensure that the authority in total does not overspend, each service is required to manage its own expenditure within the cash-limited budget allocated to it.

F2.15 For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure for a service area or cost centre. However, budgetary control may take place at a more detailed level if this is required.

Key controls

- F2.16 The key controls for managing and controlling the revenue budget are that:
- (a) service heads should be responsible only for income and expenditure that they can influence
 - (b) there is a nominated unit/service manager for each cost centre heading
 - (c) service heads accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities
 - (d) service heads follow an approved certification process for all expenditure
 - (e) income and expenditure are properly recorded and accounted for
 - (f) performance levels/levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget.
 - (g) financial awareness of budget holders is promoted by training and support from the finance department.

Responsibilities of the Executive Director of Resources

- F2.17 To establish an appropriate framework of budgetary management and control that ensures that:
- (a) budget management is exercised within annual cash limits unless the Council agrees otherwise
 - (b) each Director has available timely information on receipts and payments on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities
 - (c) expenditure is committed only against an approved budget head
 - (d) all officers responsible for committing expenditure comply with relevant guidance, and the Finance Rules
 - (e) each cost centre has a single named manager, determined by the relevant Director. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commits expenditure
 - (f) significant variances from approved budgets are investigated and reported by budget managers monthly in accordance with agreed timetable
 - (g) each capital project has a designated Project Manager responsible for the delivery of that project to time and within budget.
 - (h) budget holders have adequate support and training so that they understand their responsibilities in managing the budgets allocated to them.
- F2.18 To administer the authority's scheme of virement.
- F2.19 To submit reports to the Cabinet and to the Council, in consultation with the relevant Director, where a Director is unable to balance expenditure and resources within existing approved budgets under his or her control.
- F2.20 To prepare and submit reports to Cabinet on the authority's projected income and expenditure compared with the budget on at least a quarterly basis.

Responsibilities of Directors

- F2.21 To maintain budgetary control within their Directorates, in adherence to the principles in 2.17, and to ensure that all income and expenditure are properly recorded and accounted for.
- F2.22 To ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the Director (grouped together in a series of cost centres). As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.
- F2.23 To ensure that spending remains within the service's overall cash limit, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast.
- F2.24 To ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and is operating effectively.
- F2.25 To prepare and submit to the Cabinet reports on the service's projected expenditure compared with its budget, in consultation with the Executive Director of Resources and setting out what actions the Director proposes to take to remedy any overspendings that may have occurred.
- F2.26 To ensure prior approval by the Council or Cabinet (as appropriate) for new proposals, of whatever amount, that:
- (a) create financial commitments in future years
 - (b) change existing policies, initiate new policies, or cease existing policies
 - (c) materially extend or reduce the authority's services
 - (d) a report on new proposals should explain the full financial implications, following consultation with the Executive Director of Resources. Unless the Council or Cabinet has agreed otherwise, Executive Directors must plan to contain the financial implications of such proposals within their cash limit
- F2.27 To ensure compliance with the scheme of virement.
- F2.28 To agree with the relevant Director where it appears that a budget proposal, including a virement proposal, may impact materially on another service area or Director's level of service activity.

Budgets and Medium-Term Planning

Why is this important?

- F2.29 The authority is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with carefully weighed priorities. The budget is the financial expression of the authority's plans and policies.

- F2.30 The revenue budget must be constructed to ensure that resource allocation reflects the service plans and priorities of the Council. Budgets (spending plans) are needed so that the authority can plan, authorise, monitor, and control the way money is allocated and spent. It is illegal for an authority to set a budget that it cannot fully finance from its annual income and reserves.
- F2.31 Medium-term planning (or a three- to five-year planning system) involves a planning cycle in which managers develop their own plans. As each year passes, another future year will be added to the medium-term plan. This ensures that the authority is always preparing for events in advance. The Authority has a five-year medium-term financial plan setting out its estimates of revenue expenditure over that time span.

Key controls

- F2.32 The key controls for budgets and medium-term planning are:
- (a) specific budget approval for all expenditure
 - (b) budget managers are consulted in the preparation of the budgets for which they will be held responsible and accept accountability within delegations set by the Cabinet for their budgets and the level of service to be delivered
 - (c) a monitoring process is in place to review regularly the effectiveness and operation of budget preparation and to ensure that any corrective action is taken.

Responsibilities of the Executive Director of Resources

- F2.33 To prepare and keep under review the Authority's medium-term financial strategy and medium-term financial plan
- F2.34 To prepare and submit reports on budget prospects for the Cabinet, including resource constraints set by the Government. Reports should set out the impact on medium term financial projections.
- F2.35 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 Directors.
- F2.36 To prepare and submit reports to the Cabinet on the aggregate spending plans of Directorates and on the resources available to fund them, identifying, where appropriate, the implications for the level of Reserves and the Council tax to be levied.
- F2.37 To advise on the medium-term implications of spending decisions.
- F2.38 To encourage the best use of resources and value for money by working with Executive Directors to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.

F2.39 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 Directors

F2.40 To prepare estimates of income and expenditure, in consultation with the Executive Director of Resources, to be submitted to the Cabinet.

F2.41 To prepare budgets that are consistent with any relevant cash limits, with the authority's annual budget cycle and with guidelines issued by the Cabinet. The format should be prescribed by the Executive Director of Resources in accordance with the Authority's general directions.

F2.42 To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.

F2.43 In consultation with the Executive Director of Resources and in accordance with the laid-down guidance and timetable, to prepare detailed draft revenue and capital budgets for consideration by Cabinet.

F2.44 When drawing up draft budget requirements, to have regard to:

- (a) spending patterns and pressures revealed through the budget monitoring process
- (b) legal requirements (including health and safety)
- (c) policy requirements and priorities as defined by the Council in the approved policy framework
- (d) initiatives already under way.

Resource Allocation

Why is this important?

F2.45 A mismatch often exists between available resources and required resources. A common scenario is that available resources are not adequate to fulfil need/desire. It is therefore imperative that needs/desires are carefully prioritised and that resources are fairly allocated, to fulfil all legal responsibilities. Resources may include staff, money, equipment, goods and materials.

Key controls

F2.46 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 Executive Director of Resources

- F2.47 To advise the Authority on any options that may exist to increase resources available to it.
- F2.48 To advise the Authority on the totality of resources available to it.
- F2.49 To assist in the allocation of resources to unit/service managers.

Responsibilities of Executive Directors

- F2.50 To work within budget limits and to utilise resources allocated, and further allocate resources, in the most efficient, effective, and economic way.
- F2.51 To identify opportunities to minimise or eliminate resource requirements or consumption without having a detrimental effect on service delivery.

MAINTENANCE OF RESERVES

Why is this important?

- F2.52 Reserves play an important role in managing the Authority's finances. Councils hold reserves for the following reasons:
- a) **Covering unforeseen spending pressures** – for example a major flood or other incident could have a big, uninsurable, impact on council services. This would place undue pressure on the current year's budget.
 - b) **Manage general risk and uncertainty** – councils operate in very uncertain times, where there can be significant changes to in year funding. This means that Council's need to hold reserves to protect themselves against big funding shifts and buy them time to bring their budget into balance.
 - c) **Meeting known risks and future commitments** – often these are known as earmarked reserves. These are reserves held for a specific purpose, for example an insurance reserve.
 - d) **Holding monies on behalf of other bodies** – the schools revenue balances are an example of this.

Key Controls

- F2.53 To maintain reserves in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom*: (the COPLAA) (CIPFA/LASAAC) and agreed accounting policies.
- F.2.54 To prepare and keep under review a reserves strategy including an annual risk-based assessment of the potential financial consequences of risks facing the Council.
- F2.55 For each reserve established, the purpose, usage and basis of transactions should be clearly identified.

- F2.56 Authorisation and expenditure from reserves by the appropriate Director in consultation with the Executive Director of Resources.

Responsibilities of the Council

- F.2.57 To approve the annual reserves strategy
- F.2.58 To ensure that the Authority maintains a minimum level of reserves that provide adequate protection for the potential financial and business risks that it faces as advised by the Executive Director of Resources.
- F.2.59 To approve the creation of new Council reserves as part of the budget process

Responsibilities of the Cabinet

- F.2.60 To agree the end of year allocation of resources to and from reserves as part of the closure of the Council Accounts.
- F.2.61 To monitor the level of reserves during the financial year

Responsibilities of the Executive Director of Resources

- F.2.62 To advise the Council on the adequacy of Council Reserves. This is a statutory responsibility under section 25 of the Local Government Act 2003. The Council must pay due regard to this report when they set the annual revenue budget.
- F.2.63 To prepare a Reserves Strategy
- F.2.64 To approve the creation of new reserves where money is held on behalf of other bodies.
- F.2.65 To issue a S114 report under Local Government Finance Act 1988, where they consider that the Council does not have sufficient resources, including financial reserves to set a balanced budget for the following year.
- F.2.66 To provide a monitoring statement at least quarterly to the Cabinet on the current and projected level of reserves
- F.2.67 To seek the approval of Cabinet for the use of reserves if this is not in line with their stated purpose

Responsibilities of Directors

- F.2.68 To seek the approval of the Executive Director of Resources to hold money on behalf of other bodies
- F.2.69 To seek the approval of the Executive Director of Resources to use Council reserves

F.2.70 To ensure that resources held within reserves are used only for the purposes for which they were intended

CAPITAL PROGRAMME

Why is this important?

F2.71 Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the authority, such as land, buildings, and major items of intangible assets, 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.

F2.72 The “Prudential Code for Capital Finance in Local Authorities” places a duty on the Authority to ensure that its proposals to finance its capital programme are affordable, both in the short and long term. This means that capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources.

Key controls

F2.73 The key controls for capital programmes are:

- (a) specific approval by the Council of the Capital Strategy and programme of capital expenditure.
- (b) approval to enter a commitment on capital schemes is subject to a gateway process and the approvals detailed in Part 8A section 14.1.
- (c) scheme and estimate, including project plan, progress targets and associated revenue expenditure is prepared for each capital project.
- (d) the scheme has been assessed under the Council’s Prioritisation Scheme and been approved for implementation by the Cabinet.
- (e) approval by the Cabinet where capital schemes are to be financed from the revenue budget, **up to £500,000**, and subject to the approval of the Council, where the expenditure exceeds this amount
- (f) proposals for improvements and alterations to buildings must be approved by **the relevant Director**.
- (g) schedules for individual schemes within the overall budget approved by the Council must be submitted to the Cabinet for approval (for example, minor works), or under other arrangements approved by the Council
- (h) the development and implementation of asset management plans
- (i) the development and implementation of a Capital Strategy
- (j) accountability for each proposal is accepted by a named manager
- (k) monitoring of progress in conjunction with expenditure and comparison with approved budget.

Responsibilities of the Council

F.2.74 To consider and approve the Capital Strategy for the Council

F.2.75 To agree the Capital Programme and indicative five-year capital programme

- F.2.76 To agree the funding arrangements that support the Capital Programme subject to the provisions of C15
- F.2.77 To agree substantial changes to the capital programme that involve additional spending in excess of £500,000.
- F.2.78 To receive a half yearly report on the delivery of the Capital Programme and in year financial monitoring of Capital Spending.

Responsibilities of the Cabinet

- F.2.79 To review and keep under review the Capital Strategy
- F.2.80 To oversee the development of proposals for the Capital Programme and indicative five-year capital programme prior to consideration and approval by the Council.
- F.2.81 To consider and prioritise all capital bids prior for inclusion within the Capital Programme.
- F.2.82 To consider options for the funding of the Capital Programme before submitting proposals for approval by Council
- F.2.83 To agree in-year changes to the Capital Programme that can be accommodated within the in-year Capital Programme resources, subject to the advice of the Executive Director of Resources
- F.2.84 To agree in-year changes to the Capital Programme up to the value of £500,000 in total, subject to no single scheme exceeding £250,000
- F.2.85 To consider detailed monitoring reports on Capital Spend across all Capital Projects, as submitted by the Executive Director of Resources at least on a quarterly basis.
- F.2.86 To agree all new business plans for capital projects based on a format approved by the Executive Director of Resources
- F.2.87 To approve the carry-forward of unspent capital programme resources, after considering proposals within an out-turn report from the Executive Director of Resources setting out the end of year Capital Programme position.

Responsibilities of the Executive Director of Resources

- F.2.88 To prepare and keep under review the Capital Strategy in Consultation with the Chief Executive and Directors
- F.2.89 To advise the Capital Programme Board on any changes to the Gateway Process
- F.2.90 To co-ordinate the production of the Capital Programme and five-year capital programme.

- F.2.91 To ensure that all new Capital Projects are supported by a business case prior to inclusion within the Capital Programme based on a format prescribed by the Executive Director of Resources
- F.2.92 To establish a business case format that will include a financial assessment of the costs, benefits, and associated risks for each project.
- F.2.93 To advise the Cabinet and Council on options for funding the Capital Programme and their impact on Medium-Term Financial Plans
- F.2.94 To submit standalone detailed quarterly monitoring reports, covering all capital schemes to the Cabinet, including details of all proposed virements between schemes.
- F.2.95 To identify and recover by way of a virement out of the capital project in question, any underspending compared to budget that is identified before the start of or during the implementation of the project.
- F.2.96 To submit half-yearly monitoring reports to the Council, including details of all proposed virements or additional spending over £500,000.
- F.2.97 To define “capital” with regard to government legislation and accounting requirements.
- F.2.98 To set a de-minimis level to ensure that the capital programme is not used to finance small schemes that should be funded from the revenue budget – the de-minimis level is currently £20,000,

Responsibilities of Directors

- F.2.99 To comply with guidance concerning capital schemes and controls issued by the Executive Director of Resources.
- F.2.100 To develop business cases for new capital schemes in a format prescribed by the Executive Director of Resources
- F.2.101 To consult the Executive Director of Resources on the financial implications of Capital Projects
- F.2.102 To comply with the Gateway Process for the development and management of capital projects
- F.2.103 To ensure that an appropriate risk assessment is carried out for each capital projects
- F.2.104 To ensure that adequate records are maintained for all capital contracts

- F.2.105 To proceed with projects only when there is adequate provision in the capital programme and with approvals, where required as detailed in Part 8A section 14.1.
- F.2.106 To allocate a lead officer in their department for each capital scheme with a sufficient level of seniority appropriate to the project
- F.2.107 To put in place appropriate project or programme management arrangements to ensure the effective delivery of the project.
- F.2.108 To engage with the monthly capital monitoring process including highlighting any new or emerging financial considerations or risks associated with the project.
- F.2.109 To prepare and submit reports, jointly with the Executive Director of Resources, to the Cabinet, of any variation in contract costs greater than the approved limits. The Cabinet may meet cost increases of up to 5% by virement from savings elsewhere within their capital programme.
- F.2.110 To prepare and submit reports, jointly with the Executive Director of Resources, to the Cabinet, on completion of all contracts where the final expenditure exceeds the approved contract sum by more than 5% or £10,000 whichever is the higher amount.
- F.2.111 To ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the Executive Director of Resources and, if applicable, approval of the scheme through the capital programme.
- F.2.112 To consult with the Executive Director of Resources and to seek Cabinet approval where the Director proposes to bid for supplementary credit approvals to be issued by government departments to support expenditure that has not been included in the current year's capital programme.
- F.2.113 To notify the Executive Director of Resources of any underspending compared to budget that occur before the start of or during implementation of the project.

Responsibilities of the Capital Programme Board

- F.2.114 Developing and overseeing the gateway process for new and approved capital projects as set out below, based on the advice of the Executive Director of Resources
- F.2.115 Reviewing progress on all Capital Projects in detail on at least a quarterly basis
- F.2.116 Identify dependencies and risks between individual schemes within the capital programme and ensure action is taken to address these.
- F.2.117 Where resources have been allocated for a programme of works individual approval will not be required for each project within the programme but will be based on the submission of the whole programme.

TREASURY MANAGEMENT

Why is this important?

F2.118 Many millions of pounds pass through the authority's books each year. This led to the establishment of codes of practice. These aim to provide assurances that the authority's money is properly managed in a way that balances risk with return, but with the overriding consideration being given to the security of the authority's investments.

Key controls

F2.119 That the authority's borrowings and investments comply with the CIPFA *Code of Practice on Treasury Management* and with the authority's treasury policy statement.

Responsibilities of Executive Director of Resources – treasury management and banking

F2.120 To arrange the borrowing and investments of the authority in such a manner as to comply with the CIPFA *Code of Practice on Treasury Management* and the authority's treasury management policy statement and strategy.

F2.121 To report at least twice per year on treasury management activities to the Audit and Governance Committee and Cabinet.

F2.123 To operate bank accounts as are considered necessary – opening or closing any bank account shall require the approval of the Executive Director of Resources.

Responsibilities of Executive Directors – treasury management and banking

F2.124 To follow the instructions on banking issued by the Executive Director of Resources.

FINANCE RULE C: RISK MANAGEMENT AND CONTROL OF RESOURCES

RULES IN SUMMARY

Introduction

- C.1** It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational risks to the authority. This should include the proactive participation of all those associated with planning and delivering services.

RISK MANAGEMENT

- C.2** No organisation can eliminate risk completely. Organisations must understand the risks that they face and take steps to manage risks effectively. At the same time, they also need to make sure that they have appropriate reserves and insurance in place to protect them from the financial consequences of these risks.
- C3** The Cabinet manages this process based on advice provided by the Executive Director of Resources. Effective risk management requires the co-operation and involvement of all Executive Directors and the staff that they manage.

INTERNAL CONTROL

- C.4** Internal control refers to the systems of control devised by management to help ensure public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.
- C.5** The Executive 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.
- C.6** It is the responsibility of Executive Directors to establish sound arrangements for planning, appraising, authorising, and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

AUDIT REQUIREMENTS

- C.7** The Accounts and Audit Regulations 2015 requires every local authority to maintain an adequate and effective internal audit.
- C.8** Internal Audit plays an essential role in enabling the Executive Director of Resources to fulfil their responsibility for ensuring the proper administration of the Council's financial affairs under S151 of the Local Government Finance Act 1972.
- C.9** The Council is responsible for making arrangements to appoint external auditors under the Local Audit and Accountability Act 2014.

- C.10** The authority may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Customs and Excise and the Inland Revenue, who have statutory rights of access.

PREVENTING FRAUD AND CORRUPTION

- C.11** The Executive Director of Resources is responsible for the development and maintenance of an anti-fraud and anti-corruption policy.
- C.12** The Executive Director of Resources is responsible for the development and maintenance of a whistle blowing policy.

ASSETS

- C.13** Executive Directors should ensure that records and assets are properly maintained and securely held. They should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

LOAN AND INVESTMENTS STAFFING

- C.15** The Council is ultimately responsible for determining how officer support for executive and non-executive roles within the authority will be organised.
- C.16** The Chief Executive is responsible for providing overall management to staff. He or she is also responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job.
- C.17** The Executive Director of Resources is responsible for ensuring that staffing budgets are affordable and that any decision to vary the establishment is affordable in both the short and medium term.
- C.18** Executive Directors are responsible for controlling total staff numbers by:
- advising the Cabinet on the budget necessary in any given year to cover estimated staffing levels
 - adjusting the staffing to a level that can be funded within approved budget provision or varying the provision as necessary within that constraint in order to meet changing operational needs subject to consultation with the Executive Director of Resources to ensure that this is affordable.
 - the proper use of appointment procedures.

APPENDIX C RISK MANAGEMENT AND CONTROL OF RESOURCES

DETAILED RULES

RISK MANAGEMENT

Why is this important?

F3.01 All organisations, whether private or public sector, face risks to people, property and continued operations.

Risk is the chance or possibility of loss, damage, injury, or failure to achieve objectives caused by an unwanted or uncertain action or event.

Risk management is the planned and systematic approach to the identification, evaluation, and control of risk. Its objectives are to secure the assets of the organisation and to ensure the continued financial and organisational well-being of the organisation.

It is, therefore, an integral part of good business practice. Risk management is concerned with evaluating the measures an organisation already has in place to manage identified risks and then recommending the action the organisation needs to take to control these risks effectively.

F3.02 It is the overall responsibility of the Cabinet, advised by the Executive Director of Resources to approve the authority's risk management strategy, and to promote a culture of risk management awareness throughout the authority.

Key controls

F3.03 The key controls for risk management are:

- (a) a risk management strategy setting out the council's approach to managing risks.
- (b) procedures are in place to identify, assess, prevent, or contain material known risks, and these procedures are operating effectively throughout the authority
- (c) a monitoring process is in place to regularly review the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis
- (d) managers know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives
- (e) acceptable levels of risk are determined and insured against where appropriate
- (f) provision is made for losses that might result from the risks that remain
- (g) procedures are in place to investigate claims within required timescales
- (h) the authority 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 Cabinet.

- F.3.04 To approve the authority's risk management policy statement and strategy
- F.3.05 To agree insurance arrangements for the Council based on the advice of the Executive Director of Resources.

Responsibility of the Audit and Governance Committee

- F3.06 To oversee the effectiveness of the risk management process based on a report submitted by the Executive Director of Resources
- F3.07 To advise the Cabinet on the effectiveness of the process as appropriate.

Responsibilities of the Executive Director of Resources

- F3.08 To prepare and promote the authority's risk management strategy.
- F3.09 To prepare a report to the Audit and Governance Committee on the effectiveness of the risk management strategy and updated corporate risk register on at least a half yearly basis.
- F3.10 To maintain the Corporate Risk register and ensure that it is updated on at least a quarterly basis.
- F3.11 To develop risk management controls in conjunction with other Directors.
- F3.12 To include all appropriate employees of the authority in a suitable fidelity guarantee insurance.
- F3.13 To propose arrangements for corporate insurance cover to the Cabinet in line with the risk management strategy
- F.3.14 To keep under review at least annually corporate insurance cover, through external insurance and internal funding, and to negotiate all claims in consultation with other officers, where necessary.
- F3.15 To offer insurance cover to schools in accordance with Fair Funding arrangements.

Responsibilities of Executive Directors

- F3.16 To notify the Executive Director of Resources immediately of any loss, liability or damage that may lead to a claim against the authority, together with any information or explanation required by the Executive Director of Resources or the authority's insurers.
- F3.17 To take responsibility for risk management, having regard to advice from the Executive Director of Resources and other specialist officers (e.g. crime prevention, fire prevention, health and safety).

- F3.18 To ensure that there are regular reviews of risk within their Directorates and to take all necessary and agreed action to mitigate risk, where possible.
- F3.19 To notify the Executive Director of Resources promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.
- F3.20 To consult the Executive Director of Resources and the Monitoring Officer on the terms of any indemnity that the authority is requested to give.
- F3.21 To ensure that employees, or anyone covered by the authority's insurances, do not admit liability, or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

INTERNAL CONTROLS

Why is this important?

- F3.22 The authority is complex and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives.
- F3.23 The authority has statutory obligations, and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations.
- F3.24 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.
- F3.25 The system of internal controls is established to provide measurable achievement of:
- (a) efficient and effective operations
 - (b) reliable financial information and reporting
 - (c) compliance with laws and regulations
 - (d) risk management.

Key controls

- F3.26 The key controls and control objectives for internal control systems are:
- (a) Appropriate for and aligned to the corporate risk management strategy
 - (b) key controls should be reviewed on a regular basis and the authority should make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively
 - (c) managerial control systems, which include 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

- (d) financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems
- (e) an effective internal audit function that is properly resourced. It should operate in accordance with the principles contained in Public Sector Internal Audit Standards (Updated March 2017) and with any other statutory obligations and regulations.

Responsibilities of the Executive Director of Resources

F3.27 To assist the authority to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.

Responsibilities of Executive Directors

F3.28 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.

F3.29 To review existing controls in the light of changes affecting the authority and to establish and implement new ones in line with guidance from the Executive Director of Resources. Executive Directors should also be responsible for removing controls that are unnecessary or not cost or risk effective – for example, because of duplication.

F3.30 To ensure staff have a clear understanding of the consequences of lack of control.

AUDIT REQUIREMENTS

Internal audit

Why is this important?

F3.31 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 2015 more specifically require that a “relevant body shall maintain an adequate and effective system of internal audit of their accounting records and control systems”.

F3.32 Accordingly, internal audit is an independent and objective appraisal function established by the authority for reviewing the system of internal control. It examines, evaluates, and reports on the adequacy of internal control as a contribution to the proper, economic, efficient, and effective use of resources.

Key controls

F3.33 The key controls for internal audit are:

- (a) that it is independent in its planning and operation.
- (b) Chief Audit Executive (Head of Internal Audit) has direct access to the Executive Director of Resources, Monitoring Officer and Chief Executive, all levels of management and directly to elected members.
- (c) the internal auditors comply with the Public Sector Internal Audit Standards 2017, which requires that the Internal Audit Section has sufficient resources with an appropriate range of skills to deliver the Audit Plan.

Responsibilities of the Audit and Governance Committee.

- F3.34 To approve the internal audit charter and internal audit protocol
- F3.35 To approve the annual audit plan prepared by the Chief Audit Executive (Head of Internal Audit), following consultation with the Executive Director of Resources, Monitoring Officer and Chief Executive.
- F3.36 To receive a quarterly report on the outcome of all audit reviews in line with the annual audit plan.
- F3.37 To receive an annual report on the delivery of internal audit in line with the internal audit strategy and the implementation of audit recommendations.
- F3.38 To receive an annual report on the effectiveness of the system of internal audit, in accordance with the Local Audit and Accountability Act 2014 and the Accounts & Audit Regulations 2015.
- F3.39 To prepare on an annual basis, a report to Cabinet on the effectiveness of internal audit and any other matters that the Panel wishes to bring to the attention of the Cabinet.

Responsibilities of the Cabinet

- F3.40 To receive on an annual basis a report from the Audit and Governance Committee on the effectiveness of internal audit and any other matters that the Panel wishes to bring to the attention of the Cabinet.

Responsibilities of the Executive Director of Resources

- F3.41 To ensure that internal auditors have the authority to:
- (a) access authority premises at reasonable times
 - (b) access all assets, records, documents, correspondence, and control systems
 - (c) receive any information and explanation considered necessary concerning any matter under consideration
 - (d) require any employee of the authority to account for cash, stores or any other authority asset under his or her control
 - (e) access records belonging to third parties, such as contractors, when required
 - (f) directly access the Executive Director of Resources, Monitoring Officer, Chief Executive, the Cabinet and Chair of the Audit and Governance Committee.

- F3.42 To approve for submission to the Audit and Governance Committee and Cabinet the annual audit plan prepared by the [Chief Audit Executive \(Head of Internal Audit\)](#) – which take account of the characteristics and relative risks of the activities involved.
- F3.43 To receive the Authority’s Audit Charter prepared by the [Chief Audit Executive \(Head of Internal Audit\)](#), setting out the Terms of Reference for the provision of internal audit services within the Authority, submitting the Charter to the Audit and Governance Committee for approval and revision on an annual basis.
- F3.44 To receive the Authority’s Internal Audit Protocol, prepared by the [Chief Audit Executive \(Head of Internal Audit\)](#) setting out the process adopted by the Audit and Investigation Unit in conducting audits and requirements that it imposes on the Authority’s staff undertaking work subject to internal audit. The Protocol, and any amendments to it, will be submitted the Audit and Governance Committee for approval.
- F3.45 To ensure that there is an annual review of the effectiveness of the system of internal audit, in accordance with the Local Audit and Accountability Act 2014 and the Accounts & Audit Regulations 2015.
- F3.46 To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

Responsibilities of Executive Directors

- F3.47 To ensure that internal auditors are given access at all reasonable times to premises, personnel, documents, and assets that the auditors consider necessary for the purposes of their work.
- F3.48 To ensure that auditors are provided with any information and explanations that they seek in the course of their work.
- F3.49 To consider and respond promptly to recommendations in audit reports.
- F3.50 To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- F3.51 To notify the Executive Director of Resources and the [Chief Audit Executive \(Head of Internal Audit\)](#) immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the authority’s property or resources or any Council owned or occupied property is broken into. Pending investigation and reporting, the Director should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- F3.52 To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the [Chief Audit Executive \(Head of Internal Audit\)](#) - prior to implementation.

External Audit

Why is this important?

- F3.53 The Local Audit and Accountability Act 2014 requires the Council to appoint an external auditor. The external auditor has rights of access to all documents and information necessary for audit purposes.
- F3.54 The basic duties of the external auditor are defined in the Local Audit and Accountability Act 2014. This requires the audit to be undertaken in accordance with any code of audit practice. The code of audit practice Public Sector Internal Audit Standards 2017 sets out the auditor's objectives to review and report upon:
- (a) the financial aspects of the audited body's corporate governance arrangements
 - (b) the audited body's financial statements
 - (c) aspects of the audited body's arrangements to manage its performance, including the preparation and publication of specified performance information and compliance in respect of the preparation and publication of the Accounts, Narrative Statement and Annual Governance Statement.
- F3.55 The authority's accounts are scrutinised by external auditors, who must be satisfied that the statement of accounts 'presents fairly' the financial position of the authority and its income and expenditure for the year in question and complies with the legal requirements.

Key controls

- F3.56 External auditors are appointed by the Council. The National Audit Office prepares a code of audit practice, which external auditors follow when carrying out their audits.

Responsibilities of the Executive Director of Resources

- F3.57 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.
- F3.58 To ensure there is effective liaison between external and internal audit.
- F3.59 To work with the external auditor and advise the Council, Cabinet and Executive Directors on their responsibilities in relation to external audit.

Responsibilities of Executive Directors

- F3.60 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.

F3.61 To ensure that all records and systems are up to date and available for inspection.

PREVENTING FRAUD AND CORRUPTION

Why is this important?

- F3.62 The authority will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the authority.
- F3.63 The authority's expectation of propriety and accountability is that Councillors and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures, and practices.
- F3.64 The authority also expects that individuals and organisations (e.g. suppliers, contractors, service providers) with whom it comes into contact will act towards the authority with integrity and without thought or actions involving fraud and corruption.

Key controls

- F3.65 The key controls regarding the prevention of financial irregularities are that:
- (a) the authority has an effective anti-fraud and anti-corruption policy and maintains a culture that will not tolerate fraud or corruption
 - (b) whistle blowing procedures are in place and operate effectively
 - (c) all Councillors and staff act with integrity and lead by example
 - (d) all staff are required to act promptly on any suspicions of fraud or corruption to ensure that these are addressed and investigated promptly.
 - (e) effective disciplinary arrangements to manage allegations of fraud or corruption.
 - (d) high standards of conduct are promoted amongst Councillors including an effective protocol for managing Member and officer relationships
 - (e) the maintenance of a register of interests in which any hospitality or gifts accepted must be recorded
 - (g) legislation including the Public Interest Disclosure Act 1998 is adhered to.

Responsibilities of Council

- F3.66 To approve and keep under review the Anti-fraud and corruption framework including
- (a) Anti-fraud and corruption policy and associated whistle blowing procedures
 - (b) Member and Officer Protocol

Responsibilities of the Monitoring Officer

- F3.67 To maintain and keep up to date a register of Councillors' interests
- F3.68 To prepare and keep under review a protocol for managing Member and officer relationships.

F3.69 To set out guidance for Executive Directors for the preparation of directorate registers of interests.

Responsibilities of the Executive Director of Resources

F3.70 To develop and maintain an anti-fraud and anti-corruption policy.

F3.71 To maintain adequate and effective internal control arrangements.

F3.72 To ensure that all suspected irregularities are reported to the Chief Audit Executive (Head of Internal Audit), the Monitoring Officer, Chief Executive and the Cabinet.

F3.73 To develop and maintain a whistle blowing policy.

F3.74 To investigate and, if necessary, instigate prosecutions, for fraudulent activity in compliance with the Council's Anti-Fraud and Anti-Corruption Strategy.

F3.75 To authorise the necessary investigations to take place and in particular to ensure that all necessary authorities for surveillance to be undertaken under the Regulation of Investigatory Powers Act 2000 are obtained from an Authorised Officer and to maintain the Corporate Central Register of Authorisations

Responsibilities of Executive Directors

F3.76 To ensure that all suspected irregularities are reported to the Chief Audit Executive (Head of Internal Audit).

F3.77 To comply with ~~instigate~~ the authority's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour by a member of staff.

F3.78 To ensure that where financial impropriety is suspected, the Executive Director of Resources is informed. Where sufficient evidence exists to believe that a criminal offence may have been committed, the Executive Director, in consultation with the Executive Director of Resources, will ensure that the Police are called in to investigate the allegation and determine with the Crown Prosecution Service whether any prosecution will take place.

F3.79 To maintain a directorate register of interests, in accordance with guidance set by the Monitoring Officer.

ASSETS

Security

Why is this important?

F3.80 The authority holds assets in the form of property, vehicles, equipment, furniture and other items worth many millions of pounds. It is important that assets are

safeguarded and used efficiently to deliver services, 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

- F3.81 The key controls for the security of resources such as land, buildings, fixed plant machinery, equipment, software, and information are:
- (a) resources are used only for the purposes of the authority and are properly accounted for
 - (b) resources are available for use when required
 - (c) resources no longer required are disposed of in accordance with the law and the regulations of the authority to maximise benefits
 - (d) an asset register is maintained for the authority; assets are recorded when they are acquired by the authority and this record is updated as changes occur with respect to the location and condition of the asset
 - (e) all staff are aware of their responsibilities regarding safeguarding the authority's assets and information, including the requirements of the Data Protection Act and software copyright legislation
 - (f) all staff are aware of their responsibilities regarding safeguarding the security of the authority's computer systems, including maintaining restricted access to the information held on them and compliance with the authority's computer and internet security policies.

Responsibilities of the Executive Director of Resources

- F3.82 To ensure that an asset register is maintained in accordance with good practice for all fixed assets with an individual value in excess of £1,000. The function of the asset register is to provide the authority with information about fixed assets so that they are:
- safeguarded
 - used efficiently and effectively
 - adequately maintained.
- F3.83 To receive the information required for accounting, costing, and financial records from each Executive Director.
- F3.84 To ensure that assets are valued in accordance with the current *Code of Practice on Local Authority Accounting in the United Kingdom*: (CIPFA/LASAAC).

Responsibilities of Executive Directors

- F3.85 The appropriate Executive Director shall maintain a property database in a form approved by the Executive Director of Resources for all properties, plant and machinery and moveable assets currently owned or used by the authority. Any use of property by a department or establishment other than for direct service delivery should be supported by documentation identifying terms, responsibilities, and duration of use.

- F3.86 To ensure that lessees and other prospective occupiers of Council land are not allowed to take possession or enter the land until a lease or agreement, in a form approved by the Director in consultation with the Monitoring Officer, has been established as appropriate.
- F3.87 To ensure the proper security of all buildings and other assets under their control.
- F3.88 Where land or buildings are surplus to requirements, a recommendation for sale should be the subject of a joint report by the Director and the Executive Director of Resources and the Monitoring Officer
- F3.89 To pass title deeds to the Monitoring Officer who is responsible for custody of all title deeds.
- F3.90 To ensure that no authority asset is subject to personal use by an employee without proper authority.
- F3.91 To ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the authority.
- F3.92 To ensure that the Executive Directors maintain a register of moveable assets in accordance with arrangements defined by the Executive Director of Resources.
- F3.93 To ensure that assets are identified, their location recorded and that they are appropriately marked and insured.
- F3.94 To consult the Executive Director of Resources in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- F3.95 To ensure cash holdings on premises are kept to the minimum necessary for operational requirements and are within levels covered by the Council's insurance arrangements.
- F3.96 To ensure that keys to safes and similar receptacles are always carried on the person of those responsible; loss of any such keys must be reported to the Executive Director of Resources immediately.
- F3.97 To record all disposal or part exchange of assets that should normally be by competitive tender or public auction, unless, following consultation with the Executive Director of Resources, the Cabinet agrees otherwise.
- F3.98 To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Executive Director of Resources.
- F3.99 To ensure that all employees are aware that they have a personal responsibility regarding the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may

possess some intrinsic value, and its disclosure or loss could result in a cost to the authority in some way.

- F3.100 To notify the [Chief Audit Executive \(Head of Internal Audit\)](#) and the Council's Insurance and Risk Officer in the event of any premises occupied by the Council suffering theft, burglary or destruction of Council assets.

Inventories

- F3.101 To maintain inventories and record an adequate description of furniture, fittings, equipment, plant and machinery above £1,000 in value.
- F3.102 To carry out an annual check (25%) of items on a rolling basis on the inventory in order to verify location, review, condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the authority.
- F3.103 To make sure that property is only used in the course of the authority's business, unless the Director concerned has given permission otherwise.

Stocks and stores

- F3.104 To make arrangements for the care and custody of stocks and stores in the department.
- F3.105 To ensure stocks are maintained at reasonable levels and are subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion.
- F3.106 To investigate and remove from the authority's records (i.e. write off) discrepancies as necessary, or to obtain Cabinet approval if they are in excess of a predetermined limit.
- F3.107 To authorise or write off disposal of redundant stocks and equipment. Procedures for disposal of such stocks and equipment should be by competitive quotations or auction, unless, following consultation with the Executive Director of Resources, the Cabinet decides otherwise in a particular case.
- F3.108 To seek Cabinet approval to the write-off of redundant stocks and equipment in excess of £20,000.

Intellectual property

Why is this important?

- F3.109 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.

F3.110 Certain activities undertaken within the authority may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property.

Key controls

F3.111 In the event that the authority decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with the authority's approved intellectual property procedures, if any.

Responsibilities of the Executive Director of Resources

F3.112 To develop and disseminate good practice through the authority's intellectual property procedures.

Responsibilities of Executive Directors

F3.113 To ensure that controls are in place to ensure that staff do not carry out private work in Council time and that staff are aware of an employer's rights with regard to intellectual property.

Asset Disposal

Why is this important?

F3.114 It would be uneconomic and inefficient for the cost of assets to outweigh their benefits. Obsolete, non-repairable or unnecessary resources should be disposed of in accordance with the law and the regulations of the authority.

Key controls

F3.115 Assets for disposal are identified and are disposed of at the most appropriate time, and only when it is in the best interests of the authority, and best price is obtained, bearing in mind other factors, such as environmental issues. For items of significant value, disposal should be by competitive tender or public auction.

F3.116 Procedures protect staff involved in the disposal from accusations of personal gain.

Responsibilities of the Executive Director of Resources

F3.117 To issue guidelines representing best practice for disposal of assets.

F3.118 To ensure appropriate accounting entries are made to remove the value of disposed assets from the authority's records and to include the sale proceeds if appropriate.

Responsibilities of Executive Directors

F3.119 To comply with advice issued by the Executive Director of Resources and to seek advice from purchasing advisors on the disposal of surplus or obsolete materials, stores or equipment.

F3.120 To ensure that income received for the disposal of an asset is properly banked and coded.

LOANS & INVESTMENTS

Why is this Important

F3.121 The authority holds considerable investments and borrows substantial sums to support its Capital Programme. It is important that the Council ensures that its loans and investments are secure and that it maintains an appropriate title to all loans and investments.

Key Controls

F.3.122 The key controls for the security of loans and investments.

- (a) loans and investments are used only for the purposes of the authority and are properly accounted for
- (b) investments are held within the name of the Authority
- (d) register is maintained for the authority of all loans, investment and borrowing.
- (e) formal approval is sought for third party loans.
- (e) to comply with all relevant legislation for running trust funds
- (f) all staff are aware of their responsibilities regarding safeguarding the authority's assets and information, including the requirements of the Data Protection Act and software copyright legislation
- (g) to maintain accounting records for imprest accounts.

Responsibilities of Executive Director of Resources – investments and borrowing

F3.123 To ensure that all investments of money are made in the name of the authority or in the name of nominees approved by the Council.

F3.124 To ensure that all securities that are the property of the authority or its nominees and the title deeds of all property in the authority's ownership are held in the custody of the Monitoring Officer.

F3.125 To effect all borrowings in the name of the authority.

F3.126 To act as the authority's registrar of stocks, bonds, and mortgages and to maintain records of all borrowing of money by the authority.

Responsibilities of Executive Directors – investments and borrowing

F3.127 To ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the Cabinet or Council, as appropriate, following the advice of the Executive Director of Resources.

Responsibilities of Executive Directors – trust funds and funds held for third parties

F3.128 To arrange for all trust funds to be held, wherever possible, in the name of the authority. All officers acting as trustees by virtue of their official position shall deposit securities, etc relating to the trust with the Executive Director of Resources, unless the deed otherwise provides.

F3.129 To arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Executive Director of Resources, and to maintain written records of all transactions.

F3.130 To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.

Responsibilities of the Executive Director of Resources – imprest accounts

F3.131 To provide employees of the authority with cash or bank imprest accounts to meet minor expenditure on behalf of the authority and to prescribe rules for operating these accounts. Minor items of expenditure should not exceed **£50**.

F3.132 To determine the petty cash limit and to maintain a record of all transactions and petty cash advances made, and periodically to review the arrangements for the safe custody and control of these advances.

F3.133 To reimburse imprest holders as often as necessary to restore the imprests, but normally not more than monthly.

Responsibilities of Executive Directors – imprest accounts

F3.134 To ensure that employees operating an imprest account:

- (a) obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained
- (b) make adequate arrangements for the safe custody of the account
- (c) produce upon demand by the Executive Director of Resources and their nominees (e.g. internal auditors) 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 Executive Director of Resources 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 authority's employment or otherwise ceasing to be entitled to hold an imprest advance, an employee shall account to the Executive Director of Resources for the amount advanced to him or her.

STAFFING

Why is this important?

F3.135 In order to provide the highest level of service, it is crucial that the authority recruits and retains high calibre, knowledgeable staff, qualified to an appropriate level.

Key controls

F3.136 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 Executive Director of Resources

F3.137 To ensure that budget provision exists for all existing and new employees.

F3.138 To advise Executive Directors on the financial implications of varying their establishment prior to any decision to vary the establishment.

F3.139 To act as an advisor to Executive Directors on areas such as National Insurance and pension contributions, as appropriate.

Responsibilities of Executive Directors

F3.140 To produce an annual staffing budget.

F3.141 To ensure that the staffing budget is an accurate forecast of staffing levels and is equated to an appropriate revenue budget provision (including on-costs and overheads).

F3.142 To monitor staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff.

- F3.143 To consult the Executive Director of Resources to ensure that the financial implication of any variation to their staffing establishment is understood and affordable.
- F3.144 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.
- F3.145 To ensure that the Executive Director of Resources is immediately informed if the staffing budget is likely to be materially over or underspent.

FINANCE RULE D: SYSTEMS AND PROCEDURES

RULE IN SUMMARY

Introduction

- D.1** Sound systems and procedures are essential for an effective framework of accountability and control.

GENERAL

- D.2** The Executive Director of Resources is responsible for the operation of the authority's accounting systems, the form of accounts and the supporting financial records. Any changes made by Executive Directors to the existing financial systems or the establishment of new systems must be approved by the Executive Director of Resources. However, Executive Directors are responsible for the proper operation of financial processes in their own Directorates.
- D.3** Any changes to agreed procedures by Executive Directors to meet their own specific service needs should be agreed with the Executive Director of Resources.
- D.4** Executive Directors should ensure that their staff receive relevant financial training that has been approved by the Executive Director of Resources.
- D.5** Executive Directors must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation. Executive Directors must ensure that staff are aware of their responsibilities under freedom of information legislation, and the Human Rights Act.

INCOME AND EXPENDITURE

- D.6** It is the responsibility of Executive Directors to ensure that a proper scheme of delegation has been established within their area and is operating effectively. The scheme of delegation should identify staff authorised to act on the Executive Director's behalf, or on behalf of the Cabinet, in respect of payments, income collection and placing orders, together with the limits of their authority. The Cabinet is responsible for approving procedures for writing off debts as part of the overall control framework of accountability and control.

PAYMENTS TO EMPLOYEES AND COUNCILLORS

- D.7** The Head of Human Resources is responsible for all payments of salaries and wages to all staff, including payments for overtime, and for payment of allowances to Councillors.

PAYMENT TO CONTRACTORS AND CONSULTANTS

- D.8** The Executive Director of Resources is responsible for all payments to contractor and consultants and ensuring that these comply with appropriate legislation.

TAXATION

- D.9** The Executive Director of Resources is responsible for advising Executive Directors, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the authority.
- D.10** The Executive 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.

TRADING ACCOUNTS/BUSINESS UNITS

- D.11** It is the responsibility of the Executive Director of Resources to approve ~~advise on~~ the establishment and operation of trading accounts and business units.

APPENDIX D FINANCIAL SYSTEMS AND PROCEDURES

DETAILED RULES

GENERAL

Why is this important?

- F4.01 Directorates have many systems and procedures relating to the control of the authority's assets, including purchasing, costing, and management systems. Directorates are increasingly reliant on computers for their financial management information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are processed properly, and errors detected promptly.
- F4.02 The Executive Director of Resources has a professional responsibility to ensure that the authority's financial systems are sound and should therefore be notified of any new developments or changes.

Key controls

The key controls for systems and procedures are:

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

Responsibilities of the Executive Director of Resources

- F4.03 To make arrangements for the proper administration of the authority's financial affairs, including to:
- (a) issue advice, guidance and procedures for officers and others acting on the authority's behalf
 - (b) determine the accounting systems, form of accounts and supporting financial records
 - (c) establish arrangements for audit of the authority's financial affairs
 - (d) approve any new financial systems to be introduced
 - (e) approve any changes to be made to existing financial systems.

Responsibilities of Executive Directors

- F4.04 To ensure that accounting records are properly maintained and held securely.

- F4.05 To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Executive Director of Resources.
- F4.06 To ensure that a complete management trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained.
- F4.07 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.
- F4.08 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.
- F4.09 To ensure there is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption.
- F4.10 To ensure that systems are documented, and staff properly trained in operating these systems.
- F4.11 To seek the approval of the Executive Director of Resources before changing any existing system or introducing new systems that are financial in nature or that impact upon the financial systems of the Council.
- F4.12 To establish a scheme of delegation identifying officers authorised to act upon the Executive Director's behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority.
- F4.13 To supply lists of authorised officers, with specimen signatures and delegated limits, to the Executive Director of Resources, together with any subsequent variations.
- F4.14 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.
- F4.15 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.

Responsibilities of the Head of Information Technology

- F4.16 To issue standards and guidelines for computer systems and take the necessary steps to ensure these are observed.
- F4.17 To ensure that computer equipment and software are protected from loss and damage through theft, vandalism, virus attack, etc.
- F4.18 To comply with the copyright, designs and patents legislation and, in particular, to ensure that:
- (a) only software legally acquired and installed by the authority is used on its computers
 - (b) staff are aware of legislative provisions
 - (c) in developing systems, due regard is given to the issue of intellectual property rights.

INCOME AND EXPENDITURE

Income

Why is this important?

- F4.19 Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted, and banked properly. It is preferable to obtain income in advance of supplying goods or services as this improves the authority's cashflow and avoids the time and cost of administering debt recovery procedures.

Key controls

- F4.20 The key controls for income are:
- (a) all income due to the authority is identified and charged correctly, in accordance with an approved charging policy, which is regularly reviewed
 - (b) all income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery
 - (c) all money received by an employee on behalf of the authority is paid without delay, and without deduction, to the Executive Director of Resources or, as he or she directs, to the authority's bank, and properly recorded. The responsibility for cash collection should be separated from that:
 - for identifying the amount due
 - for reconciling the amount due to the amount received
 - (d) effective action is taken to pursue non-payment within defined timescales
 - (e) formal approval for debt write-off is obtained
 - (f) appropriate write-off action is taken within defined timescales
 - (g) appropriate accounting adjustments are made following write-off action
 - (h) all appropriate income documents are retained and stored for the defined period in accordance with the document retention schedule
 - (i) money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.

Responsibilities of the Executive Director of Resources

- F4.21 To agree arrangements for the collection of all income due to the authority and to approve the procedures, systems, and documentation for its collection.
- F4.22 To order and supply to departments all receipt forms, books or tickets and similar items and to satisfy himself or herself regarding the arrangements for their control.
- F4.23 To agree the write-off of bad debts within those functions that fall within the responsibilities of the Director up to £50,000 in each case and to refer larger sums to the Cabinet.
- F4.24 To approve all debts to be written off in consultation with the relevant Director and 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 2015.
- F4.25 To obtain the approval of the Cabinet in consultation with the relevant Director for writing off debts in excess of the approved limit.
- F4.26 To ensure that appropriate accounting adjustments are made following write-off action.

Responsibilities of Executive Directors

- F4.27 To establish a charging policy for the supply of goods or services, including the appropriate charging of VAT, and to review it regularly, in line with corporate policies.
- F4.28 To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable.
- F4.29 To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.
- F4.30 To issue official receipts or to maintain other documentation for income collection.
- F4.31 To ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded.
- F4.32 To hold securely receipts, tickets and other records of income for the appropriate period.
- F4.33 To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling.
- F4.34 To ensure that income is paid fully and promptly into the appropriate authority bank account in the form in which it is received. Appropriate details 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.

- F4.35 To ensure income is not used to cash personal cheques or other payments.
- F4.36 To supply the Executive Director of Resources with details relating to work done, goods supplied, services rendered or other amounts due, to enable the Executive Director of Resources to record correctly the sums due to the authority and to ensure accounts are sent out promptly. To do this, Executive Directors should use established performance management systems to monitor recovery of income and flag up areas of concern to the Executive Director of Resources.
- 4.3.37 To assist the Executive Director of Resources in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the authority's behalf.
- F4.38 To ensure that levels of cash held on the premises must not exceed the levels approved by the Council's insurers unless specific authority has been sought from the Executive Director of Resources for those levels to be exceeded for short-term periods of operational necessity only.
- F4.39 To keep a record of every transfer of money between employees of the authority. The receiving officer must sign for the transfer and the transferor must retain a copy.
- F4.40 To recommend to the Executive Director of Resources all debts to be written off in a timely manner 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.
- F4.41 To obtain the approval of the Executive Director of Resources when writing off debts in excess of £5000, and the approval of the Cabinet where debts exceed £50,000.
- F4.42 To notify the Executive Director of Resources of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Executive Director of Resources and not later than 30 April.

Ordering and Paying for Work, Goods and Services

Why is this important?

- F4.43 Public money should be spent with demonstrable probity and in accordance with the authority's policies. Authorities have a statutory duty to achieve best value in part through economy and efficiency. The authority's procedures should help to ensure that services obtain value for money from their purchasing arrangements. These procedures should be read in conjunction with the authority's Contract Rules.

General

- F4.44 Every officer and Councillor of the authority has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the authority, in accordance with appropriate codes of conduct and the Contract and Tendering Procedure Rule 8A Section 3.
- F4.45 Official orders must be in a form approved by the Executive Director of Resources and Monitoring Officer. Official purchase orders and Agresso must be issued for all work, goods or services to be supplied to the authority, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions specified by the Executive Director of Resources.
- F4.46 Each order must conform to contract rules and any guidelines approved by the Council on central purchasing and the standardisation of supplies and materials. Standard terms and conditions must not be varied without the prior approval of the Monitoring Officer.
- F4.47 Apart from petty cash, schools' own bank accounts and other payments from advance accounts, the normal method of payment from the authority shall be by bank transfer or other instrument or approved method, drawn on the authority's bank account or National Giro account by the Executive Director of Resources. The use of direct debit shall require the prior agreement of the Executive Director of Resources.
- F4.48 Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of authority contracts.

Key controls

- F4.49 The key controls for ordering and paying for work, goods and services are:
- (a) all goods and services are ordered only by appropriate persons using the purchase order system on Agresso in accordance with F4.43 above and are correctly recorded unless the Executive Director of Resources has given authority, in writing, for an exemption to this requirement.
 - (b) all goods and services shall be ordered in accordance with the authority's contract rules unless they are purchased from sources within the authority and, where necessary, comply with European legislation
 - (c) goods and services received are checked to ensure they are in accordance with the order. Goods should not be received by the person who placed the order
 - (d) payments are not made unless goods have been received by the authority to the correct price, quantity and quality standards
 - (e) all payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method
 - (f) all appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the document retention schedule
 - (g) all expenditure, including VAT, is accurately recorded against the right budget and any exceptions are corrected

- (h) in addition, the effect of e-business/e-commerce and electronic purchasing requires that processes are in place to maintain the security and integrity of data for transacting business electronically.

Responsibilities of the Executive Director of Resources

- F4.50 To ensure that all the authority's financial systems and procedures are sound and properly administered.
- F4.51 To approve any changes to existing financial systems and to approve any new systems before they are introduced.
- F4.52 To approve the form of official orders and associated terms and conditions.
- F4.53 To make payments from the authority's funds on the Executive Director's authorisation that the expenditure has been duly incurred in accordance with Finance Rules.
- F4.54 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.
- F4.55 To make payments to contractors on the certificate of the appropriate Executive Director, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.
- F4.56 To provide advice and encouragement on making payments by the most economical means.
- F4.57 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.
- F4.58 To make payments to suppliers within appropriate timescales.

Responsibilities of Executive Directors

- F4.59 To ensure that unique numbered official orders are used for all goods and services, other than the exceptions specified in 4.43.
- F4.60 To ensure that orders are only used for goods and services provided to the department Directorate. Individuals must not use official orders to obtain goods or services for their private use.
- F4.61 To ensure that only those staff authorised by him or her sign orders and to maintain an up-to-date list of such authorised staff, including specimen signatures identifying in each case the limits of their authority. The authoriser of the order should be satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders

have been obtained in accordance with contract rules. Best value principles should underpin the authority's approach to procurement. Value for money should always be achieved.

- F4.62 To ensure that goods and services are checked on receipt to verify that they are in accordance with the order. This check should, where possible, be carried out by a different officer from the person who authorised the order. Appropriate entries should then be made in inventories or stores records.
- F4.63 To ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment, confirming:
- (a) receipt of goods or services
 - (b) that the invoice has not previously been paid
 - (c) that expenditure has been properly incurred and is within budget provision
 - (d) that prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices
 - (e) correct accounting treatment of tax
 - (f) that the invoice is correctly coded
 - (g) that discounts have been taken where available
 - (h) that appropriate entries will be made in accounting records.
- F4.64 To ensure that two authorised members of staff are involved in the ordering, receiving and payment process. If possible, a different officer from the person who signed the order, and in every case, a different officer from the person checking a written invoice, should authorise the invoice.
- F4.65 To ensure that the Executive Directors maintain and review periodically a list of staff approved to authorise invoices. Names of authorising officers together with specimen signatures and details of the limits of their authority shall be forwarded to the Executive Director of Resources.
- F4.66 To ensure that payments are not made on a photocopied or faxed invoice, statement or other document other than the formal invoice and other e payment methods. Any instances of these being rendered should be reported to the [Chief Audit Executive \(Head of Internal Audit\)](#).
- F4.67 To encourage suppliers of goods and services to receive payment by the most economical means for the authority. It is essential, however, that payments made by direct debit have the prior approval of the Executive Director of Resources.
- F4.68 To ensure that the Directorate obtains best value from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality, with regard to the best practice guidelines issued by the Executive Director of Resources, which are in line with best value principles and contained in the authority's code of practice for tenders and contracts.
- F4.69 To utilise any central purchasing procedures which may involve the Council in putting purchases, where appropriate, out to competitive quotation or tender. These will comply with the Contract Rules and will cover:
- (a) authorised officers 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 EC 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.

- F4.70 To ensure that employees are aware of the code of conduct for employees contained in Part 7C of the Constitution
- F4.71 To ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the Executive Director of Resources. This is because of the potential impact on the authority's borrowing powers, to protect the authority against entering into unapproved credit arrangements and to ensure that value for money is being obtained.
- F4.72 To notify the Executive Director of Resources of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Executive Director of Resources and, in any case, not later than 30 April.
- F4.73 With regard to contracts for construction and alterations to buildings and for civil engineering works, to document and agree with the Executive Director of Resources 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.
- F4.74 To notify the Executive Director of Resources immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.
- F4.75 To ensure that all appropriate payment records are retained and stored for the defined period, in accordance with the document retention schedule.

PAYMENTS TO EMPLOYEES AND COUNCILLORS

Why is this important?

- F4.76 Staff costs are the largest item of expenditure for most authority services. It is therefore important that payments are accurate, timely, made only where they are due for services to the authority and that payments accord with individuals' conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for and that Councillors' allowances are authorised in accordance with the scheme adopted by the Council.

Key controls

- F4.77 The key controls for payments to employees and Councillors are:
- (a) proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to:
 - starters
 - leavers
 - variations
 - enhancementsand that payments are made on the basis of timesheets or claims
 - (b) frequent reconciliation of payroll expenditure against approved budget and bank account
 - (c) all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule
 - (d) that Inland Revenue regulations are complied with.

Responsibilities of the Head of Human Resources

- F4.78 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.
- F4.79 To record and make arrangements for the accurate and timely payment of tax, superannuation, and other deductions.
- F4.80 To make arrangements for payment of all travel attendance and subsistence claims or financial loss allowance.
- F4.81 To make arrangements for paying Councillors' Basic and any Special Responsibility Allowances, as contained in the approved Councillors' Allowances Scheme, and to pay travel or other allowances upon receiving the prescribed form, duly completed and authorised.
- F4.82 To provide advice and encouragement to secure payment of salaries and wages by the most economical means.
- F4.83 To ensure that there are adequate arrangements for administering superannuation matters on a day-to-day basis.

Responsibilities of Executive Directors

- F4.84 To ensure appointments are made in accordance with the policies and procedures rules of the authority and approved establishments, grades, and scale of pay and that adequate budget provision is available.
- F4.85 To notify the Head of Human Resources 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 Executive Director of Resources.

- F4.86 To ensure that adequate and effective systems and procedures are operated, so that:
- payments are only authorised to bona fide employees
 - payments are only made where there is a valid entitlement
 - conditions and contracts of employment are correctly applied
 - employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.
- F4.87 To send an up-to-date list of the names of officers authorised to sign records to the Head of Human Resources, together with specimen signatures. The payroll provider should have signatures of personnel officers and officers authorised to sign timesheets and claims.
- F4.88 To ensure that payroll transactions are processed only through the payroll system. Executive Directors should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. The Inland Revenue applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Executive Director of Resources.
- F4.89 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 authority, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and that the Executive Director of Resources is informed where appropriate. The arrangements will provide that such claims may only be certified by a more senior officer to the officer making the claim. This will usually be the officer's Line Manager. For Executive Directors, certification shall be another Executive Director, the Executive Director of Resources or the Monitoring Officer.
- F4.90 To ensure that the Head of Human Resources is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.
- F4.91 To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule.

Responsibilities of Councillors

- F4.92 To submit claims for Councillors' travel and other allowances in accordance with the Councillors' Allowances Scheme (Part 9A) on a monthly basis and, in any event, within one month of the year end.

PAYMENTS TO CONSULTANTS AND SUB-CONTRACTORS

Why is this important?

- F4.93 The Inland Revenue has introduced new arrangements to ensure that workers, who would have been an employee if they were providing their services directly to

the client, pay broadly the same tax and National Insurance contributions as employees. These rules are sometimes known as 'IR35'

Key Controls

F4.94 The key controls are as follows:

- (a) Ensuring that Executive Directors are aware of the tax implications associated with the employment of consultants and sub-contractors.
- (b) Running checks on a regular basis to assess the extent of the above arrangements

Responsibilities of the Executive Director of Resources

F4.95 To issue guidance to Executive Directors on the application of employment taxation rules in line with Inland Revenue Requirement.

F4.96 To advise and assist Executive Directors to establish the employment status of individual employed on a self-employed consultant or sub-contract basis.

F4.97 To review, on a regular basis, payments to self-employed consultants and sub-contractors and investigate any discrepancy with the relevant Executive Director.

Responsibilities of Executive Directors

F4.98 To consider the employment status of individuals employed on a self-employed consultant or subcontract basis. The Inland Revenue applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Executive Director of Resources.

F4.99 To obtain further information and undertake an assessment for IR35 purposes.

F4.100 To keep a record of their decision regarding the employment status of self-employed consultants and sub-contractors

TAXATION

Why is this important?

F4.101 Like all organisations, the authority is responsible for ensuring its tax affairs are in order. Tax issues are often complex and the penalties for incorrectly accounting for tax are severe. It is therefore important for all officers to be aware of their role.

Key controls

F4.102 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 Executive Director of Resources

- F4.103 To complete all Inland Revenue returns regarding PAYE.
- F4.104 To complete a monthly return of VAT inputs and outputs to HM Customs and Excise.
- F4.105 To provide details to the Inland Revenue regarding the construction industry tax deduction scheme.
- F4.106 To maintain up-to-date guidance for authority employees on taxation issues that may affect their work for the Council or themselves as employees of the Council.

Responsibilities of Executive Directors

- F4.107 To ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Customs and Excise regulations.
- F4.108 To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.
- F4.109 To ensure that all persons employed by the authority are added to the authority's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency.
- F4.110 To follow the guidance on taxation issued by the Executive Director of Resources in the authority's accounting manual and VAT manual.

TRADING ACCOUNTS AND BUSINESS UNITS

Why is this important?

- F4.111 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 Executive Director of Resources

- F4.112 To advise on the establishment and operation of trading accounts and business units.

Responsibilities of Executive Directors

- F4.113 To consult with the Executive Director of Resources and the Monitoring Officer where a business unit wishes to enter into a contract with a third party where the contract expiry date exceeds the remaining life of their main contract with the authority. In general, such contracts should not be entered into unless they can be terminated within the main contract period without penalty.
- F4.114 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.
- F4.115 To ensure that the same accounting principles are applied in relation to trading accounts as for other services or business units.
- F4.116 To ensure that each business unit prepares an annual business plan, as necessary.

FINANCE RULE E: EXTERNAL ARRANGEMENTS

RULE IN SUMMARY

INTRODUCTION

- E.1** The local authority provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders. It must also act to achieve the promotion or improvement of the economic, social or environmental well-being of its area.

PARTNERSHIPS

- E.2** The Cabinet is responsible for approving delegations, including frameworks for partnerships. The Cabinet is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.
- E.3** The Cabinet can delegate functions – including those relating to partnerships – to officers. These are set out in the scheme of delegation that forms part of the authority's Constitution. Where functions are delegated, the Cabinet remains accountable for them to the Council.
- E.4** The Chief Executive or his representative represents the Authority on partnership and external bodies, in accordance with the scheme of delegation.
- E.5** The Monitoring Officer is responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the authority.
- E.6** The Executive Director of Resources must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. He or she must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. He or she must ensure that the risks have been fully appraised before agreements are entered into with external bodies.
- E.7** Executive Directors are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

EXTERNAL FUNDING

- E.8** The Executive Director of Resources is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the authority's accounts.

Work for Third Parties

- E.9** The Cabinet is responsible for approving the contractual arrangements for any work for third parties or external bodies.

APPENDIX E EXTERNAL ARRANGEMENTS

DETAILED RULE

PARTNERSHIPS

Why is this important?

- F5.01 Partnerships are likely to play a key role in delivering community strategies and in helping to promote and improve the well-being of the area. Local authorities are working in partnership with others – public agencies, private companies, community groups and voluntary organisations. Local authorities still deliver some services, but their distinctive leadership role is to bring together the contributions of the various stakeholders. They therefore need to deliver a shared vision of services based on user wishes.
- F5.02 Local authorities will mobilise investment, bid for funds, champion the needs of their areas and harness the energies of local people and community organisations. Local authorities will be measured by what they achieve in partnership with others.

General

- F5.03 The main reasons for entering into a partnership are:
- (a) the desire to find new ways to share risk
 - (b) the ability to access new resources
 - (c) to provide new and better ways of delivering services
 - (d) to forge new relationships.
- F5.04 A partner is defined as either:
- (a) an organisation (private or public) undertaking, part funding or participating as a beneficiary in a project
- or
- (b) a body whose nature or status give it a right or obligation to support the project.
- F5.05 Partners participate in projects by:
- (a) acting as a project deliverer or sponsor, solely or in concert with others
 - (b) acting as a project funder or part funder
 - (c) being the beneficiary group of the activity undertaken in a project.
- F5.06 Partners have common responsibilities:
- (a) to be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation
 - (b) to act in good faith at all times and in the best interests of the partnership's aims and objectives
 - (c) be open about any conflict of interests that might arise
 - (d) to encourage joint working and promote the sharing of information, resources, and skills between public, private and community sectors

- (e) to hold confidentially any information received as a result of partnership activities or duties that is of a confidential or commercially sensitive nature
- (f) to act wherever possible as ambassadors for the project.

Key controls

F5.07 The key controls for authority partners are:

- (a) the business case submitted to the Cabinet
- (b) Partnership Agreement
- (c) if appropriate, to be aware of their responsibilities under the authority's Finance Rules and the Contract Rules
- (d) to ensure that risk management processes are in place to identify and assess all known risks
- (e) to ensure that project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise
- (f) to agree and accept formally the roles and responsibilities of each of the partners involved in the project before the project commences
- (g) to communicate regularly with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution
- (h) to ensure, where necessary, that the appropriate checks on staff (e.g. DBS) are undertaken prior to their employment in confidential or sensitive duties.
- (i) to ensure that the authority has full and open access to partnership records
- (j) to ensure that partnerships provide regular financial and performance information on at least a quarterly basis on the conduct of their affairs

Responsibilities of the Cabinet

- F5.08 To consider and approve the business case for the establishment of a partnership
- F5.09 To consider and approve the final arrangements for establishing the partnership as set out in a partnership agreement
- F5.10 To appoint a lead member to oversee the operation of the partnership
- F5.11 To receive an annual report on the operation of major Council Partnerships.

Responsibilities of the Executive Director of Resources

- F5.12 To be consulted on all financial aspects relating to the business case used to establish the partnership and the associated partnership agreement.
- F5.13 To advise on effective controls that will ensure that resources are not wasted, including all financial aspects of the partnership agreement.
- F5.14 To advise on the key elements of funding a project. They include:
 - (a) a scheme appraisal for financial viability in both the current and future years
 - (b) risk appraisal and management
 - (c) resourcing, including taxation issues
 - (d) audit, security, and control requirements
 - (e) carry-forward arrangements.

F5.15 To ensure that the accounting arrangements are satisfactory.

Responsibilities of Executive Directors

F5.16 To maintain a register of all contracts entered into with external bodies in accordance with procedures specified by the Executive Director of Resources.

F5.17 To ensure that there is a business case for the establishment of a partnership

F5.18 To ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared for the Executive Director of Resources.

F5.19 To ensure that such agreements and arrangements do not impact adversely upon the services provided by the authority.

F5.20 To ensure that all agreements and arrangements are properly documented.

F5.21 To provide appropriate information to the Executive Director of Resources to enable a note to be entered into the authority's statement of accounts concerning material items.

EXTERNAL FUNDING

Why is this important?

F5.22 External funding is potentially an important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the authority. Local authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers. Funds from external agencies such as the National Lottery and the single regeneration budget provide additional resources to enable the authority to deliver services to the local community. However, in some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the authority's overall plan.

Key controls

F5.23 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 Executive Director of Resources

- F5.24 To ensure that all funding notified by external bodies is received and properly recorded in the authority's accounts.
- F5.25 To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.
- F5.26 To ensure that audit requirements are met.

Responsibilities of Executive Directors

- F5.27 To ensure that all claims for funds are made by the due date.
- F5.28 To ensure that the project progresses in accordance with the agreed project and that all expenditure is properly incurred and recorded.

WORK FOR THIRD PARTIES**Why is this important?**

- F5.29 Current legislation enables the authority to provide a range of services to other bodies. Such work may enable a unit or service to maintain economies of scale and existing expertise. Arrangements should be in place to ensure that any risks associated with this work is minimised and that such work is intra vires.

Key controls

- F5.30 The key controls for working with third parties are:
- (a) to ensure that proposals are costed properly in accordance with guidance provided by the Executive Director of Resources.
 - (b) to ensure that contracts are drawn up using guidance provided by the Executive Director of Resources and Monitoring Officer and that the formal approvals process is adhered to.
 - (c) to issue guidance regarding the financial aspects of third-party contracts and the maintenance of the contract register.

Responsibilities of the Cabinet

- F5.31 To approve any arrangements for the provision of services to third parties.

Responsibilities of Executive Director of Resources

- F5.32 To issue guidance with regard to the financial aspects of third-party contracts and the maintenance of the contract register.

Responsibilities of Executive Directors

- F5.33 To consult with the Executive Director of Resources and the Monitoring Officer on any proposals to provide services to third parties, prior to seeking Cabinet approval.

- F5.34 To ensure that the approval of the Cabinet is obtained before any negotiations are concluded to work for third parties.
- F5.35 To maintain a register of all contracts entered into with third parties in accordance with procedures specified by the Executive Director of Resources.
- F5.36 To ensure that appropriate insurance arrangements are made.
- F5.37 To ensure that the authority is not put at risk of assuming the responsibility for any bad debts that may occur if the third-party organisation is wound up.
- F5.38 To ensure that no contract is subsidised by the authority.
- F5.39 To ensure that, wherever possible, payment is received in advance of the delivery of the service.
- F5.40 To ensure that the department/unit has the appropriate expertise to undertake the contract.
- F5.41 To ensure that such contracts do not impact adversely upon the services provided for the authority.
- F5.42 To ensure that all contracts are properly documented.
- F5.43 To provide appropriate information to the Executive Director of Resources to enable a note to be entered into the statement of accounts.

Royal Borough of Windsor & Maidenhead

INTERNAL AUDIT CHARTER

**The Terms of Reference for the provision of the Internal Audit Service within the
Shared Audit and Investigation Service for RBWM**

*Approved by Corporate Overview and Scrutiny Panel 4 February 2020; amended by full
Council 28 July 2020*

INTERNAL AUDIT CHARTER

Introduction

1. The purpose of this Internal Audit Charter is to set out the Terms of Reference for the provision of the Internal Audit Service within Royal Borough of Windsor and Maidenhead. The Charter is reviewed on an annual basis to ensure that current needs are met. The Charter demonstrates how the Internal Audit Service complies with the Public Sector Internal Audit Standards (PSIAS), updated March 2017.

Authority

2. The Local Government Accounts and Audit Regulations 2015 require every local authority to undertake effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
3. Under S151 of the Local Government Finance Act 1972, the S151 Officer is responsible for ensuring that proper arrangements exist for the management of the Council's financial affairs. Reliance upon Internal Audit is fundamental to the fulfilment of that responsibility.

Definition of Internal Auditing

4. In accordance with the PSIAS, Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Role, Purpose and Function

5. The Internal Audit Service is delivered by the Shared Audit and Investigation Service (SAIS), a Shared Service between Wokingham Borough Council (WBC) and the Royal Borough of Windsor and Maidenhead (RBWM), hosted by WBC. The role of the Chief Audit Executive (CAE) is performed by the Assistant Director, Governance, WBC.
6. The Internal Audit Service provides: -
 - Senior Management and the Board (the Audit and Governance Committee) with assurances on the adequacy of control within the Council's systems and activities.
 - the S151 Officer with the assurances required to discharge their statutory responsibilities.
 - a service to monitor the efficient and effective delivery of the Council's objectives.

- evidence regarding compliance with the Council's Constitution, Corporate procedures and the Council's policies and objectives.
7. The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.
 8. For the purposes of clarification, Senior Management is defined as those posts that are within the organisation at Head of Service level and above.
 9. The Board is the highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organisation.

Independence

10. The main determinant of the effectiveness of Internal Audit is that it is seen to be independent. To ensure this, Internal Audit operates within a framework that allows:-
 - unrestricted access to the Head of Paid Service and Senior Management.
 - unrestricted access to the Chair of the Audit and Governance Committee and other Council Members.
 - segregation from operations.
11. Every effort is made to preserve objectivity by ensuring that all audit members of staff are free from any conflicts of interest with regard to both audit and non-audit activities.

Objectives of Internal Audit

12. As an independent appraisal function within the Council, the primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources. In addition, the other objectives of the function are to:
 - Ensure compliance with the Accounts and Audit Regulations 2015.
 - Deliver an annual internal audit opinion on the strength of the Council's governance arrangements and control environment to support the Council's review of the effectiveness of internal control and the production of the Annual Governance Statement (AGS).
 - Support managers with the management of risk including: -
 - In the delivery of services
 - Protection of assets from loss
 - Maintaining the reputation of the Council
 - Protecting the organisation from litigation
 - Meeting statutory obligations

- Meeting corporate objectives
 - Being aware of environmental implications
 - Being alert to the risk of fraud or irregularity
 - Contingency planning
 - Provide managers with support and advice to encourage consultation and the adoption of best practice.
 - Perform testing of key systems to inform the work of the External Auditors.
 - Undertake projects to meet the current concerns of the Audit and Governance Committee, Head of Paid Service, Executive Directors, Assistant Directors / Heads of Service, the Section 151 Officer and Monitoring Officer.
 - Undertake an annual review of the effectiveness of the Council's system of internal audit, required under the PSIAS. The Assistant Director, Governance, Wokingham Borough Council arranges this work and the outcomes are presented to the Audit and Governance Committee.
 - Assist management with the provision of consultancy work where appropriate, e.g. in the preparation for inspections, to implement best practice.
13. The assurance set out above is provided for the internal use of the Royal Borough of Windsor and Maidenhead. Where the Audit Sponsor (Chief Executive /Executive Director) decides it is prudent and increases efficiency these assurances can be used by 3rd parties. Examples include, but are not limited to, other local authorities, local authority trading companies, grant awarding bodies, regulatory and inspection bodies. Where this assurance is provided to external bodies these are limited to the primary purpose of providing reasonable assurance to the Royal Borough of Windsor and Maidenhead, except where this is agreed within the scope of the applicable Internal Audit Terms of Reference.

Scope of Internal Audit

14. The scope of Internal Audit allows for unrestricted coverage of the Council's activities and unrestricted access to all records (both electronic or otherwise), assets, personnel and premises and for obtaining such information and explanations it considers necessary to fulfil its responsibilities. These rights of access also apply to the Council's partner organisations and contractors. This unrestricted access also extends to any person carrying out an investigation on behalf of the CAE.
15. In addition, Internal Audit, has unrestricted access to Councillors, the Head of Paid Service, Executive Directors, Assistant Directors / Heads of Service, all other council employees, External Audit, suppliers and contractors.
16. Internal Audit work covers all systems and activities in all directorates and locations throughout the Council.

Professional Standards and Ethics

17. The Assistant Director, Governance, Wokingham Borough Council has adopted the mandatory PSIAS which applies the IIA International Standards to the UK Public Sector. The objectives of these Standards are to;
 - Define the nature of internal auditing within the UK public sector.
 - Set basic principles for carrying out internal audit in the UK public sector.
 - Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
 - Establish the basis for the evaluation of internal audit performance and to drive improvement planning.
18. All Internal Auditors will endeavour to conform with the IIA's Code of Ethics and rules of conduct and the requirements of any other professional bodies for which they are a member. Internal Auditors also have regard to the Standards of Public Life's *Seven Principles of Public Life* ("Nolan Principles").
19. Instances of non-conformance to the PSIAS will be reported to the Board (Audit and Governance Committee). More significant deviations will be considered for inclusion in the AGS.
20. Any offers of gifts or hospitality will be reported to the Assistant Director, Governance, Wokingham Borough Council and an appropriate record made in accordance with the Council's gift and hospitality policy. Auditors must avoid the perception of any impairment to their objectivity and independence.

Responsibility

21. Internal Audit has no executive responsibility for the Council's systems of internal control other than an appraisal of their effectiveness with regard to Council objectives.
22. Internal Audit is not an extension of, or a substitute for, the functions of management. Responsibility for internal control rests fully with managers, who should ensure that arrangements are appropriate and adequate. It is for management to address Internal Audit concerns or to accept the risk resulting from not taking action. However, it is the SAIS's responsibility to consider taking matters to higher levels of management or to Council Members if it is felt that the risk should not (or need not) be borne.
23. The internal auditor should have regard to the possibility of such malpractice and should seek to identify serious defects in internal control, which might permit the occurrence of such an event.
24. An internal auditor who discovers evidence of, or suspects, malpractice should report, through the Assistant Director, Governance, Wokingham Borough Council, firm evidence, or reasonable suspicions, to the appropriate level of management. It is a management responsibility to determine what further action to take.

25. The Assistant Director, Governance, Wokingham Borough Council will use information from fraud activities to inform the annual audit opinion and the risk-based plan.
26. The Assistant Director, Governance, Wokingham Borough Council will manage any conflict of interest from non-audit activities and details of these will be provided to the Audit and Governance Committee. This includes any advisory and non-audit services that the SAIS provides to management.

Audit Style and Content

27. The primary task of Internal Audit is to review the systems of internal control operating throughout the Council and in doing this will adopt a predominantly risk-based approach to audit, aligned to the RBWM Corporate Risk Register. Internal Audit will also provide advice and consultancy services to management on any issues related to governance, risk management and internal control matters where this does not negatively impact on their primary responsibility. This advice and consultancy work can be used to contribute to the annual internal audit opinion.
28. The Assistant Director, Governance, Wokingham Borough Council will be required to manage the provision of a complete Internal Audit Service to the Council which will include risk based compliance, computer and contract audit and in discharging this duty, the Assistant Director, Governance, Wokingham Borough Council will:
 - prepare an annual risk-based audit plan in consultation with the Head of Paid Service, Section 151 Officer, Executive Directors, Assistant Directors / Heads of Service, client managers and External Audit for formal endorsement by the Audit and Governance Committee. This Plan will be regarded as flexible rather than as an immutable expression of audit policy.
 - ensure that current entries in the RBWM Corporate Risk Register are reflected and included in the Audit Plan on a rolling basis and any significant changes to the Audit Plan to be brought to the attention of the Board.
 - ensure a system of close supervision of audit work and maintain a review of audit files through the supervisory structure and a standardisation of documentation, as there may occasionally be a requirement to provide working papers, where requested.

Audit Resources and Training

29. Internal Audit resource will be determined by the Audit and Governance Committee in consultation with the S151 Officer in order to enable him to discharge his statutory duties and will reflect the corporate needs of the Council. Resources will also reflect requirements needed to allow the S151 Officer to discharge his obligations. The Assistant Director, Governance, Wokingham Borough Council must ensure that the

internal audit function has appropriate resources in order to meet its objectives and to comply with the PSIAS.

30. The staffing structure of the Service will comprise of suitably qualified posts with a mix of professional specialisms and skills to reflect the varied functions of the Service and the need to evaluate the efficiency and effectiveness of the complex range of processes undertaken by RBWM. The Assistant Director, Governance, Wokingham Borough Council will arrange, as and when necessary and/or if such specialisms cannot be provided in-house, for such expertise to be provided by external providers.
31. The Assistant Director, Governance, Wokingham Borough Council will carry out a continuous review of the development and training needs of all audit personnel and will arrange appropriate in-service training. Internal Auditors have a personal responsibility to undertake a programme of continuing professional development (CPD) to maintain and develop their competence.
32. All Internal Audit staff will receive an annual appraisal.

Audit Reporting

33. The Assistant Director, Governance, Wokingham Borough Council reports operationally to the Executive Director of Resources who is a member of the Council's Corporate Leadership Team (CLT). The Head of Paid Service reviews the performance appraisal of the Assistant Director, Governance, Wokingham Borough Council Feedback is sought from the Chair of the Audit and Governance Committee on the performance of the Assistant Director, Governance, Wokingham Borough Council.
34. Timely reporting is a key part of Internal Audit and reporting takes place: -
 - a. To the responsible Executive Director, Assistant Director / Head of Service and Service Manager/Head Teacher at the conclusion of each audit review setting out an overall opinion and the main concerns.
 - b. To the Chief Executive and External Audit at the conclusion of each audit review (School's audits are issued to the Chair of Governors).
 - c. To the Audit and Governance Committee on a six monthly and annual basis, reporting progress against the Audit Plan, summarising the outcome of audit reviews, highlighting where management have not responded to audit concerns, identify the progress made by management in implementing the treatment of concerns and to emphasise any other key issues.
 - d. The annual report to the Audit and Governance Committee will also include an overall opinion on the strength of the governance arrangements and control environment (which will also contribute towards the production of the AGS) and an

assessment of the system of internal control, as required by the Accounts and Audit Regulations 2015.