

# FINANCIAL REGULATIONS

## CONTENTS

### INTRODUCTION

The purpose of Financial Regulations  
 The status of Financial Regulations  
 Further assistance and feedback

### A: FINANCIAL MANAGEMENT RESPONSIBILITIES

The Full Council	A1
The Leader and Cabinet	A2
Committees	A3
Statutory Officers	A4
The Head of Finance and Procurement	A5
Heads of Service	A6
Other Financial Responsibilities	A7

### B: FINANCIAL PLANNING AND CONTROL

The Financial Planning process	B1
The Policy Framework including consultation	B2
The Medium Term Plan	B3
The Annual Revenue Budget	B4
The Capital Programme	B5
The Treasury Management Strategy	B6
Financial Control	B7
Virements	B8
Year End Balances/ Carry Forwards	B9
Maintenance of Reserves	B10
Contingent Liabilities	B11
Pension Fund Strategy	B12
Trading Accounts	B13

### C: RISK MANAGEMENT AND CONTROL OF RESOURCES

Risk Management	C1
Internal Control	C2
Audit Requirements	C3
Separation of Duties	C4
Retention of Records	C5
Prevention of Fraud and Corruption	C6
Investments and Treasury Management	C7
Security of Council Property	C8
Assets	C9
Staffing	C10
Payroll	C11
Taxation	C12

### D: SYSTEMS AND PROCEDURES

General	D1
Procurement	D2
Income	D3
Expenditure	D4

<b>E:</b>	<b>EXTERNAL ARRANGEMENTS</b>	
	Voluntary Funds	E1
	Trust Funds	E2
	Partnerships, Joint Ventures, Pooled Budgets, External Funding, Work for Third Parties and Companies	E3

**Approved by full Council on 24<sup>th</sup> September 2009**

## **FINANCIAL REGULATIONS**

### **INTRODUCTION**

#### **The purpose of Financial Regulations**

These Financial Regulations are a part of the overall governance framework within which Buckinghamshire County Council operates. They are designed to provide a robust framework for managing the authority's financial affairs. The objective of this document in conjunction with others is to ensure that the Council:

- manages its available resources to ensure financial stability in both the short and medium term
- in conjunction with key partners plans its finances effectively to deliver its strategic priorities
- achieves value for money in the delivery of services and in the management of its asset base
- complies with financial and external reporting requirements on a timely basis and meets the needs of stakeholders
- has a pro-active approach to managing its risks including partnership risks together with a sound system of internal control

#### **The status of Financial Regulations**

These Financial Regulations apply to all members and officers of the Council and anyone acting on its behalf.

The financial control framework can be seen as a hierarchy as set out below:

Financial Regulations	Approved by the County Council
Financial Instructions	Approved by the Head of Finance and Procurement
Schemes of Delegation	Approved by Heads of Service

Additionally, there is a separate scheme for maintained schools as required by the School Standards and Framework Act 1998.

The Head of Finance and Procurement is responsible for:

- Reviewing Financial Regulations
- the submission of any additions or changes to the Full Council for approval.
- carrying out duties in accordance with s.151 Local Government Act 1972
- reporting, where appropriate, breaches of the Financial Regulations to the Regulatory and Audit Committee, the Council and/or to the Cabinet.

#### **Further assistance and feedback**

Finance staff provide advice and support to service managers on all aspects of financial management and financial control. In particular, service managers must seek advice if they are intending to create a new financial procedure, or amend an existing one.

The Head of Finance and Procurement welcomes feedback on the operation of Financial Regulations and Financial Instructions to ensure they remain relevant and effective. The Head of Finance and Procurement (01296 383120) should be contacted if you have comments on the application or operation of particular regulations; also if further interpretation of regulations is required.

## **A: FINANCIAL MANAGEMENT RESPONSIBILITIES**

### **Importance of this area**

**Financial management includes all financial accountabilities relating to the running of the authority, including the policy framework and budget. The main areas of responsibility are set out below:**

#### **A1 The Full Council**

**A1.1** The Full Council is responsible for adopting and changing the principles of Cabinet governance and for approving or adopting the policy framework and budget within which the executive operates.

**A1.2** The Constitution allows decisions to be taken as follows:

- Strategic Decisions – decisions regarding policy or resource allocation are reserved by law as matters which must be determined by the Council.
- Reserved Decisions – decisions which are delegated by the Council to a Committee of the Council, whether in the terms of reference of committees or otherwise.
- Key Decisions – decisions which are allocated to the Leader and individual members by the Constitution, and are therefore subject to consultation, referral and reporting requirements.
- Administrative Decisions – decisions which are delegated by the Cabinet to officers.
- Council Delegated Decisions (Non Executive), which are delegated from the Council or a Committee to officers.
- All decisions must outline the financial implications of decisions being made.

#### **A2 The Leader and Cabinet**

**A2.1** The Leader and Cabinet are responsible for directing the Council's affairs within the policy framework and budget.

#### **A3 Committees**

##### **A3.1 Overview and Scrutiny**

There are two Overview and Scrutiny Committees, which support the work of the Cabinet and the Council. They hold reviews into matters of local 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 Overview and Scrutiny Committees on forthcoming decisions and the development of policy.

##### **A3.2 The Regulatory and Audit Committee**

The Regularity and Audit Committee is a decision making body which reports to the Full Council. The Committee is responsible for reviewing the reports of the external auditor, the annual audit letter and reports from Internal Audit together with the Annual Audit Plan. It is also responsible for approving the Annual Statement of Accounts. ([Terms of Reference](#))

### **A3.3 The Standards Committee**

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. ([Terms of Reference](#))

## **A4 Statutory Officers**

### **A4.1 The Head of Paid Service (Chief Executive)**

The Head of Paid Service is the Chief Executive. He/she may report to Full Council on the manner in which the discharge of the Council's functions is co-ordinated.

### **A4.2 The Monitoring Officer (Head of Legal & Democratic Services)**

The Monitoring Officer is responsible for promoting and maintaining high standards of financial conduct through provision of support to the Standards Committee. He/she is also responsible for reporting any actual or potential breaches of the law or maladministration to the Full Council and/or to Cabinet.

### **A4.3 The Chief Finance Officer (Head of Finance and Procurement)**

The Council has designated the Head of Finance and Procurement (see below) as the Chief Finance Officer. The Chief Finance Officer has statutory duties in relation to the financial administration and stewardship of the authority. The statutory duties arise from:

- Section 151, Local Government Act 1972
- The Local Authorities Goods and Services Act 1970 and 1988
- Section 114, Local Government Finance Act 1988
- The Local Government and Housing Act 1989
- The Local Government Acts 2000 and 2003
- The Accounts and Audit Regulations 2006
- The Local Government Pension Scheme Regulations 1974 and 1997
- The Local Government Pension Scheme Regulations (Management and Investment of Funds) 1998

### **A4.4 The Money Laundering Reporting Officer**

The Head of Finance and Procurement is appointed as the Money Laundering Reporting Officer and the Head of Legal Services as the Deputy Money Laundering Reporting Officer. The Council has an Anti-Money Laundering Policy and Procedures in place. The Money Laundering Reporting Officer is the officer responsible for reporting disclosures to the Serious Organised Crime Agency (SOCA).

## **A5 The Head of Finance and Procurement**

**A5.1** The Head of Finance and Procurement shall, for the purposes of Section 151 of the Local Government Act 1972, be responsible for the proper administration of the Council's financial affairs and report to the Council, the Cabinet and Cabinet Member - Resources on the performance of this responsibility.

**A5.2** The Head of Finance and Procurement is responsible for advising committees on all financial matters. All reports to committees, Cabinet members and the Cabinet must contain a financial appraisal setting out the full financial implications arising from the proposals contained within the report. The financial appraisal must be agreed with the Head of Finance and Procurement. He/she must be consulted on all financial matters and given sufficient opportunity to provide written comments on any report with financial implications.

**A5.3** The Head of Finance and Procurement is responsible for advising the Cabinet on whether a decision is likely to be considered contrary or not wholly in accordance with the budget. An example of a decision that may be 'contrary to the budget' may include committing expenditure in future years to above the budget level.

**A5.4** The Head of Finance and Procurement has a statutory responsibility for ensuring that adequate systems and procedures exist to account for all income due and expenditure incurred on behalf of the Council and that controls operate to protect the Council's assets from loss, waste, fraud or other impropriety. The Head of Finance and Procurement shall carry out that responsibility in part by the issue and maintenance of Financial Instructions with which all employees of the Council must comply.

## **A6 Heads of Service**

**A6.1** For the purposes of these Regulations, references to Head of Service shall also refer to Divisional Directors, the Corporate Director as well as project sponsors of key corporate projects.

**A6.2** These Financial Regulations are designed to facilitate effective financial management. Hence:

- Strategic Directors as part of the Council's Performance Management Framework are responsible for ensuring the effective financial management of resources within their Portfolios including Value for Money
- Heads of Service with the agreement of the relevant Cabinet Member and Strategic Director may manage budgets across the portfolio in accordance with the Council's strategic priorities.

**A6.3** Each Head of Service is responsible for compliance with Financial Regulations and Financial Instructions within his or her service area; also for the training of staff to enable them to comply with Financial Regulations and Financial Instructions.

**A6.4** Each Head of Service is responsible for:

- the proper financial management of resources allocated to his/her service area through the budget making process
- for the identification of income arising from activities within his/her operational areas
- ensuring that they provide all required information to the Head of Finance and Procurement so that the Council's external reporting duties can be effectively met; and

- the control of staff and the security, custody and management of assets including plant, equipment, buildings, materials, cash and stores relating to his/her service area.

**A6.5** Heads of Service are responsible for ensuring that:

- financial implications in both current and future years are identified for all reports and that the financial implications are agreed by the Head of Finance and Procurement. Sufficient time needs to be allowed for this.
- where reports impact on other departments or have financial implications for corporate resources, details of those implications are agreed with the department(s) concerned and the Head of Finance and Procurement. Sufficient time needs to be allowed for this prior to reporting deadlines
- all financial implications referred to in reports are reflected within the current budget or the Medium Term Plan.

**A6.6** Heads of Service may delegate responsibilities to their staff but in doing so must ensure that:

- delegated responsibilities are clearly documented and reviewed
- all staff who have delegated responsibilities are specifically informed of these responsibilities and are adequately trained to carry out these roles.
- the competence and diligence of staff in undertaking these matters is assessed as part of the Council's performance management framework.

**A7 Other Financial Responsibilities**

**A7.1** The Head of Finance and Procurement shall determine the nature and format of all accounting procedures and financial records.

**A7.2** The Head of Finance and Procurement will ensure that accounting procedures reflect recommended professional practice, comply with appropriate accounting principles and legislative requirements. He/she will review accounting procedures as necessary in consultation with Heads of Service to ensure that the necessary information is available without duplication of records.

**A7.3** The Head of Finance and Procurement is responsible for:

- ensuring that the Annual Statement of Accounts is prepared by the statutory date in accordance with relevant legislation and accounting standards and that the accounts present a true and fair view of the financial position of the Council and its expenditure and income.
- liaising with External Audit on the completion of the Statement of Accounts and the arrangements for the audit of these.
- ensuring procedures are in place to provide adequate documentation to support the Statement of Accounts. This will include reconciliations with financial ledgers, copies of grant claims and other working papers which demonstrate the substantive basis for the data within the Statement.

## **B: FINANCIAL PLANNING AND CONTROL**

### **Importance of this area**

**Financial planning enables the Council to deliver its priorities through the allocation of resources to services.**

- **The revenue budget provides an estimate of the annual income and expenditure requirements for all services and sets out the financial implications of the Council's policies. It provides Heads of Service with authority to incur expenditure and a basis on which to monitor the financial performance of the Council.**
- **Capital expenditure is an important element in the development of the Council's services since it represents a major investment in new and improved assets.**

### **B1 The Financial Planning process**

**B1.1** The Council's objective is to ensure that the financial and corporate planning processes are integrated, are risk assessed and managed and incorporate strategic planning for other resources such as assets, and human resources.

### **B2 The Policy Framework including consultation**

**B2.1** The Full Council is responsible for agreeing the authority's policy framework and the budget which is proposed by the Cabinet. The policy framework includes the Local Area as well as the many statutory plans that the Council must prepare.

**B2.2** The key elements of financial planning are:

- The Local Area Agreement
- The Corporate Plan
- The Medium Term Plan
- The Annual Revenue Budget
- The Capital Strategy
- The Capital Programme including prudential indicators
- The Treasury Management Strategy

**B2.3** The Council involves external stakeholders & partners in the financial planning process in order to help shape and deliver its organisational and shared objectives.

**B2.4** The Council consults local people and communities on spending decisions and charging policies as appropriate. Developing opportunities to engage in processes such as participatory budgeting are available through the Council's Getting Closer to Communities Programme.

### **B3 The Medium Term Plan**

**B3.1** Annually each Head of Service shall review and develop their three year medium term plan (capital and revenue). This is a statement of the resources required to deliver the planned service outcomes over a three year period. It should be developed in consultation with the Head of Finance and Procurement and in accordance with the planning guidance prior to being submitted to the appropriate Cabinet member and to the Cabinet. Such forecasts should be developed as an integral part of the Council's overall service planning process.

**B3.2** The Head of Finance and Procurement will determine the format of the medium term forecast and the timing of reports, subject to any overriding requirements of the Cabinet.

**B3.3** Each Head of Service shall include the financial effects of:

- all known commitments
- efficiency savings
- the scope for additional income generation
- the delivery of council priorities; and
- any service reductions

**B3.4** The Head of Finance and Procurement is responsible for providing advice and support to Heads of Service on the form of financial information to be included in the plans.

**B3.5** Heads of Service are responsible for:

- the identification of risks that may impact on business objectives and assessment of the best ways to manage them
- contributing to the development of corporate and service targets and objectives and performance information
- ensuring that service plans are clearly aligned with budgets for the purpose of delivery of service priorities
- ensuring that targets identified within the service plans are included in service business plans and as performance management targets for the relevant staff

#### **B4. The Annual Revenue Budget**

**B4.1** Revenue expenditure incurred against the revenue budget approved by Council will be subject to **Regulation B7**

#### **B5. The Capital Programme**

**B5.1** The Council's Capital Programme will be developed in accordance with the Council's Capital Strategy and Financial Instructions. The strategy will ensure that capital investment is targeted to achieve best value and maximum effect on priorities, needs and outcomes for local communities.

**B5.2** Heads of Service will ensure that financial plans support the delivery of asset strategies, either through investment, disposals, transfers, and rationalisation or by more efficient asset use.

**B5.3** The Head of Finance and Procurement is responsible for advising on the setting of prudential indicators required by the CIPFA Prudential code for Capital Finance in Local Authorities and ensuring that all matters necessary to be taken into account in setting the prudential indicators are reported to the Council.

**B5.4** The Head of Finance and Procurement is responsible for:

- procedures under which capital expenditure proposals are evaluated and appraised to ensure that value for money is being achieved and are consistent with service and asset management objectives
- procedures for the corporate monitoring of external sources of capital funding
- ensuring that expenditure treated as capital expenditure in the Statement of Accounts is in accordance with best accounting practice.

**B5.5** Heads of Service are responsible for:

- ensuring that capital proposals reflect agreed service plans,
- capital proposals are prepared in line with guidance issued and are realistic
- risks have been identified and assessed
- business cases are developed and option appraisals have been undertaken according to **Financial Instruction 2**.

## **B6 The Treasury Management Strategy**

**B6.1** The Council keeps the Treasury Management Strategy under review and monitors and annually reports performance against it. (**Financial Regulation C7**).

## **B7 Financial Control**

**B7.1** Expenditure may only be incurred if it is within the budget approved by the Council and for the purposes for which the budget was established. This is subject to any other requirements of the Cabinet or the Council.

**B7.2** Heads of Service must monitor income and expenditure against budgets for which they are responsible and provide forecast outturn information on a regular basis. The Head of Finance and Procurement will provide financial advice to assist Heads of Service fulfil their responsibilities.

**B7.3** Heads of Service are responsible for ensuring that expenditure and income are correctly coded and that budget profiles are accurate. All expenditure, income and forecasts must be recorded on the Council's financial management system (SAP), as a minimum in summary form.

**B7.4** At the start of each financial year, the Head of Finance and Procurement will set out the budget monitoring process. It will include timescales and the responsibilities of all officers involved in the process. Heads of Service are responsible for ensuring that they meet the timescales so that prompt and accurate information can be provided to Members.

**B7.5** If net expenditure exceeds an approved budget for a project or service the Head of Service will as soon as possible report it to the relevant Cabinet Member and Head of Finance and Procurement and take all appropriate mitigating action. This also applies if expenditure in excess of the approved budget is incurred due to an emergency.

## **B8 Virements**

A virement is a transfer of budget provision either within or between budget headings. Virements may be necessary under a number of circumstances, for instance:

- where the organisation or management of services has been restructured
- where the service priorities and objectives have changed
- where significant budget pressures arise which can be offset by other budget underspends or contingencies
- where income projections change, matched by changes in expenditure
- where the allocation of budgets (by expenditure area or type) was uncertain when budgets were approved

**B8.1** The approval of the Cabinet and the Head of Finance and Procurement is necessary in advance if virements:

- involve resources not being used for the purposes approved by the Council; or
- result in an addition to commitments in future years beyond any agreed allocations; or
- are over £1 million (in total) for revenue budgets
- in the opinion of the Head of Finance and Procurement, require approval by Cabinet

**B8.2** The approval of the relevant Cabinet Member(s) and the Head of Finance and Procurement is necessary in advance if virements:

- cross services; or
- are over £500,000 (in total) for revenue budgets

**B8.3** The relevant Head of Service (either directly or through delegated powers) can approve all other revenue virements within their service, following discussion with their Cabinet Member and subject to the overriding provisions above. Heads of Service are encouraged to minimise the number of virements through effective budget profiling and management. All virements must be reported as part of the next month's budget monitoring report.

**B8.4** All capital virements must be approved by the Business Investment Group and signed off by the Cabinet Member for Resources and the Head of Finance and Procurement.

**B8.5** In order to assist the Medium Term Plan and budget monitoring processes, virements may be restricted to certain times of the year, as deemed appropriate by the Head of Finance and Procurement. For the purpose of maintaining budget integrity and control, all virements will be processed by the Finance Service.

## **B9 Year End Balances/ Carry forwards**

The purpose of this Regulation is to provide a framework within which Heads of Service can manage their budgets effectively and provide accurate year end projections well before the end of the financial year. This also enables the

Council to prioritise any unplanned underspends. The treatment of year end balances is set out below but is subject to the overriding needs of the Council, as advised by the Head of Finance and Procurement.

#### **B9.1 Revenue**

**B9.1.1** If the underspend has been forecast in the monitoring report to the end of November, up to 1% and 50% of underspends above 1% of services' controllable budgets as reported at the end of November can be carried forward to the following financial year. The Portfolio Strategic Director and the Cabinet Member will decide how the underspend should be used.

**B9.1.2** All revenue budget overspending will be carried forward to the following year on a service by service basis unless changes have been agreed by Council.

#### *Capital*

**B9.2.1** Heads of Service will annually report the outturn of expenditure on individual schemes within the Capital Programme for each financial year.

**B9.2.2** Underspends and overspends on capital budgets are carried forward in accordance with **Financial Instruction 2**.

#### **B10 Maintenance of Reserves**

**B10.1** The Head of Finance and Procurement is responsible for advising the Council on a prudent level of reserves for the authority as part of the annual budget setting process. The advice provided will have regard to the assessment of the financial risks facing the authority.

**B10.2** The Medium Term Plan should partly be based on how to achieve or maintain the recommended level of reserves.

#### **B11 Contingent Liabilities**

**B11.1** The Head of Finance and Procurement is responsible for reviewing at least annually together with Heads of Service the existing contingent liabilities and ensuring that a balance sheet provision is made where necessary in accordance with accounting standards.

**B11.2** Heads of Service are responsible for:

- reviewing at least annually their service areas for contingent liabilities
- informing the Head of Finance and Procurement of any new contingent liabilities and of any changes in the circumstances in relation to existing contingent liabilities

#### **B12 Pension Fund Strategy**

**B12.1** The Members of the Pension Fund Committee are responsible for approval of the Pension Fund Strategy, having taken appropriate professional advice.

#### **B13 Trading Accounts**

A trading account is a statement bringing together for a separately costed area of activity:-

- on the income side, charges to users in accordance with previously agreed rates for services provided
- on the expenditure side, the cost of providing the service including overheads.

The key characteristic of a trading account is that providers do not hold direct budgets but must earn income to fund their expenditure.

**B13.1** The approval of the Head of Finance and Procurement is required to qualify for all new trading accounts. All trading accounts will be operated in accordance with guidance provided by the Head of Finance and Procurement.

**B13.2** Only trading accounts agreed by the Head of Finance and Procurement will qualify for:

- the specific trading account carry forward rules and
- for the relaxation of normal virement rules.

**B13.3** Annual surpluses and deficits will be reported in the Council's annual Statement of Accounts. In the case of surpluses on trading accounts, up to 3% of the trading account gross expenditure can be carried forward. This will be taken into account when calculating any cumulative deficit on a trading account.

**B13.4** The Head of Finance and Procurement is responsible for the maintenance of records within the financial management system to allow monitoring of in-year and cumulative surpluses and deficits achieved.

**B13.5** Each Head of Service operating a formal trading account is responsible for:

- the recovery of any cumulative deficit within the two subsequent financial years
- periodically submitting budget monitoring statements including a forecast for the full financial year as agreed by the Head of Finance and Procurement to the appropriate Cabinet member
- submitting to the appropriate Cabinet member a draft trading account for the next financial year which has been prepared in consultation with the Head of Finance and Procurement.

## **C: RISK MANAGEMENT AND CONTROL OF RESOURCES**

### **Importance of this area**

**It is fundamental that robust, integrated systems are in place and maintained for the identification and evaluation of all significant strategic and operational risks to the authority. It is essential that those responsible for the planning and delivery of services proactively participate in this.**

#### **C1 Risk Management**

**C1.1** The Regulatory and Audit Committee are responsible for approving on an annual basis the authority's Risk Management Strategy. The Cabinet and Regulatory and Audit Committee will review the effectiveness of the strategy to ensure that corporate business risks are being identified and effectively managed by the Executive.

**C1.2** Reports to support strategic policy decisions and initiation documents for all major projects will require a risk assessment including a sustainability impact appraisal.

**C1.3** Heads of Service are required to comply with the Risk Management Strategy.

**C1.4** Heads of Service are also required to ensure that:

- procedures to ensure assessment of all risks are operating effectively within their services and that their risk register(s) and management action plans are regularly updated.
- managers are aware which risks they are responsible for managing and receive the relevant information
- an ongoing monitoring process is in place to review the effectiveness of risk reduction strategies

#### **C2 Internal Control**

Internal Control relates to the systems of control implemented by management to help ensure achievement of the authority's objectives in a way that ensures economical, efficient and effective use of resources. In addition, the systems of control ensure that the authority's assets are kept secure and interests are protected.

**C2.1** The Accounts and Audit Regulations 2006 require every local authority to conduct a review at least once a year of the effectiveness of its system of internal control and shall include an Annual Governance Statement, prepared in accordance with proper practices. The County Council has delegated this responsibility to the "Responsible Financial Officer" (the Head of Finance and Procurement).

**C2.2** Heads of Service are responsible for ensuring effective systems of internal control exist within their service. These arrangements must ensure compliance with all relevant statutes and regulations and other relevant statements of best practice. The Head of Finance and Procurement is responsible for advising on effective systems of internal control.

**C2.3** It is the responsibility of Heads of Service to establish arrangements for ensuring a sound internal financial control within their service in order to:

- manage its risks
- achieve continuous improvement, economy, efficiency and effectiveness
- achieve their financial and operational performance targets.

**C2.4** As part of their responsibility for sound systems of internal financial control, Heads of Service will:

- ensure compliance with Council policy, Standing Orders for Contracts, Financial Regulations, Codes of Conduct and any statutory requirements
- provide assurances for the Annual Governance Statement that financial and operational control processes are in place in order to achieve objectives and manage significant risks
- have a business continuity plan in place which is reviewed and tested on a regular basis; and
- maintain up-to-date documented procedures for key systems.

### **C3 Audit Requirements**

The Accounts and Audit Regulations 2006 require every local authority to maintain an adequate and effective internal audit. The following regulations apply:

**C3.1** The Internal Audit team have authority to enter any premises or land used by the Council at any time and have access to all Council correspondence, documents, books, property or other records related to Council business. The Head of Finance and Procurement shall be entitled to receive explanation as s/he considers necessary to establish the correctness of any matter under examination.

**C3.2** The Internal Audit Team will comply with standards outlined in the CIPFA Code of Practice For Internal Audit in Local Government (2006) and the Auditing Practices Board of the Consultative Committee of Accountancy Bodies.

**C3.3** The Accounts and Audit Regulations 2006 require that at least once a year a review should be conducted of the effectiveness of the system of internal audit.

**C3.4** The Head of Finance and Procurement, the Chief Internal Auditor or the Head of Legal and Democratic Services should be notified immediately of any financial irregularities or suspected irregularities, or any circumstances which may suggest the possibility of irregularities in any of the Council's functions. Any investigation should be undertaken in accordance with the Council's Anti-Fraud & Corruption Strategy (which incorporates the Fraud Response Plan) and the Whistle blowing Policy.

**C3.5** The Audit Commission is responsible for appointing external auditors to each local authority. The basic duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by section 5 of the Audit Commission Act 1998.

**C3.6** The Authority may be subject to audit, inspection or investigation by external bodies such as HM Revenues and Customs, who have statutory rights of access.

#### **C4 Separation of Duties**

Financial procedures must be established whenever possible to ensure separation of duties. Therefore, different members of staff should undertake different parts of a sequence of operations in order to ensure that no one individual authorises an entire series of transactions.

#### **C5 Retention of Records**

Accounting and other related records must be retained for periods which comply with relevant legislation. Further details of requirements can be found in **Financial Instruction 20**.

#### **C6 Prevention of Fraud and Corruption**

**C6.1** The Chief Internal Auditor is responsible for the maintenance of the Council's Anti-Fraud and Corruption Strategy. The Corporate Director - People, Policy & Communications together with the Chief Internal Auditor are jointly responsible for the maintenance of the Council's Whistle blowing Policy.

**C6.2** Heads of Service must follow the Council's Fraud Response Plan which provides detailed guidance in relation to dealing with irregularities and suspected fraud.

**C6.3** The Council's counter fraud arrangements and performance will be assessed against professional guidance, best practice and the findings of internal reviews. Heads of Service are responsible for strengthening systems and procedures in response.

**C6.4** Each Head of Service shall take steps to minimise the risks of financial irregularities occurring. In addition they will review and monitor compliance with codes and procedures, and report any material findings in accordance with **Regulation C3.4**. Findings of a less significant nature should be reported as part of the Annual Governance Statement self assessments.

#### **C7 Investments and Treasury Management**

**C7.1** The Head of Finance and Procurement is responsible for the arrangements for managing the Council's cash flow, its borrowing activities and its lending activities, in accordance with policies agreed by the Council. This regulation places a duty on the Head of Finance and Procurement to keep these arrangements under review.

**C7.2** The Head of Finance and Procurement shall undertake Treasury Management activities in accordance with the CIPFA Code of Practice on Treasury Management in the Public Services.

**C7.3** The Head of Finance and Procurement will submit an Annual Investment Strategy for approval by the Council on at least an annual basis.

**C7.4** The Head of Finance and Procurement shall maintain the Treasury Management Practices document setting out the framework for Treasury Management within the Council.

## **C8 Security of Council Property**

**C8.1** The Head of Planning, Environment and Development will maintain an up-to-date register of land and buildings owned by the Council.

**C8.2** The Head of Transportation will maintain an up-to-date record of infrastructure assets owned by the Council.

## **C9 Assets**

**C9.1** Heads of Service will ensure that there are comprehensive records and information on assets, which support the Council's strategies and decision making on investment and disinvestment.

**C9.2** Heads of Service will ensure that within their service the assets are properly maintained and are securely held.

**C9.3** Heads of Service should only enter into lease agreements in accordance with procedures defined in **Financial Instruction 11**.

**C9.4** Heads of Service must ensure that contingency plans for the security of assets and for continuity of service in the event of disaster or systems failure have been established and that these plans have been tested.

## **C.10 Staffing**

**C.10.1** The Corporate Director - People, Policy & Communications is responsible for the Council's workforce strategies which reflect corporate strategic priorities and objectives and support the delivery of services. These strategies address current and future workforce needs in terms of people and skills and are informed by information on workforce size and systematic collection of the views of staff.

**C.10.2** Heads of Service will ensure that corporate procedures on recruitment and selection are followed at all stages of the recruitment process.

**C.10.3** The Corporate Director - People, Policy & Communications and Heads of Service will ensure that a system for effective employee checks is in place and it includes appropriate action when individuals fail the check.

## **C11. Payroll**

**C11.1** The Corporate Director - People, Policy & Communications with the exception of schools using alternative payroll providers is responsible for:

- arranging and controlling secure and reliable payment on the due date of salaries, compensation payments or other emoluments and expenses in accordance with documented procedures
- making arrangements for recording and for the accurate and timely payment of PAYE, Income Tax, National Insurance and all other statutory and non-statutory payroll deductions

- ensuring the accurate and timely production of statutory returns to the Inland Revenue, particularly in respect of the financial year-end and the declaration of employee taxable benefits.

**C11.2** The Heads of Service are responsible for ensuring that:

- all appointments are made in accordance with the Council's Framework for Managing People and the Council's policies and procedures
- adequate budget provision exists for:
  - all appointments of employees
  - all permanent and temporary variations in relation to staff employment
  - all engagement of self-employed persons

## **C12. Taxation**

**C12.1** The Head of Finance and Procurement is responsible for:

- with the exception of PAYE (as above), maintaining the Council's tax records, making tax payments, receiving tax credits and submitting tax returns by their due date
- advising Heads of Service on all taxation issues that affect the authority in the light of relevant legislation as it applies and guidance issued by appropriate organisations
- Heads of Service are responsible for consulting with and seeking advice from the Head of Finance and Procurement on the potential tax implications of any new initiatives for the delivery of Council services.

## **D: SYSTEMS AND PROCEDURES**

### **Importance of this area**

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

#### **D1 General**

- D1.1** The Head of Service Transformation is responsible for the operation of the authority's accounting systems according to the requirements of the Head of Finance and Procurement.
- D1.2** The Head of Service Transformation is responsible for ensuring that IT systems are managed to provide reliable information with controlled and secure access, to support decision making.
- D1.3** Any changes made by Heads of Service to the existing financial systems or the implementation of new systems must be approved by the Head of Finance and Procurement prior to any new developments or changes.
- D1.4** Heads of Service are responsible for the proper operation of financial processes in their own departments.
- D1.5** Heads of Service must ensure, that where appropriate, computer and other systems are registered in compliance with data protection legislation.
- D1.6** Heads of Service must also ensure that staff are aware of their responsibilities under freedom of information legislation.
- D1.7** All staff are responsible for ensuring compliance with the Data Security Policy.

#### **D2 Procurement**

- D2.1** Heads of Service must ensure that the authority obtains value for money from procurement and that it is in compliance with the Council's Procurement Strategy and Value for Money Strategy. The most effective method of procurement must be used including use of the Council's corporate contracts.
- D2.2** Heads of Service should also ensure continuous effective contract management in order to deliver ongoing efficiency savings.
- D2.3** The Head of Finance and Procurement must ensure that electronic purchasing processes incorporate security and integrity for electronic transactions and must approve the introduction of such systems.

#### **D3 Income**

- D3.1** Heads of Service must ensure that all income due to the authority is identified, and charged for correctly and on a timely basis. They must also have regard to the Council's Charging Policy in reviewing existing and implementing new charging arrangements.
- D3.2** Heads of Service must also ensure that all income due to the authority is collected, receipted and banked in a timely manner in accordance with the Council's Debt Management Strategy. (See Financial Instructions for further details).

**D4 Expenditure**

- D4.1** Heads of Service are responsible for the authorisation of access to any system which generates purchase orders; also for the authorisation of access to any system, which undertakes authorisation of payments.
- D4.2** The Head of Finance and Procurement is responsible for the payment of all accounts.

## **E: EXTERNAL ARRANGEMENTS**

### **Importance of this area**

The Council has a leadership role within the community, bringing together contributions from the various stakeholders, maximising funding opportunities and promoting the economic, social and environmental well-being of the area. This may involve the establishment of partnership agreements, joint ventures, pooled budgets, externally funded projects or local authority companies. It is necessary to ensure in the interests of good governance that the responsibilities, obligations and commitment for such arrangements are properly managed and accounted for.

### **E1 Voluntary Funds**

The Council does not own voluntary funds. However, it is reasonable that contributors to these funds do not distinguish between them and official monies. Therefore, it is appropriate that standards of accounting and propriety are the same as those for official funds.

**E1.1** A voluntary fund is any fund which, although not officially owned by the Council, is controlled or administered solely, or in part, by an employee by reason of his or her employment by the Council. The fund is set up for a specific purpose but generated by funds independent of the Council's official resources.

**E1.2** Employees of the Council who maintain voluntary funds as part of their duties must inform the Head of Finance and Procurement of the purpose and nature of all voluntary funds. The accounts must be audited annually by a competent, independent person and be submitted with an audit report to the appropriate body within 6 months of the accounting year end. The Head of Finance and Procurement is entitled to verify that this has been done and to carry out such checks on the accounts as he/she considers appropriate.

**E1.3** Voluntary funds must be operated in accordance with any guidance notes issued by the Head of Finance and Procurement. The Council accepts no liability for non-compliance with Financial Regulations, Financial Instructions and current legislation.

### **E2 Trust Funds**

The Council does not own trust funds. Trust funds have a formal legal status governed by a Deed of Trust. Employees acting as trustees must ensure that they are conversant with the requirements of the Trust Deed and the law and comply fully with them.

**E2.1** All employees acting as trustees by virtue of their official position must ensure that accounts are audited as required by law and submitted annually to the appropriate body. The Head of Finance and Procurement is entitled to verify that this has been done.

**E2.2** Trustees must comply with accounting standards and procedures laid down in the Charities Act 2006 and in regulations issued by the Charity Commission.

### **E3 Partnerships, Joint Ventures, Pooled Budgets, External Funding, Work for Third Parties and Companies**

#### *Partnerships*

**E3.1** The Cabinet is responsible for approving the Council's participation in all significant partnerships / joint working arrangements (including pooled budget arrangements) with other local public, private, voluntary and community sector organisations.

**E3.2** Heads of Service must ensure that the Council's Partnership Strategy is complied with.

**E3.3** Heads of Service following advice provided by the Head of Finance and Procurement should advise the Cabinet on the key elements of arrangements for significant partnerships/ joint working arrangements as follows:

- scheme appraisal for financial viability
- risk appraisal
- governance arrangements
- resourcing, including taxation issues
- audit requirements
- carry forward arrangements

**E3.4** Heads of Service are also responsible for:

- seeking advice from the Head of Finance and Procurement and Head of Legal and Democratic Services at an early stage
- ensuring that the approval of the Cabinet is obtained before any negotiations are concluded
- ensuring that all agreements and arrangements are properly documented
- providing information to the Head of Finance and Procurement required for the Council's Statement of Accounts.

#### *External Funding*

**E4.1** The Head of Finance and Procurement must be consulted on the financial and governance implications of all projects involving funding from external sources e.g. Lottery grants etc.

**E4.2** Heads of Service must ensure that:

- all funding received from external organisations or associated parties is properly recorded in the authority's accounts
- key conditions of funding and any statutory requirements are met
- any match-funding requirements and future liabilities are given due consideration prior to entering into long term agreements.

#### *Work for Third Parties*

**E5.1** Heads of Service should ensure that:

- proposals should be costed properly before an agreement is reached to do work for a third party

- a formal contract or a memorandum of understanding is drawn up prior to any work commencing

*Local Authority Companies*

**E6.1** Heads of Service must ensure that:

- prior to taking an interest in a company on behalf of the Council (e.g. membership, share holding or directorship), advice is sought from the Head of Legal and Democratic Services and the Head of Finance and Procurement.
- any clauses required by the Head of Legal and Democratic Services and / or the Head of Finance and Procurement to safeguard the Council's position are included in the company's Memorandum and Articles of Association.
- the approval of the Cabinet is obtained before any negotiations are concluded
- all agreements and arrangements are properly documented
- information is provided to the Head of Finance and Procurement as required

**E6.2** Heads of Service must ensure that:

- effective governance arrangements are in place including arrangements for exit if necessary
- risk management processes are in place to identify and assess all known risks
- business continuity plans are in place and reviewed and tested on a regular basis.

**E6.3** The Head of Finance and Procurement should advise the Cabinet on the following key elements:

- scheme appraisal for financial viability
- risk appraisal
- governance arrangements
- resourcing, including taxation issues
- audit requirements
- carry forward arrangements

