

FINANCIAL REGULATIONS

Councillor Mordue

Cabinet Member for Finance, Resources and Compliance

1 Purpose

- 1.1 It is a requirement of the Council's policy framework that the Financial Regulations governing the financial control of the organisation are periodically reviewed. This report updates the regulations in accordance with best practise and presents them to Council for adoption.
- 1.2 Financial Regulations represent the over arching policy document for financial control in the councils and this is supported by a larger, more detailed, set of Financial Procedure rules which set out day to day responsibilities of officers. Whilst only the regulations form part of the policy framework of the council they are both reproduced here for completeness and understanding.

2 Recommendations

- 2.1 Cabinet is requested to recommend to Council to adopt the proposed revision to the Council's Financial Regulations, taking into account feedback from the Finance & Service Scrutiny of 11 July 2016.
- 2.2 In making that recommendation that Council are also asked that authority be given to the Director with responsibility for Finance, after consultation with the Cabinet Member for Finance, Resources and Compliance, to make minor changes from time to time, to reflect changes in operational arrangements only.

3 Supporting information

- 3.1 The Council's Constitution requires that the Financial Regulations are reviewed formally every 5 years. The current set are overdue for formal review having been delayed by the introduction of a new financial management system in the council so that they ensure that they reflect the operational requirements of this change.
- 3.2 The Regulations (Annex A) and the Financial Procedures (Annex B) have been reviewed with the assistance of external professionals to ensure that we are enshrining best practise.
- 3.3 They reflect the current practise in the organisation and reinforce the shift to managers being held responsible for their budgets, whilst simultaneously clarifying the role of the Strategic Finance team.
- 3.4 The Finance & Services Scrutiny has considered the documents, however due to overlapping paper distribution dates these will be orally reported at the Cabinet meeting.
- 3.5 Most of the changes in the regulations either reflect updated custom and practise or external guidance, or reflect new approaches following the introduction of the corporate finance system.
- 3.6 Areas worthy of drawing members attention are :
- 3.7 **Virement limits** – these are the authorisation limits that certain categories of manager or meeting can authorise the movements of funds between cost centres within the councils accounts. The table below shows the differences from the current and proposed levels in the regulations. The increase in the

levels has been benchmarked against other councils and is towards the more 'commercially focused' end of the spectrum allowing greater agility in being able to move funds around cost centres to reflect changing circumstances throughout the year.

Who	AVDC (existing)	AVDC (proposed)
Budget Manager	<£10K	<£10K
Senior Manager	<£50K	<£100K¹
Cabinet	£100 - £150K	£100 - £250K
Council	>£150K	>£250K

3.8 **Performance management** – within the regulations and the procedures there is a renewed emphasis are direct reference to the performance management at all stages of the financial system (budget manager up to the corporate level). This is reflecting the growing importance of these issues on the council as we move further into addressing the challenges within the MTFP.

4 Reasons for Recommendation and Alternative Options

4.1 The regular update and improvement of the financial regulations are required by the Councils Constitution.

5 Resource implications

5.1 None directly linked to the review of regulations.

Contact Officer
Background Documents

Andy Barton 01296 585430
none

¹ Sector Lead to £50K; Director to £100K

***Aylesbury Vale District
Council***

Financial Regulations

Revised Draft April 2016

Financial Regulations and Procedure Rules

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Introduction

- 1.1** To conduct its business efficiently, Aylesbury Vale District Council needs to ensure that it has sound financial management policies in place and that they are strictly adhered to. This forms part of the Governance function of the Council.

The financial control framework is maintained and implemented by the Section 151 Officer and is defined in the following documents:

- Financial Regulations
- Financial Procedure Rules
- Other Financial Instructions

- 1.2** Financial regulations provide the framework for managing the authority's financial affairs. They apply to every member and officer of the authority and anyone acting on its behalf. They are linked to the other governance documents forming part of the Council's Constitution, for example, Contracts Procedure Rules.

- 1.3** The Financial Procedure Rules (Appendices A-E) provide more detailed guidance on how the Financial Regulations should be implemented in practice

- 1.4** In these Financial Regulations and Procedure Rules all references to the Section 151 Officer refer (March 2016) to the Director with responsibility for Finance; and Senior Managers refer (March 2016) to the posts of Sector Leads and above.

- 1.5** Originally adopted in 2010, these Financial Regulations have been updated to align with best practice and to reflect the authority's commercial approach to financial management, setting out clear roles and responsibilities for members, the Section 151 Officer and senior managers within a modern financial control environment.

Status of Financial Regulations

- 1.6** The regulations identify the financial responsibilities of the Full Council, Cabinet, Chief Executive, Monitoring Officer, Section 151 Officer and other officers. Cabinet members and directors should maintain a written record where decision making has been delegated to members of their staff, including seconded staff. Where decisions have been delegated or devolved to other responsible officers, references to the director in the regulations should be read as referring to them.

- 1.7** All members and staff have a general responsibility for taking reasonable action to provide for the financial budgets under their control, and for ensuring that the use of these resources is legal, is properly authorised, and provides value for money.
- 1.8** The Section 151 Officer is responsible for maintaining a continuous review of the financial regulations and submitting any additions or changes necessary to the full council for approval. The Section 151 Officer is also responsible for reporting, where appropriate, breaches of the financial regulations in the Annual Governance Statement and to the Audit Committee.
- 1.9** The authority's detailed financial procedure rules, setting out how the regulations will be implemented, are contained in the appendices to the financial regulations.
- 1.10** Senior Managers are responsible for ensuring that all staff in their teams are aware of the existence and content of the authority's financial regulations and other internal governance documents and that they comply with them.
- 1.11** The Section 151 Officer is responsible for ensuring members are aware of the content and of their responsibilities under the Regulations.
- 1.12** The Section 151 Officer is responsible for issuing advice and guidance to underpin the financial regulations that members, officers and others acting on behalf of the authority are required to follow.

FINANCIAL REGULATION A: FINANCIAL MANAGEMENT

Introduction

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

THE FULL COUNCIL

A.2 The full council is responsible for adopting the authority's constitution and members' code of conduct and for approving the policy framework and budget within which the executive operates. It is also responsible for approving and monitoring compliance with the authority's overall framework of accountability and control. The framework is set out in the constitution. The full council is also responsible for monitoring compliance with the agreed policy and related executive decisions.

A.3 The full council is responsible for approving procedures for recording and reporting decisions taken. This includes those key decisions delegated by and decisions taken by the council and its committees. These delegations and details of who has responsibility for which decisions are set out in the constitution.

COMMITTEES

Scrutiny

A.4 There are four Scrutiny Committees which support the work of the Cabinet and the Council. They hold reviews into matters of concern. These lead to reports and recommendations on policies, budget and service delivery. These committees also monitor the decisions of the Cabinet. The Cabinet or the Council may also consult the Scrutiny Committees on forthcoming decisions and the development of policy.

The Audit Committee

A.5 The purpose of the Audit Committee is to provide independent assurance to the members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

The Standards Committee

A.6 The Standards Committee is appointed by the Full Council. Its role is to promote and maintain high standards of conduct amongst councillors and to assist the members to observe the Code of Conduct for Members.

Regulatory Committees

- A.7** There are a number of regulatory committees covering such aspects as planning and licensing. These committees support the work of the Council and focus on the determination of applications made under statutory powers.

THE CABINET

- A.8** The Cabinet is responsible for proposing the policy framework and budget to the full council, and for discharging executive functions in accordance with the policy framework and budget.
- A.9** Cabinet decisions can be delegated to an individual Cabinet member, an officer or a joint committee.
- A.10** 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.

THE STATUTORY OFFICERS

Chief Executive

- A.11** The Chief Executive is responsible for the corporate and overall strategic management of the authority as a whole. They must report to and provide information for the Cabinet, the full council, the scrutiny committees and other committees. They are responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation. The Chief Executive is also responsible, together with the monitoring officer, for the system of record keeping in relation to all the full council's decisions (see below).

Monitoring officer

- A.12** The monitoring officer is responsible for promoting and maintaining high standards of financial conduct and therefore provides support to the standards committee. The monitoring officer is also responsible for reporting any actual or potential breaches of the law or maladministration to the full council and/or to the Cabinet, and for ensuring that procedures for recording and reporting key decisions are operating effectively.
- A.13** The monitoring officer must ensure that Cabinet decisions and the reasons for them are made public. They must also ensure that council members are aware of decisions made by the Cabinet and of those made by officers who have delegated Cabinet responsibility.

- A.14** The monitoring officer is responsible for advising all councillors and officers about who has authority to take a particular decision.
- A.15** The monitoring officer is responsible for advising the Cabinet or full council about whether a decision is likely to be considered contrary or not wholly in accordance with the policy framework.
- A.16** The monitoring officer (together with the Section 151 Officer) is responsible for advising the Cabinet or full council about whether a decision is likely to be considered contrary or not wholly in accordance with the budget. Actions that may be 'contrary to the budget' include:
- initiating a new policy
 - committing expenditure in future years to above the budget level
 - incurring transfers above virement limits
 - causing the total expenditure financed from council tax, grants and corporately held reserves to increase, or to increase by more than a specified amount.
- A.17** The monitoring officer is responsible for maintaining an up-to-date constitution.

Section 151 Officer

- A.18** The Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority. This statutory responsibility cannot be overridden. The statutory duties arise from:
- Section 151 of the Local Government Act 1972
 - The Local Government Finance Act 1988
 - The Local Government and Housing Act 1989
 - The Local Government Act 2003
 - The Accounts and Audit Regulations 2003
- A.19** The Section 151 Officer is responsible for:
- the proper administration of the authority's financial affairs
 - setting and monitoring compliance with financial management standards
 - advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
 - ensuring access to timely and accurate financial information
 - preparing the revenue budget and capital programme

- treasury management
- the set-up and maintenance of the authority's core financial systems in such a way that they facilitate the responsibilities of Senior Managers and the Section 151 Officer.

A.20 The Section 151 Officer has the responsibility to provide expert advice and challenge, and effective systems and processes, to underpin an organisational culture of financial awareness, cost-consciousness and customer value, identifying opportunities to realise additional margin to contribute towards AVDC objectives.

A.21 The Section 151 Officer is accountable for the overall financial performance of the Council; and for the effective operation of the financial control environment.

A.22 Section 114 of the Local Government Finance Act 1988 requires the Section 151 Officer to report to the full council, Cabinet and external auditor if the authority or one of its officers:

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

Section 114 of the 1988 Act also requires:

- the Section 151 Officer to nominate a properly qualified member of staff to deputise should they be unable to perform the duties under section 114 personally
- the authority to provide the Section 151 Officer with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under section 114.

SENIOR MANAGERS

A.23 Senior Managers are responsible for:

- providing leadership to an organisational culture of financial awareness, cost-consciousness and customer value, identifying opportunities to realise additional margin to contribute towards AVDC objectives
- being accountable for the financial performance and financial control of their Services

- ensuring that Cabinet members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Section 151 Officer.
- proactively using the authority's financial system to perform their responsibilities
- signing contracts on behalf of the authority.
- Providing the Section 151 Officer with any information necessary to monitor compliance with these Rules and for that purpose to allow unrestricted access to documents and records under their control.

OTHER FINANCIAL ACCOUNTABILITIES

Virement

A.24 The full council is responsible for agreeing procedures for virement of expenditure between budget headings.

A.25 Senior Managers are responsible for agreeing in-year virements within delegated limits, in consultation with the Section 151 Officer where required. The limits are set out in Annex A (Financial Procedures).

Treatment of year-end balances (Tolerance)

A.26 Senior Managers shall ensure that the year end net expenditure for which they are responsible, is covered by approved budgets prior to any carry forward tolerance provisions being sought.

A.27 On the recommendation of the Section 151 Officer, the Cabinet may consider overspending on controllable budgets, not covered by approved virement being carried forward and discharged in the following financial year. Senior Managers may propose, for the consideration of the Section 151 Officer and Cabinet, business cases for the carry-forward of unused budget, setting out the financial and service benefits of so doing.

Accounting policies

A.28 The Section 151 Officer is responsible for selecting accounting policies and ensuring that they are applied consistently, and Senior Managers are responsible for adhering to established accounting policies and procedures.

Accounting records and returns

A.29 The Section 151 Officer is responsible for determining the accounting procedures and records for the authority, and Senior Managers are responsible for ensuring that expenditure and income is coded correctly

The annual statement of accounts

A.30 The Section 151 Officer is responsible for ensuring that the annual statement of accounts is prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC) or any subsequent replacement. The Audit Committee is responsible for approving the annual statement of accounts. Senior Managers are responsible for providing relevant information to support the production of the annual accounts.

FINANCIAL REGULATION B: FINANCIAL PLANNING

INTRODUCTION

B.1 The full 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 Corporate Plan
- the Medium Term Financial Plan
- the Annual Revenue Budget
- the Capital Programme
- the Treasury Management Strategy

POLICY FRAMEWORK

B.2 The full council is responsible for approving the policy framework. The policy framework is set out in the constitution under Article 4. The budget and policy framework procedure rules are set out in Section E2 of the constitution.

B.3 The full 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 contrary to the budget or policy framework. Decisions should be referred to the full council by the monitoring officer.

B.4 The full 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 in order to deliver the budget and policy framework within the financial limits set by the council.

BUDGETING

Budget format

B.5 The general format of the budget will be approved by the full council and proposed by the Cabinet on the advice of the Section 151 Officer. The draft budget should include allocation to different services and projects, provisions for pay and inflation, proposed taxation levels and contingency funds.

Budget preparation

- B.6** The Section 151 Officer is responsible for ensuring that a revenue budget is prepared on an annual basis and a general revenue plan on a three-yearly basis (minimum) for consideration by the Cabinet, before submission to the full council. The full council may amend the budget or ask the Cabinet to reconsider it before approving it.
- B.7** The Section 151 Officer is responsible for issuing guidance on the general content of the budget as soon as possible following approval by the full council.
- B.8** It is the responsibility of Senior Managers to ensure that budget estimates reflecting agreed business plans are submitted to the Section 151 Officer and that these estimates are prepared in line with guidance issued by the Section 151 Officer. The Section 151 officer will engage with Senior Managers to ensure that budgets, wherever possible, reflect the estimates prepared.

Budget monitoring and control

- B.9** The Section 151 Officer is responsible for ensuring the availability of timely and accurate financial information to enable budgets to be monitored effectively. They must monitor and control expenditure against budget allocations and report to Council, or committee thereof, on the overall position on a regular basis.
- B.10** It is the responsibility of Senior Managers to control income and expenditure within their area and to monitor performance, taking account of available financial information. 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 Section 151 Officer to any problems.

Resource allocation

- B.11** The Section 151 Officer is responsible for developing and maintaining a resource allocation process that ensures due consideration of the full council's policy framework.

Preparation of the capital programme

- B.12** The Section 151 Officer is responsible for ensuring that a capital programme is prepared on an annual basis for consideration by the Cabinet before submission to the full council.

Guidance

- B.13** Guidance on budget preparation is issued annually to members and Senior Managers by the Section 151 Officer. The guidance will take account of:

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

MAINTENANCE OF RESERVES

B.14 It is the responsibility of the Section 151 Officer to advise the Cabinet on prudent levels of reserves for the authority.

FINANCIAL REGULATION C: RISK MANAGEMENT AND CONTROL OF RESOURCES

INTRODUCTION

C.1 Managing risk and performance through robust internal control and strong public financial management is an essential part of good governance. This should include the proactive participation of all those associated with planning and delivering services.

The Council must ensure that it has a sound system of internal control which:

- facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- ensures that the financial and operational management of the authority is effective; and
- includes effective arrangements for the management of risk.

RISK MANAGEMENT

C.2 The Section 151 Officer is responsible for developing the authority's risk management and reporting strategy and framework, for promoting it throughout the authority and for advising on insurance cover where appropriate.

C.3 The Cabinet member for Corporate Issues is responsible for approving the authority's risk management strategy. The Audit Committee is responsible for monitoring the effectiveness of risk management arrangements.

The Cabinet is responsible for ensuring that proper insurance exists where appropriate.

INTERNAL CONTROL

C.4 Internal control refers to the systems of control devised by management to help ensure the authority's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the authority's assets and interests are safeguarded.

- C.5** The Section 151 Officer is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.
- C.6** It is the responsibility of Senior Managers 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. They should also allow Internal Audit unrestricted access to systems and records so as to ensure that their controls are effective and risks mitigated.

AUDIT REQUIREMENTS

- C.7** The Accounts and Audit Regulations 2015 require every local authority to maintain an adequate and effective system of internal audit.
- C.8** The Local Audit and Accountability Act 2014 enables each "relevant authority" to appoint their own local auditors via an auditor panel. These provisions are being implemented on a phased basis and it is expected that the new arrangements will have been implemented by 31st December 2017. From 2015 to 2017 external auditors are appointed by Public Sector Audit Appointments Limited (PSAA) normally for a minimum period of five years. PSAA prepares a code of audit practice, which external auditors follow when carrying out their audits. The basic duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by section 5 of the Audit Commission Act 1998.
- C.9** The authority may, from time to time, be subject to audit, inspection or investigation by external bodies such as the Her Majesty's Revenue and Customs, who have statutory rights of access.

PREVENTING FRAUD AND CORRUPTION

- C.10** The Section 151 Officer is responsible for implementing appropriate measures to prevent and detect fraud and corruption.

ASSETS

C.11 Senior Managers 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.

TREASURY MANAGEMENT

C.12 The authority has adopted CIPFA's *Code of Practice for Treasury Management in Local Authorities*.

C.13 The full 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 Section 151 Officer has delegated responsibility for implementing and monitoring the statement.

C.14 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 Section 151 Officer.

C.15 The Section 151 Officer is responsible for reporting to the Council a proposed treasury management strategy for the coming financial year at or before the start of each financial year.

C.16 All Council decisions on borrowing, investment or financing shall be delegated to the Section 151 Officer, who is required to act in accordance with CIPFA's *Code of Practice for Treasury Management in Local Authorities*.

C.17 The Section 151 Officer is responsible for reporting on the activities of the treasury management operation and on the exercise of his or her delegated treasury management powers. One such report will comprise an annual report on treasury management for presentation by 30 September of the succeeding financial year to the Council.

STAFFING

C.18 The full council is responsible for determining how officer support for Cabinet and non-Cabinet roles within the authority will be organised.

C.19 The Chief Executive is responsible for providing overall management to staff. They are also responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job.

C.20 Senior Managers are responsible for controlling total staff numbers, in accordance with wider staffing policies and constraints by:

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

FINANCIAL REGULATION D: SYSTEMS AND PROCEDURES

INTRODUCTION

D.1 Sound systems and procedures are essential to an effective framework of accountability and control.

GENERAL

D.2 The Section 151 Officer is responsible for the operation of the authority's accounting systems, the form of accounts and the supporting financial records. Any changes made by Senior Managers to the existing financial systems or the establishment of new financial systems must be approved by the Section 151 Officer. However, Senior Managers are responsible for the proper operation of financial processes in their own teams.

D.3 Any changes to agreed procedures by Senior Managers to meet their own specific service needs should be agreed with the Section 151 Officer.

D.4 Senior Managers should ensure that their staff receive relevant financial training that has been approved by the Section 151 Officer.

D.5 Senior Managers must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation. Senior Managers must ensure that staff are aware of their responsibilities under freedom of information legislation.

INCOME AND EXPENDITURE

D.6 It is the responsibility of Senior Managers 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 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 MEMBERS

- D.7** Within the budgetary framework, the Senior Manager responsible for the People and Payroll function is responsible for all payments of salaries and wages to all staff, including payments for overtime, and for payment of allowances to members.

TAXATION

- D.8** The Section 151 Officer is responsible for advising Senior Managers, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the authority.
- D.9** The Section 151 Officer is responsible for maintaining the authority's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

TRADING ACCOUNTS

- D.10** It is the responsibility of the Section 151 Officer to advise on the establishment and operation of trading accounts.

FINANCIAL REGULATION E: EXTERNAL ARRANGEMENTS

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. Where functions are delegated, the Cabinet remains accountable for them to the full council.

E.4 The Chief Executive 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 Section 151 Officer must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. The Sections 151 Officer must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. They must ensure that the risks have been fully appraised before agreements are entered into with external bodies.

E.7 Senior Managers 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 Section 151 Officer 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. Third parties may include part of wholly owned companies.

PART- OR WHOLLY-OWNED COMPANIES

- E.10** The authority may create or acquire part- or wholly-owned companies. The aim of any company owned or part owned by AVDC is to produce overall benefits for the residents and businesses of the Vale. This may be through investment, commercial opportunity, a host of other reasons or simply by generating cash for the council through divided payments funded from profit. This also may be through purchasing or reselling elements of council services which may result in an overall better position for the council.
- E.11** The decision to create or acquire companies is reserved to full Council. The Section 151 Officer will provide an assessment of the financial benefits and risks to inform the decision.
- E.12** The Council will approve guidelines for the creation of and working with companies, which will include financial arrangements agreed with the Section 151 Officer. All companies will be required to report their financial performance at least quarterly against an annual business plan agreed with the authority.

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1 FINANCIAL MANAGEMENT STANDARDS

Why is this important?

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

Key controls

1.02 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 financial performance indicators and financial benchmark standards that are reported to the Cabinet and full council.

Responsibilities of the Section 151 Officer

- 1.03** To ensure the proper administration of the financial affairs of the authority.
- 1.04** To set the financial management standards and to monitor compliance with them.
- 1.05** 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.
- 1.06** To advise on the key strategic controls necessary to secure sound financial management.
- 1.07** To ensure that Senior Managers have access to timely and accurate financial information to facilitate the accurate and timely monitoring and reporting of comparisons of national and local financial performance indicators.
- 1.08** To ensure the set-up and maintenance of the authority's core financial systems in such a way that they facilitate the responsibilities of Senior Managers and the Section 151 Officer

Responsibilities of Senior Managers

1.09 To promote the financial management standards set by the Section 151 Officer in their teams and to monitor adherence to the standards and practices, liaising as necessary with the Section 151 Officer.

- 1.10 To promote sound financial practices in relation to the standards, performance and development of staff in their teams
- 1.11 To use proactively the authority's financial system to perform their responsibilities

2 MANAGING EXPENDITURE

Scheme of virement

Why is this important?

2.01 The scheme of virement is intended to enable the Cabinet, Senior Managers and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by the full council, and therefore to optimise the use of resources.

Key controls

2.02 Key controls for the scheme of virement are:

- (a) it is administered by the Section 151 Officer within authorisation levels approved by full council. Any variation from this scheme requires the approval of the full council.
- (b) the Authorisation Limits for Virement approved by full council are:

AUTHORISATION LEVELS	
£000s	Authorised by:
0 – 10	Budget Manager
10 - 50	Senior Manager
50 - 100	Chief Executive/Director
100 - 250	Cabinet
over 250	Council

2.03 The overall budget is agreed by the Cabinet and approved by the full council. Senior Managers and budget managers are therefore authorised to incur expenditure in accordance with the estimates that make up the budget. The rules below cover virement; that is, switching resources between approved estimates or heads of expenditure. For the purposes of this scheme, a budget head is considered to be a cost centre as defined by CIPFA in its Service Expenditure Analysis.

- 2.04** Movement of budgets for the purpose of restructuring the authority's chart of accounts or which do not impact upon the purpose for which the budget was allocated are not bound by the virement authorisation and reporting process.
- 2.05** The rules above do not apply to financing charges, contributions to other funds of the Council, items of taxation or levy to another public authority. Any alteration to estimates concerning these items must be approved by the Section 151 Officer in advance, and if the amount is judged by the Section 151 Officer to be material the matter must be referred to the Cabinet.
- 2.06** Virements shall not be made across funds and ring fenced accounts (i.e. between General Fund, Capital or Special Expenses Accounts).
- 2.07** Senior Managers must:
- Demonstrate that savings are feasible for virement to be actioned. Savings of a non-recurring nature cannot be used to justify incurring expenditure with a commitment continuing into later years.
 - consult the Section 151 officer prior to any proposal to fund additional expenditure (pay or non-pay) from higher-than-budgeted income levels
 - Ensure that all virement adjustments are recorded as soon as possible to maintain the accuracy of budget monitoring.

Responsibilities of the Section 151 Officer

- 2.08** To prepare jointly with the Director a report to the Cabinet where virements in excess of £100,000 are proposed.

Responsibilities of Senior Managers

- 2.09** Senior Managers must ensure that the Section 151 Officer is advised of all virements to services within their control.
- 2.10** Senior Managers may exercise virement on budgets under his or her control for amounts up to a cumulative total of £50,000 on any one budget head during the year, following notification to the Section 151 Officer.
- 2.11** Directors may exercise virement on budgets under his or her control for amounts up to £100,000.

- 2.12** Amounts greater than £100,000 require the approval of the Cabinet, following a joint report by the Section 151 Officer and the Director, 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 £250,000 require the approval of the full council.
- 2.13** The Cabinet Member concerned must approve any virement proposal creating a long-term commitment (e.g. staffing or lease/rental payments). These then become a permanent budget change which will be maintained into future years.
- 2.14** Virement relating to staff budgets must comply with 2.13 above and receive the prior approval of the Section 151 Officer.
- 2.15** The Section 151 Officer must approve any proposal to vire internal charges in order to ensure that no overall increase in expenditure arises.
- 2.16** The transferring Member must approve any virement transferring resources between Cabinet Member responsibilities other than those covered by 2.04 and 2.05.
- 2.17** Virement that is likely to impact on the level of service activity of another Senior Manager should be implemented only after agreement with the relevant Senior Manager.
- 2.18** No virement relating to a specific financial year should be made after 31 March in that year.
- 2.19** 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:
- the amount is used in accordance with the purposes for which it has been established
 - 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?

- 2.20** The rules below cover arrangements for the transfer of unspent resources between accounting years. For the purposes of this scheme, a budget heading is a cost centre at a level equivalent to the standard service subdivision as defined by CIPFA in its Service Expenditure Analysis, i.e. staff costs, supplies & services, etc.

Key controls

- 2.21** Appropriate accounting procedures are in operation to ensure that carried-forward totals are correct and that carried forward balances are spent on the purpose for which they were approved.

Responsibilities of the Section 151 Officer

- 2.22** To administer the scheme of carry-forward within the guidelines approved by the full council.
- 2.23** To report all overspend and underspend on service estimates carried forward to the Cabinet and to members of the Council.

Responsibilities Senior Managers

- 2.24** Senior Managers shall ensure that the year end net expenditure for which they are responsible, is covered by approved budgets.
- 2.25** On the recommendation of the Section 151 Officer, the Cabinet may consider overspending of controllable budgets, not covered by approved virement being carried forward and discharged in the following financial year.
- 2.26** On the recommendation of the Section 151 Officer, the Cabinet may consider overspending on controllable budgets, not covered by approved virement being carried forward and discharged in the following financial year. Senior Managers may propose, for the consideration of the Section 151 Officer and Cabinet, business cases for the carry-forward of unused budget, setting out the financial and service benefits of so doing.

3 ACCOUNTING POLICIES

Why is this important?

3.01 The Section 151 Officer is responsible for the preparation of the authority's statement of accounts, in accordance with proper practices as set out in the format required by the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC) or any subsequent replacement, for each financial year ending 31 March.

Key controls

3.02 The key controls for accounting policies are:

- (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 present fairly the financial position of the authority and its expenditure and income.

Responsibilities of the Section 151 Officer

3.03 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

Responsibilities of Senior Managers

3.04 To adhere to the accounting policies and guidelines approved by the Section 151 Officer.

4 ACCOUNTING RECORDS AND RETURNS

Why is this important?

4.01 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.

Key controls

4.02 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 Section 151 Officer

- 4.03** To determine the accounting procedures and records for the authority. Where these are maintained outside the finance department, the Section 151 Officer should consult the Senior Manager concerned.
- 4.04** To arrange for the compilation of all accounts and accounting records under his or her direction.
- 4.05** 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.

- 4.06** To make proper arrangements for the audit of the authority's accounts in accordance with the Accounts and Audit Regulations in operation at the time.
- 4.07** To ensure that all claims for funds including grants are made by the due date.
- 4.08** 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 full council or committee there of to approve the statement of accounts before 30 June.
- 4.09** To administer the authority's arrangements for under- and overspendings to be carried forward to the following financial year.
- 4.10** To ensure the proper retention of financial documents in accordance with the requirements set out in the authority's document retention schedule.

Responsibilities of Senior Managers

- 4.11** To consult and obtain the approval of the Section 151 Officer before making any changes to accounting records and procedures.
- 4.12** To comply with the principles outlined in paragraph 4.05 when allocating accounting duties.
- 4.13** To maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements.
- 4.14** To supply information required to enable the statement of accounts to be completed in accordance with guidelines issued by the Section 151 Officer.

5 THE ANNUAL STATEMENT OF ACCOUNTS

Why is this important?

5.01 The authority has a statutory responsibility to prepare its own accounts to present fairly its operations during the year. The full council is responsible for approving the statutory annual statement of accounts.

Key controls

5.02 The key controls for the annual statement of accounts are:

- (a) 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 Section 151 Officer
- (b) the authority's statement of accounts must be prepared in accordance with proper practices, which are currently the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (the SORP) (CIPFA/LASAAC).

Responsibilities of the Section 151 Officer

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

Responsibilities of Senior Managers

- 5.08** To comply with accounting guidance provided by the Section 151 Officer and to supply the Section 151 Officer with information when required.

Appendix B

Financial Planning

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6 BUSINESS PLANS

Why is this important?

6.01 AVDC has adopted a "commercial council" approach which requires an effective performance framework to monitor the operation and performance of the organisation. The preparation of annual business plans for each sector forms the basis of this framework, providing clarity over proposed actions and targets, aligned with agreed budgets.

Key controls

6.02 The key controls for business plans are:

- (a) to ensure that all relevant plans are produced and that they provide a sound foundation for performance management and review
- (c) to meet the timetables set internally
- (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 Section 151 Officer

6.03 To advise and supply the financial information that needs to be included in business plans in accordance with agreed timetables.

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

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

Responsibilities of Senior Managers

6.06 Each Senior Manager shall prepare an annual Business Plan in respect of their service responsibility in accordance with guidelines issued by the Corporate Board.

6.07 Plans will be framed against a background of the Council's strategic and corporate objectives and focus upon ways in which the Sector can contribute towards these objectives.

7 BUDGETING

Format of the budget

Why is this important?

7.01 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

7.02 The key controls for the budget format are:

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

Responsibilities of the Section 151 Officer

7.03 To advise the Cabinet on the format of the budget that is approved by the full council.

Responsibilities of Senior Managers

7.04 To comply with accounting guidance provided by the Section 151 Officer.

Revenue budget preparation, monitoring and control**Why is this important?**

- 7.05** Budget management ensures that once the budget has been approved by the full 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.
- 7.06** 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.
- 7.07** 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 (subjective) level if this is required.

Key controls

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

Responsibilities of the Section 151 Officer

- 7.09** To establish an appropriate framework of budgetary management and control that ensures that:

- (a) budget management is exercised within annual cash limits unless the full council agrees otherwise
- (b) each Senior Manager has access to timely information on receipts and payments on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities
- (c) expenditure is committed only against an approved budget head
- (d) all officers responsible for committing expenditure comply with relevant guidance, and the financial regulations
- (e) each cost centre has a single named manager, determined by the relevant Senior Manager. 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 regularly.

7.10 To administer the authority's scheme of virement.

7.11 To submit reports to the Cabinet and to the Council, in consultation with the relevant Director and Senior Manager where the Senior Manager is unable to balance expenditure and resources within existing approved budgets under his or her control.

7.12 To prepare and submit reports on the authority's projected income and expenditure compared with the budget on a regular basis.

Responsibilities of Senior Managers

7.13 To maintain budgetary control within their area, in adherence to the principles in 7.09, and to ensure that all income and expenditure are properly recorded and accounted for and accurately reflected on Technology One.

7.14 To provide the Section 151 Officer with updated forecasts of net expenditure and budget profiles at least quarterly, and more frequently if required. Reports on budget, commitments and spend are available online to managers for self-service and are not provided directly by the Finance Team. The Finance Team can support managers to access the reports and in understanding the information

7.15 To ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the Senior Manager (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.

- 7.16** 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.
- 7.17** Where any excess of net expenditure over £50,000 cannot be financed by virement or delegated tolerance the responsible Senior Manager shall, as soon as possible and following consultation with the Section 151 Officer, report the matter to the Cabinet Member concerned.
- 7.18** Where additional income is expected above that budgeted for, or where savings on budgeted expenditure is likely, and in either instance shall exceed £50,000 after any proper use under 7.17 and virement, the responsible Senior Manager shall, as soon as possible and following consultation with the Section 151 Officer, inform the Cabinet Member concerned and the Cabinet Member for Resources.
- 7.19** 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.
- 7.20** To prepare and submit to the Council reports on the service's projected expenditure compared with its budget, in consultation with the Section 151 Officer.
- 7.21** To ensure prior approval by the Council for new proposals, of whatever amount, that:
- (a) create financial commitments in future years which are outside the budget framework
 - (b) change existing policies, initiate new policies or cease existing policies
 - (c) materially extend or reduce the authority's services.
- 7.22** To ensure compliance with the scheme of virement.
- 7.23** To agree with the relevant Senior Manager where it appears that a budget proposal, including a virement proposal, may impact materially on another service area or Senior Managers level of service activity.

*Budgets and medium-term planning***Why is this important?**

- 7.24** 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.
- 7.25** The revenue budget must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of the full council. Budgets (spending plans) are needed so that the authority can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for an authority to budget for a deficit.
- 7.26** 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.

Key controls

- 7.27** The key controls for budgets and medium-term planning are:
- (a) specific budget approval for all expenditure
 - (b) budget managers are engaged 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 Section 151 Officer

- 7.28** To prepare and submit reports on budget prospects for the Cabinet, including resource constraints set by the Government. Reports should take account of medium-term prospects, where appropriate.
- 7.29** To determine the detailed form of revenue estimates and the methods for their preparation, consistent with the budget approved by the full council, and after consultation with the Cabinet and Senior Managers.

- 7.30** To prepare and submit reports to the Cabinet on the aggregate spending plans of teams and on the resources available to fund them, identifying, where appropriate, the implications for the level of council tax to be levied.
- 7.31** To advise on the medium-term implications of spending decisions.
- 7.32** To encourage the best use of resources and value for money by working with Senior Managers 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.
- 7.33** To advise the full council on Cabinet proposals in accordance with his or her responsibilities under section 151 of the Local Government Act 1972.

Responsibilities of Senior Managers

- 7.34** To prepare estimates of income and expenditure reflecting agreed service plans, in consultation with the Section 151 Officer, to be submitted to the Cabinet. Ensure that budget estimates are submitted to the Section 151 Officer and that these estimates are prepared in line with guidance issued by the Section 151 Officer. The Section 151 officer will engage with Senior Managers to ensure that budgets, wherever possible, reflect the estimates prepared
- 7.35** 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 Section 151 Officer in accordance with the full council's general directions.
- 7.36** To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.
- 7.37** In consultation with the Section 151 Officer and in accordance with the laid-down guidance and timetable, to prepare detailed draft revenue and capital budgets.
- 7.38** When drawing up draft budget requirements, to have regard to:
 - (a) spending patterns and pressures revealed through the budget monitoring process
 - (b) legal requirements
 - (c) policy requirements as defined by the full council in the approved policy framework

- (d) opportunities set out within the sector business plan to realise additional profit/margin as a contribution to AVDC objectives, and to ensure that services, where feasible, operate on a full cost-recovery basis
- (e) initiatives already under way.

Resource allocation

Why is this important?

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

Key controls

7.40 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 Section 151 Officer

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

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

Responsibilities of Senior Managers

7.43 To work within budget limits and to utilise resources allocated, and further allocate resources, in the most efficient, effective and economic way.

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

*Capital programme***Why is this important?**

- 7.45** Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the authority, such as land, buildings, and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs.
- 7.46** The Government, in conjunction with CIPFA, implemented the Prudential Code for Capital Finance in Local Authorities in 2003. This gave each local authority the ability to borrow freely, although only after they have fully considered affordability issues surrounding any borrowing decision.
- 7.47** To demonstrate that an authority has properly considered these issues they are required by the Prudential Code to set a number of targets and limits in advance of each financial year and then during the year to monitor compliance within these.

Key controls

- 7.48** The key controls for capital programmes are:
- (a) adoption of CIPFA's Prudential Code on Borrowing
 - (b) adoption of a Capital Strategy or programme of development
 - (c) specific approval by the full council for the programme of capital expenditure
 - (d) expenditure on capital schemes is subject to the approval of the Section 151 Officer
 - (e) a scheme and estimate, including project plan, progress targets and associated revenue expenditure is prepared for each capital project, for approval by the Cabinet
 - (f) approval by the Cabinet where capital schemes are to be financed from the revenue budget, up to a specified amount, and subject to the approval of the full council, where the expenditure exceeds this amount
 - (g) proposals for improvements and alterations to buildings must be approved by the appropriate Director
 - (h) schedules for individual schemes within the overall budget approved by the full council must be submitted to the Cabinet for approval (for example, minor works), or under other arrangements approved by the full council

- (i) the development and implementation of asset management plans
- (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 Section 151 Officer

- 7.49** To prepare capital estimates jointly with Senior Managers and the Chief Executive and to report them to the Cabinet for approval. The Cabinet will make recommendations on the capital estimates and on any associated financing requirements to the full council.
- 7.50** To prepare and submit reports to the Cabinet on the projected income, expenditure and resources compared with the approved estimates.
- 7.51** To provide guidance concerning capital schemes and controls, for example, on project appraisal techniques. The definition of 'capital' will be determined by the Section 151 Officer, having regard to government regulations and accounting requirements.
- 7.52** To obtain authorisation from the Council for individual schemes where the estimated expenditure exceeds the capital programme provision by more than the lower of £50,000 or 20% of the scheme cost.

Responsibilities of Senior Managers

- 7.53** To comply with guidance concerning capital schemes and controls provided by the Section 151 Officer.
- 7.54** To ensure that all capital proposals have undergone a project appraisal in accordance with corporate guidance.
- 7.55** To prepare regular reports reviewing the capital programme provisions for their services. They should also prepare statements upon request of the Section 151 Officer of estimated final costs of schemes in the approved capital programme.
- 7.56** To ensure that adequate records are maintained for all capital contracts.
- 7.57** To proceed with projects only when there is adequate provision in the capital programme and with the agreement of the Section 151 Officer, where required.
- 7.58** To prepare and submit reports, jointly with the Section 151 Officer, to the Cabinet and Council, of any variation in contract costs greater than the lower of £50,000 or 20% of the scheme cost.

- 7.59** To prepare and submit reports, jointly with the Section 151 Officer, to the Cabinet, on completion of all contracts where the final expenditure exceeds the approved contract sum by more than the greater of 5% of the scheme costs or £50,000.
- 7.60** To ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the Section 151 Officer and, if applicable, approval of the scheme through the capital programme.

8 MAINTENANCE OF RESERVES

Why is this important?

8.01 The local authority must decide the level of general reserves it wishes to maintain before it can decide the level of council tax. Reserves are maintained as a matter of prudence. They enable the authority to provide for unexpected events and thereby protect it from overspending, should such events occur. Reserves for specific purposes may also be maintained, such as the purchase or renewal of high value items or to spread the cost of significant and infrequent expenditure.

Key controls

8.02 To maintain reserves in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC) or any replacement and agreed accounting policies.

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

8.04 Authorisation and expenditure from reserves by the appropriate Director in consultation with the Section 151 Officer.

Responsibilities of the Section 151 Officer

8.05 To advise the Cabinet and/or the full council on prudent levels of reserves for the authority, and to take account of the advice of the external auditor in this matter.

Responsibilities of Senior Managers

8.06 To ensure that resources are used only for the purposes for which they were intended

Appendix C

Risk Management and Control of Resources

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9 RISK MANAGEMENT

Why is this important?

- 9.01** Local authorities are under increasing external pressure to improve outcomes for the public and at the same time reduce costs. The expectations are high and in order to achieve these challenges the Council is looking for more innovative ways of service delivery and will increasingly work with partners and outside organisations.
- 9.02** The risks associated with change must not be overlooked or underestimated. Members and officers need to be open and upfront about uncertainty at the start so that there is opportunity and time to gather information and explore the options. This will ensure that decisions are made on the best available information and the likelihood of success is increased by having actions plans to minimise risk and maximise opportunities.
- 9.03** Effective risk management will help to ensure that the Council's objectives are more likely to be achieved, that damaging things are less likely to happen and positive opportunities are likely to be realised. This will improve our ability to deliver our priorities and improve outcomes for residents.

Key controls

- 9.04** The key controls for risk management are:
- (a) procedures are in place to identify, assess, mitigate and monitor risks, and these procedures are operating effectively throughout the authority
 - (b) a monitoring process is in place to review regularly the effectiveness of risk management strategies and the operation of these controls. The risk management process should be conducted on a continuing basis
 - (c) managers know that they are responsible for managing relevant risks
 - (d) the broad direction of the authority's appetite for risk is defined in the Risk Management Framework and acts as a guide for management and decision makers. The risk appetite levels are set by Cabinet and Transition Board and reviewed on an annual basis.
 - (e) the authority has business continuity plans in place to enable its critical activities to be maintained in the face of a disruptive incident and ensure that each service is able to respond appropriately.

Responsibilities of the Section 151 Officer

- 9.05** To prepare and promote the authority's risk management strategy.
- 9.06** To develop risk management processes to be implemented across all services, projects and partnerships.
- 9.07** To ensure that financial risks are identified through the budget setting and financial process.
- 9.08** To address the authority's arrangements for managing risk in Annual Governance Reports.

Responsibilities of Senior Managers

- 9.09** To take responsibility for risk management, including risk identification, monitoring and reporting, having regard to advice from the officer with delegated responsibility for risk management and other specialist officers (e.g. crime prevention, fire prevention, health and safety).
- 9.10** To ensure that service and project risk registers are reviewed at least quarterly with management teams and significant risks are brought to the attention of the Director or Sector lead.

10 INSURANCE

Why is this important?

10.01 Some risks the Council faces can be eliminated or avoided and others can be reduced through effective control measures. However, there is still the potential for the Council to suffer a financial loss as a result of an unwanted or unforeseen event. For example a major fire, or a liability claim for negligence. Financial protection in the form of external insurance or an internal provision is essential in order to ensure the continued financial and organisational well-being of the council.

Key controls

10.02 The key controls for insurance are:

- (a) provision is made for losses that might result from the risks to which it is exposed
- (b) acceptable levels of risk are determined and insured against where appropriate
- (c) procedures are in place to investigate claims within required timescales

Responsibilities of Section 151 Officer

10.03 To effect corporate insurance cover, through external insurance and internal funding, and to negotiate all claims in consultation with other officers, where necessary.

10.04 To include all appropriate employees of the Council in suitable fidelity guarantee insurance

Responsibilities of Senior Managers

10.05 To ensure that there are regular reviews of insurable risk within their Services and to notify the Section 151 Officer promptly of all new insurable risks, properties or vehicles that require insurance and of any alterations affecting existing insurances

10.06 To notify the Section 151 Officer immediately of any loss, liability or damage that may lead to a claim against the Council, together with any information or explanation required by the Section 151 Officer or the Council's insurers

11 INTERNAL CONTROLS

Why is this important?

- 11.01** The authority is complex and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives.
- 11.02** The authority has statutory obligations, and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations.
- 11.03** The authority faces a wide range of strategic, financial, and operational risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to manage these risks.
- 11.04** The system of internal controls is established in order to provide measurable achievement of:
- (a) efficient and effective operations
 - (b) reliable financial information and reporting
 - (c) compliance with laws and regulations
 - (d) risk management.

Key controls

- 11.05** The key controls and control objectives for internal control systems are:
- (a) Senior Managers carry out regular assessments of their own service to review the key controls in place and identify gaps and actions to meet the required standards. (for reference purposes this was previously the Service Assessment then the Service Risk Assurance Process)
 - (b) a formal statement as part of the Annual Governance Statement to the effect that the Council is satisfied that the systems of internal control are operating effectively
 - (c) managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities
 - (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 Public Sector Internal Audit Standards and with any other statutory obligations and regulations.

Responsibilities of the Section 151 Officer

- 11.06** To ensure that the authority puts in place effective internal financial controls covering accounting standards and guidance, budgetary systems, supervision, management review and monitoring, physical safeguards, segregation of duties, accounting procedures, information systems and authorisation and approval processes. Ensuring that these controls are an integral part of the authority's underlying framework of corporate governance.
- 11.07** Address the authority's arrangements for financial and internal control in Annual Governance Reports.

Responsibilities of Senior Managers

- 11.08** 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.
- 11.09** 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 Section 151 Officer. Senior Managers should also be responsible for removing controls that are unnecessary or not cost or risk effective – for example, because of duplication.
- 11.10** To ensure staff have a clear understanding of the consequences of lack of control.
- 11.11** To provide unrestricted access to their records and systems so that Internal Audit may independently verify that controls are effective and risks are mitigated.

12 ACCOUNTS AND AUDIT REQUIREMENTS

Internal audit (in AVDC this is the Business Assurance Service)

Why is this important?

12.01 The Accounts and Audit Regulations (2015) require that a local authority must undertake “an 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”.

12.02 In addition, the Council’s Section 151 Officer has a statutory duty under the Local Government Act 1972 (Sec 151) to establish a clear framework for the proper administration of the authority’s financial affairs. The Section 151 Officer relies, amongst other sources, upon the work of internal audit in reviewing the operation of systems of internal control and financial management.

12.03 Accordingly, internal audit is an independent and objective assurance and consulting function established by the authority for reviewing the system of internal control. It assists the Council in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the Council’s risk management, control and governance processes.

Key controls

12.04 The key controls for internal audit are:

- (a) that it is independent in its planning and operation
- (b) the Head of Internal Audit (*at AVDC this is the Business Assurance Manager*) has direct access to the Chief Executive, all levels of management and directly to elected members
- (c) the internal audit activity is established by the Audit Committee
- (d) the internal auditors comply with the Public Sector Internal Audit Standards.

Responsibilities of the Section 151 Officer

12.05 To ensure that the authority has put in place effective arrangements for internal audit of the control environment and systems of internal control as required by professional standards.

12.06 To ensure that internal auditors have the authority to:

- (a) access authority premises at all 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 or partners, when required
- (f) directly access the Chief Executive, the Cabinet and audit committee.

12.07 To review the strategic and annual audit plans prepared by the head of internal audit, which take account of the characteristics and relative risks of the activities involved.

Responsibilities of Senior Managers

12.08 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.

12.09 To ensure that auditors are provided with any information and explanations that they seek in the course of their work.

12.10 To consider and respond promptly to recommendations in audit reports.

12.11 To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.

12.12 To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Business Assurance Manager prior to implementation.

External audit

Why is this important?

12.13 The external auditors give an independent opinion on the authority's financial statements and may review and, where appropriate, report on aspects of the arrangements set in place to ensure the proper conduct of the Council's financial affairs and to manage its performance and use of resources. As such, external audit is an essential element in the process of accountability and makes an important contribution to the stewardship of public money and the corporate governance of public services.

12.14 Following the abolition of the Audit Commission, The Local Audit and Accountability Act 2014 enables each "relevant authority" to appoint their own local auditors via an auditor panel. These provisions are being implemented on a phased basis and it is expected that the new arrangements will have been implemented by 31 December 2017. From 2015 to 2017 external auditors are appointed by Public Sector Audit Appointments Limited (PSAA) normally for a minimum period of five years. PSAA prepares a code of audit practice, which external auditors follow when carrying out their audits.

Key controls

12.15 The authority must prepare an annual statement of accounts in accordance with the Accounts and Audit Regulations (2015) and relevant accounting standards.

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

12.17 The external auditor has rights of access to all documents and information necessary for audit purposes.

Responsibilities of the Section 151 Officer

12.18 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.

12.19 To ensure there is effective liaison between external and internal audit.

12.20 To work with the external auditor and advise the full council, Cabinet and Senior Managers on their responsibilities in relation to external audit.

Responsibilities of Senior Managers

12.21 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.

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

13 PREVENTING FRAUD AND CORRUPTION

Why is it this important?

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

Key controls

- 13.04** 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) all members and staff act with integrity and lead by example
 - (c) senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the authority or who are corrupt
 - (d) high standards of conduct are promoted amongst members by the standards committee
 - (e) the maintenance of a register of interests in which any hospitality or gifts accepted must be recorded
 - (f) whistle blowing procedures are in place and operate effectively. These are set out in the Whistle Blowing Policy.
 - (g) legislation including the Public Interest Disclosure Act 1998 is adhered to.

Responsibilities of the Section 151 Officer

- 13.05** To develop and maintain an anti-fraud and corruption policy.
- 13.06** To maintain adequate and effective internal control arrangements.
- 13.07** To ensure that all suspected irregularities are reported to the Business Assurance Manager, the Chief Executive, the Cabinet and the audit committee.

13.08 To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

Responsibilities of Senior Managers

13.09 To notify the Section 151 Officer and Business Assurance Manager immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the authority's property or resources. Pending investigation and reporting, the Senior Manager should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.

13.10 To instigate the authority's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.

13.11 To ensure that where financial impropriety is discovered, the Section 151 Officer and Business Assurance Manager is informed, and where sufficient evidence exists to believe that a criminal offence may have been committed, the police are called in to determine with the Crown Prosecution Service whether any prosecution will take place. This does not relate to benefit fraud prosecutions which are dealt with by the Department of Work and Pensions - Single Fraud Investigation Service.

13.12 To maintain a register of interests. To ensure that all staff in their service complete the declaration of interests in the Code of Conduct (Appendix B to 2014 version) if required to do so.

14 ANTI MONEY LAUNDERING

Why is it this important?

14.01 While the majority of money laundering activity in the UK falls outside of the public sector, vigilance by employees of the Council can help identify those who are or may be perpetrating crimes relating to the financing of terrorism and money laundering

14.02 The Council has procedures for checking the recording the intentions of the people and organisations it does business with and for reporting suspected money laundering.

Responsibilities of the Section 151 Officer

14.03 The Section 151 Officer is the appointed Money Laundering Officer. They must ensure that there are procedures in place to combat money laundering.

Responsibilities of the Senior Managers and Officers**14.04** Officers must not:

- Conceal, disguise, convert, transfer or remove anything gained through crime.
- Tip off a criminal or suspect
- Assist money laundering

14.05 Staff concerns should be reported to the Section 151 Officer. All suspicious transactions, irrespective of their values, should be reported to the Officer.

15 ASSETS

Security

Why is this important?

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

Key controls

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

Responsibilities of the Section 151 Officer

15.03 To ensure that an asset register is maintained in accordance with good practice for all fixed assets with a value in excess of £10,000. 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.

15.04 To receive the information required for accounting, costing and financial records from each Senior Manager.

15.05 To ensure that assets are valued in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC) or any subsequent replacement.

Responsibilities of Senior Managers

15.06 Each Senior Manager shall ensure an inventory is maintained in a form approved by the Section 151 Officer 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.

15.07 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 Senior Manager in consultation with the Section 151 Officer, has been established as appropriate.

15.08 To ensure the proper security of all buildings and other assets under their control.

15.09 Where after discussion at corporate level land or buildings are deemed surplus to requirements, a recommendation for sale should be the subject of a joint report by the Director and the Section 151 Officer.

15.10 To pass title deeds to the nominated Director who is responsible for custody of all title deeds.

15.11 To ensure that no authority asset is subject to personal use by an employee without proper authority.

15.12 To ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the authority.

15.13 To ensure that assets are identified, their location recorded and that they are appropriately marked and insured.

15.14 To consult the Section 151 Officer in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.

- 15.15** To ensure cash holdings on premises are kept to a minimum.
- 15.16** To ensure that keys to safes and similar receptacles are carried on the person of those responsible at all times; loss of any such keys must be reported to the Section 151 Officer as soon as possible.
- 15.17** To record all disposal or part exchange of assets that should normally be by competitive tender or public auction, unless, following consultation with the Section 151 Officer, the Cabinet agrees otherwise.
- 15.18** To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Section 151 Officer.
- 15.19** To ensure that all employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the authority in some way.

Inventories

- 15.20** To maintain inventories and record an adequate description of furniture, fittings, equipment, plant and machinery.
- 15.21** To carry out an annual check of all items on the inventory in order to verify location, review, condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as laptops, computers, and cameras should be identified with security markings as belonging to the authority.
- 15.22** To make sure that property is only used in the course of the authority's business, unless the Senior Manager concerned has given permission otherwise.

Stocks and stores

- 15.23** To make arrangements for the care and custody of stocks and stores in the department.
- 15.24** 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.
- 15.25** To investigate and remove from the authority's records (i.e. write off) discrepancies as necessary, subject to the limits set out in 15.27 below.

- 15.26** 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. Alternative arrangements for individual disposals may be agreed with the Section 151 Officer.
- 15.27** To seek Section 151 Officer approval to the write-off of redundant stocks and equipment valued at less than £1,000 and the Cabinet Member for Resource's authority for all sums in excess of this.

Intellectual property

Why is this important?

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

Key controls

- 15.29** 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.

Responsibilities of the Section 151 Officer

- 15.30** To develop and disseminate good practice through the authority's intellectual property procedures.

Responsibilities of Senior Managers

- 15.31** To ensure that controls are in place to ensure that staff do not carry out private work in council time and, where relevant, that staff are aware of an employer's rights with regard to intellectual property.

Asset disposal

Why is this important?

- 15.32** 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

- 15.33** 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.
- 15.34** Procedures protect staff involved in the disposal from accusations of personal gain.

Responsibilities of the Section 151 Officer

- 15.35** To issue guidelines representing best practice for disposal of assets.
- 15.36** 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 Senior Managers

- 15.37** To seek advice from purchasing advisors on the disposal of surplus or obsolete materials, stores or equipment and obtain best value of any disposal.
- 15.38** Seek the authority of the Section 151 Officer for any disposal process outside of those described in 14.34.
- 15.39** To ensure that income received for the disposal of an asset is properly banked and coded.

16 TREASURY MANAGEMENT

Why is this important?

16.01 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 capital sum.

Key controls

16.02 That the authority's borrowings and investments comply with the CIPFA *Code of Practice on Treasury Management* or such other publication determined to represent best practice and with the authority's treasury policy statement.

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

- a treasury management policy statement, stating the policies and objectives of its treasury management activities.
- Suitable Treasury Management Practices (TMPs) setting out the manner in which the organisation will seek to achieve those policies and objectives and prescribing how it will manage and control those activities.

Responsibilities of Section 151 Officer – treasury management and banking

16.04 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.

16.05 The Council will receive reports on its treasury management policies, practices and activities, including as a minimum, an annual strategy and plan in advance of the year, and an annual report after its close.

16.06 To report three times a year on treasury management activities.

16.07 To operate bank accounts as are considered necessary – opening or closing any bank account shall require the approval of the Section 151 Officer.

Responsibilities of Senior Managers – treasury management and banking

16.08 To follow the instructions on banking issued by the Section 151 Officer.

Responsibilities of Section 151 Officer – investments and borrowing

- 16.09** To ensure that all investments of money are made in the name of the authority or in the name of nominees approved by the full council.
- 16.10** 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 appropriate nominated Director.
- 16.11** To effect all borrowings in the name of the authority.
- 16.12** 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 Senior Managers – investments and borrowing

- 16.13** 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 full council, following consultation with the Section 151 Officer.

Responsibilities of Senior Managers – trust funds and funds held for third parties

- 16.14** 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 Section 151 Officer, unless the deed otherwise provides.
- 16.15** To arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Section 151 Officer, and to maintain written records of all transactions.
- 16.16** To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.

Responsibilities of the Section 151 Officer – imprest accounts (Petty Cash)

- 16.17** The Council does not operate any imprest or petty cash accounts. Wherever possible purchases should be made using orders raised on Technology One or using a Council Purchase Card. Small items of expenditure directly incurred by employees using their own money can be reclaimed through expenses and reimbursed through the payroll system.

Responsibilities of the Section 151 Officer – purchasing cards

- 16.18** Provide designated employees of the authority with purchasing cards to meet expenditure on behalf of the authority and to prescribe rules for operating these accounts. Items of expenditure should not exceed the prescribed amount.
- 16.19** Maintain a record of all employees holding purchasing cards and their respective limits and categories of spend, and periodically to review the arrangements for the safe custody and control of these cards.

Responsibilities of Senior Managers – purchasing cards

- 16.20** To ensure that employees holding a purchasing card:
- (a) are aware of and comply with all guidance as issued from time to time by the Section 151 Officer including accounting for transactions using the prescribed software (e.g. Technology One) either as a card holder or as an approver of spend.
 - (b) obtain and retain vouchers / on-line receipts to support each purchase made using the purchase card. Where appropriate, an official receipted VAT invoice must be obtained
 - (c) make adequate arrangements for the safe custody of the card and not divulge or share any associated PIN
 - (d) reconcile and balance the purchase card statement at least monthly; reconciliation sheets to be signed and retained by the card holder together with the vouchers
 - (e) produce upon demand by the Section 151 Officer all vouchers and on-line receipts to the total value of purchases made using the purchase card
 - (f) record transactions promptly
 - (g) on leaving the authority's employment or otherwise ceasing to be entitled to hold a purchase card, an employee shall return the card to the Section 151 Officer.

17 STAFFING

Why is this important?

17.01 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

17.02 The key controls for staffing are:

- (a) an appropriate staffing strategies and policies 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 Section 151 Officer

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

17.04 Together with the Sector Lead for Business Support act as an advisor to Senior Managers on areas such as National Insurance and pension contributions, as appropriate.

Responsibilities of Senior Managers

17.05 To produce an annual staffing budget.

17.06 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).

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

17.08 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.

17.09 To ensure that the Sector Lead for Business Support and the Section 151 Officer are immediately informed if the staffing budget is likely to be materially over- or underspent.

Appendix D

Financial Systems and Procedures

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18 GENERAL

Why is this important?

18.01 Teams have many systems and procedures relating to the control of the authority's assets, including purchasing, costing and management systems. Teams are increasingly reliant on computerised systems for their financial management information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.

18.02 The Section 151 Officer has a professional responsibility to ensure that the authority's financial systems are sound and should therefore be consulted in advance of any proposed new developments or changes.

Key controls

18.03 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.

Responsibilities of the Section 151 Officer

18.04 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 Senior Managers

- 18.05** To ensure that accounting records are properly maintained and held securely.
- 18.06** To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Section 151 Officer.
- 18.07** 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.
- 18.08** 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.
- 18.09** 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.
- 18.10** 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.
- 18.11** To ensure that systems are documented and staff trained in operations.
- 18.12** To consult with the Section 151 Officer before changing any existing financial system or introducing new financial systems.
- 18.13** To establish a scheme of delegation identifying officers authorised to act upon their behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority.
- 18.14** To supply lists of authorised officers, with specimen signatures and delegated limits, to the Section 151 Officer, together with any subsequent variations.
- 18.15** To ensure that effective contingency arrangements, including back-up procedures, exist for computer systems. Wherever possible, back-up information should be securely retained in a fireproof location, preferably off site or at an alternative location within the building.
- 18.16** To ensure that, where appropriate, computer systems are registered in accordance with data protection legislation and that staff are aware of their responsibilities under the legislation.
- 18.17** To ensure that relevant standards and guidelines for computer systems issued by the Sector Lead for responsible for IT are observed.

18.18 To ensure that computer equipment and software are protected from loss and damage through theft, vandalism, etc.

18.19 To comply with the copyright, designs and patents legislation and, in particular:

- (a) not to install or cause to be installed any software unless it has been legally acquired
- (b) to ensure that staff are aware of legislative provisions
- (c) in developing systems, due regard is given to the issue of intellectual property rights.

19 INCOME AND EXPENDITURE

Income

Why is this important?

19.01 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 also avoids the time and cost of administering debts.

Key controls

19.02 The key controls for income are:

- (a) all income due to the authority is identified and charged correctly, in accordance with an approved scale of charges for each service, which is regularly reviewed
- (b) charges should be consistent with the objective that the cost of the services provided should be covered by charges unless there is an approved and measurable objective for either subsidising or over recovering the cost of the service.
- (c) In determining the correct level of charge the charges of competing and comparable providers should also be referenced as this may be material in determining the maximum or minimum level of charge appropriate and evidence should be documented and retained.
- (d) all income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery
- (e) all money received by an employee on behalf of the authority is paid without delay, to the authority's bank account, and properly recorded. The responsibility for cash collection should be separated from that:
 - for identifying the amount due
 - for reconciling the amount due to the amount received
- (f) effective action is taken to pursue non-payment within defined timescales
- (g) formal approval for debt write-off is obtained
- (h) appropriate write-off action is taken within defined timescales
- (i) appropriate accounting adjustments are made following write-off action

- (j) all appropriate income documents are retained and stored for the defined period in accordance with the document retention schedule
- (k) 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 Section 151 Officer

- 19.03** To agree arrangements for the collection of all income due to the authority and to approve the procedures, systems and documentation for its collection.
- 19.04** To provide guidance which reflects best practice to Senior Managers on the creation of a charging framework for their service areas.
- 19.05** To agree the form of all stationery used in the collection and receipt of income.
- 19.06** To agree the write-off of bad debts up to an approved limit in each case in accordance with the scheme of officer delegations and to refer larger sums to the Cabinet member for Resources.
- 19.07** To approve all debts to be written off in and to keep a record of all sums written off up to the approved limit specified in the scheme of officer delegation and to adhere to the requirements of the Accounts and Audit Regulations 2006.
- 19.08** To obtain the approval of the Cabinet member for Resources or the Cabinet in consultation with the relevant Director for writing off debts in excess of the approved limit in accordance with the scheme of delegation.
- 19.09** To ensure that appropriate accounting adjustments are made following write-off action.

Responsibilities of Senior Managers

- 19.10** To establish a scale of fees and charges for the supply of goods or services, including the appropriate charging of VAT, and to review it regularly, in line with corporate policies and guidance.
- 19.11** To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable.
- 19.12** To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.
- 19.13** To ensure that official receipts are issued or that other documentation is maintained for income collection.
- 19.14** To ensure that secure systems are in place for the opening of post so that money received by post is properly identified and recorded.

- 19.15** To ensure that receipts, tickets and other records of income are held securely for the appropriate period.
- 19.16** To ensure all income is locked away to safeguard against loss or theft, and to ensure the security of cash handling.
- 19.17** 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.
- 19.18** To ensure income is not used to cash personal cheques or other payments.
- 19.19** To ensure that the Section 151 Officer is supplied with details relating to work done, goods supplied, services rendered or other amounts due, to enable the Section 151 Officer to record correctly the sums due to the authority and to ensure accounts are sent out promptly. To do this, Senior Managers should use established performance management systems to monitor recovery of income and flag up areas of concern to the Section 151 Officer. Senior Managers have a responsibility to assist the Section 151 Officer in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the authority's behalf. Only up to approved levels of cash can be held on the premises.
- 19.20** To keep a record of every transfer of Council money between employees of the authority. The receiving officer must sign for the transfer and the transferor must retain a copy.
- 19.21** To recommend to the Section 151 Officer all debts to be written off and to keep a record of all sums written off up to the approved limit. Once raised, no bona fide debt may be cancelled, except by full payment or by its formal writing off. A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt.
- 19.22** To obtain the approval of the Section 151 Officer when writing off debts in excess of the approved limit, and the approval of the Cabinet where required.
- 19.23** To notify the Section 151 Officer of outstanding income relating to the previous financial year in line with the timetable determined by the Section 151 Officer and, in any case, not later than 31 March.

*Ordering and paying for work, goods and services***Why is this important?**

19.24 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 Procedure Rules.

General

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

19.26 Official orders must be in a form approved by the Section 151 Officer. Orders must be raised using the Technology One system. Requisitions are raised and approved locally using the system. Official orders must be issued for all work, goods or services to be supplied to the authority, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions specified by the Section 151 Officer.

19.27 Each order must conform to the procurement strategy approved by the Cabinet and the standardisation of supplies and materials. Standard terms and conditions must not be varied without the prior approval of the Section 151 Officer.

19.28 Apart from purchase cards the normal method of payment from the authority shall be by BACS or other instrument or approved method, drawn on the authority's bank account by the Section 151 Officer. The use of direct debit shall require the prior agreement of the Section 151 Officer.

19.29 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

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

- (a) all goods and services are ordered only by appropriate persons and are correctly recorded, orders must be raised in advance of receiving goods or services

- (b) all goods and services shall be ordered in accordance with the authority's Contract Procedure Rules unless they are purchased from sources within the authority
- (c) goods and services received are checked to ensure they are in accordance with the order. Goods should not be received by the person who placed the order. Goods receipting must be carried out using the Technology One system as soon as a supplier has delivered goods or services (unless these are not fit for purpose).
- (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 Section 151 Officer

- 19.31** To ensure that all the authority's financial systems and procedures are sound and properly administered.
- 19.32** To approve any changes to existing financial systems and to approve any new systems before they are introduced.
- 19.33** To provide frameworks and guidance on the use of supplementary payment systems such as Purchasing Cards or pre loaded Payment Cards.
- 19.34** To approve the form of official orders on Technology One and associated terms and conditions.
- 19.35** To make payments from the authority's funds on the Director's authorisation, or an individual with authority as delegated by the Director, that the expenditure has been duly incurred in accordance with financial regulations.
- 19.36** 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.

- 19.37** To make payments to contractors on the certificate of the appropriate Director, or an individual with authority as delegated by the Director, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.
- 19.38** To provide advice on making payments by the most economical means.
- 19.39** 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.
- 19.40** 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 (coding should not be required in normal circumstances as the order will have the code)
 - (g) that discounts have been taken where available
 - (h) that appropriate entries will be made in accounting records.
 - (i) that the appropriate order number is quoted
- 19.41** To ensure that payments are not made on a photocopied or faxed invoice, statement or other document other than the original invoice or certified copy.

Responsibilities of Senior Managers

- 19.42** To ensure that orders are raised in a timely way on the Technology One system. Ie that orders are raised in advance of goods or services being delivered and only in exceptions are retrospective orders raised.

- 19.43** To ensure that orders are only used for goods and services provided to the Authority. Individuals must not use official orders to obtain goods or services for their private use.
- 19.44** To ensure that only those staff authorised to do so authorise 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 if necessary. Best value principles should underpin the authority's approach to procurement. Value for money should always be achieved.
- 19.45** To ensure that goods and services are checked on receipt to verify that they are in accordance with the order. This check should 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.
- 19.46** To ensure that two authorised members of staff are involved in the requisitioning, ordering and receiving process. Invoice authorisation should not be required if the correct ordering process has been followed – unless the invoice is related to one of the agreed exceptions to the ordering process outlined above.
- 19.47** To ensure that the department maintains and reviews periodically a list of staff approved to authorise orders and exceptionally invoices or requests for payment to be made.
- 19.48** 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 Section 151 Officer.
- 19.49** To ensure that the department 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 procurement officer, which are in line with best value principles and contained in the authority's Contract Procedure Rules.
- 19.50** To utilise the Contract Procedure Rules established by the procurement officer and Section 151 Officer in putting purchases, where appropriate, out to competitive quotation or tender. These will comply with the code of practice on tenders and contracts 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.

19.51 To ensure that employees are aware of the national code of conduct for local government employees (summarised in the procedures and conditions of employment manual).

19.52 To ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the Section 151 Officer. This is because of the potential impact on the authority's borrowing powers, to protect the authority against entering into unapproved credit arrangements and to ensure that value for money is being obtained.

19.53 To notify the Section 151 Officer of outstanding expenditure relating to the previous financial year in line with the timetable determined by the Section 151 Officer and, in any case, not later than 31 March.

19.54 With regard to contracts for construction and alterations to buildings and for civil engineering works, to document and agree with the Section 151 Officer the systems and procedures to be adopted in relation to financial aspects, including certification of interim and final payments, checking, recording and authorising payments, the system for monitoring and controlling capital schemes and the procedures for validation of subcontractors' tax status.

19.55 To notify the Section 151 Officer immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.

19.56 To ensure that all appropriate payment records and receipts are retained and stored for the defined period, in accordance with the document retention schedule.

19.57 To ensure that supplementary rules and guidance is complied with.

*Payments to employees and members***Why is this important?**

19.58 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 members' allowances are authorised in accordance with the scheme adopted by the full council.

Key controls

19.59 The key controls for payments to employees and members are:

- (a) proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to:
- starters
 - leavers
 - variations
 - enhancements

and 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 Her Majesty's Revenues and Customs' regulations are complied with.

Responsibilities of the Sector Lead for Business Support

19.60 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.

19.61 To record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions.

19.62 To make arrangements for payment of all travel and subsistence claims or financial loss allowance.

19.63 To make arrangements for paying members travel or other allowances upon receiving the prescribed form, duly completed and authorised.

19.64 To provide advice and encouragement to secure payment of salaries and wages by the most economical means.

19.65 To ensure that there are adequate arrangements for administering superannuation matters on a day-to-day basis.

Responsibilities of Senior Managers

19.66 To ensure appointments are made in accordance with the regulations of the authority and approved establishments, grades and scale of pay and that adequate budget provision is available.

19.67 To notify the Sector Lead for Business Support 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 Sector Lead for Business Support .

19.68 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.

19.69 To send an up-to-date list of the names of officers authorised to sign records to the Sector Lead for Business Support. This should include a list of personnel and officers authorised to sign timesheets and claims.

19.70 To ensure that payroll transactions are processed only through the payroll system. Senior Managers should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. Her Majesty's Revenues and Customs apply a tight definition for employee status, and in cases of doubt, advice should be sought from the Sector Lead for Business Support .

- 19.71** 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 Sector Lead for Business Support is informed where appropriate.
- 19.72** To ensure that the Sector Lead for Business Support is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.
- 19.73** To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule.

Responsibilities of members

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

20 TAXATION

Why is this important?

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

Key controls

20.02 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 Section 151 Officer

20.03 To complete a monthly return of VAT inputs and outputs to HM Revenues and Customs.

20.04 To provide details to the HM Revenues and Customs regarding the construction industry tax deduction scheme.

20.05 To maintain up-to-date guidance for authority employees on non personal taxation issues

Responsibilities of the Sector Lead for Business Support

20.06 To complete all HM Revenues and Customs returns regarding PAYE.

20.07 To maintain up-to-date guidance for authority employees on personal taxation issues.

Responsibilities of Senior Managers

- 20.08** To ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Revenues and Customs regulations.
- 20.09** To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.
- 20.10** 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.
- 20.11** To follow the guidance on taxation issued by the Section 151 Officer or Sector Lead for Business Support .

21 TRADING ACCOUNTS**Why is this important?**

21.01 There is a statutory requirement to maintain trading accounts for specified activities, normally where the activity acts in direct or indirect competition with the private sector. In such circumstances all relevant expenditure (including appropriate overheads and capital financing charges) must be charged to the trading account, along with all relevant income.

Responsibilities of the Section 151 Officer

21.02 To advise on the establishment and operation of trading accounts.

Responsibilities of Senior Managers

21.03 To observe all statutory requirements in relation to trading accounts, 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.

21.04 To ensure that the same accounting principles are applied in relation to trading accounts as for other services or business units.

Appendix E

External Arrangements

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22 PARTNERSHIPS

Why is this important?

22.01 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.

22.02 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.

22.03 Partners share risks and rewards, sometimes funding and often share in a decision-making process. This is different to collaboration, which may involve work 'with' other groups, organisations and individuals but will not lead to sharing.

General

22.04 There are five main reasons why the council works in partnership:

22.05 To provide better quality services to the public;

22.06 To approach complex issues or local weaknesses that require the involvement of multiple agencies;

- (a) To bid for or gain access to new resources or to make the best use of scarce resources;
- (b) To take advantage of new opportunities and innovation; and
- (c) To meet a statutory requirement.

22.07 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

22.08 The key controls for authority partners are:

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

Responsibilities of the Section 151 Officer

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

22.10 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.

22.11 To ensure that the accounting arrangements are satisfactory.

Responsibilities of Senior Managers

22.12 To maintain a register of all partnership contracts entered into with external bodies in accordance with procedures specified by the Section 151 Officer.

- 22.13** To ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared for the Section 151 Officer.
- 22.14** To ensure that such agreements and arrangements do not impact adversely upon the services provided by the authority.
- 22.15** To ensure that all agreements and arrangements are properly documented.
- 22.16** To provide appropriate information to the Section 151 Officer to enable a note to be entered into the authority's statement of accounts concerning material items.

23 PART- OR WHOLLY-OWNED COMPANIES

23.01 The authority may create or acquire part- or wholly-owned companies. The aim of any company owned or part owned by AVDC is to produce overall benefits for the residents and businesses of the Vale. This may be through investment, commercial opportunity, a host of other reasons or simply by generating cash for the council through divided payments funded from profit. This also may be through purchasing or reselling elements of council services which may result in an overall better position for the council.

- 22.2 The decision to create or acquire companies is reserved to full Council. The Section 151 Officer will provide an assessment of the financial benefits and risks to inform the decision.
- 22.3 The Council will approve guidelines for the creation of and working with companies, which will include financial arrangements agreed with the Section 151 Officer. All companies will be required to report their financial performance at least quarterly against an annual business plan agreed with the authority.

24 EXTERNAL FUNDING

Why is this important?

24.01 External funding is potentially a very important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the authority. Local authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers. Funds from external agencies such as the National Lottery and others 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

24.02 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 full 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 Section 151 Officer

24.03 To ensure that all funding notified by external bodies is received and properly recorded in the authority's accounts.

24.04 To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.

24.05 To ensure that audit requirements are met.

Responsibilities of Senior Managers

24.06 To ensure that all claims for funds are made by the due date.

24.07 To ensure that the project progresses in accordance with the agreed project and that all expenditure is properly incurred and recorded.

25 WORK FOR THIRD PARTIES

Why is this important?

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

Key controls

25.02 The key controls for working with third parties are:

- (a) to ensure that proposals are costed properly in accordance with guidance provided by the Section 151 Officer
- (b) to ensure that contracts are drawn up using guidance provided by the Section 151 Officer and that the formal approvals process is adhered to
- (c) to issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register.

Responsibilities of Section 151 Officer

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

Responsibilities of Senior Managers

25.04 To ensure that the approval of the Cabinet is obtained before any negotiations are concluded to work for third parties.

25.05 To maintain a register of all contracts entered into with third parties in accordance with procedures specified by the Section 151 Officer.

25.06 To ensure that appropriate insurance arrangements are made.

25.07 To ensure that the authority is not put at risk from any bad debts.

25.08 To ensure that no contract is subsidised by the authority.

25.09 To ensure that, wherever possible, payment is received in advance of the delivery of the service.

25.10 To ensure that the department/unit has the appropriate expertise to undertake the contract.

25.11 To ensure that such contracts do not impact adversely upon the services provided for the authority.

25.12 To ensure that all contracts are properly documented.

25.13 To provide appropriate information to the Section 151 Officer to enable a note to be entered into the statement of accounts.