

FINANCIAL PROCEDURE RULES

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Status of Financial Procedure Rules

1. These Procedures are made in accordance with, form part of and have equal force with, the Standing Orders of the Council. They should be read in conjunction with those Standing Orders and the Council's Scheme of Delegation.
2. Financial Procedure Rules provide the framework for managing the Council's financial affairs. They apply to every Member and officer of the Council and anyone acting on its behalf.
3. The Procedures identify the financial responsibilities of the Council, the Executive, Overview and Scrutiny Members, the Head of Paid Service, the Monitoring Officer, the Chief Finance Officer and all other Directors. Executive 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 Procedures should be read as referring to them.
4. All Members and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control and for ensuring that the use of these resources is legal, is properly authorised, provides value for money and achieves best value.

The Chief Finance Officer is responsible for maintaining a continuous review of the Financial Procedure Rules and submitting any additions or changes necessary to the Council for approval. The Chief Finance Officer is also responsible for reporting, where appropriate, breaches of the Financial Procedure Rules to the Council and/or to the Executive

5. Directors are responsible for ensuring that all staff in their Directorates are aware of the existence and content of the Council's Financial Procedure Rules and other internal regulatory documents and that they comply with them. They must also ensure that an adequate number of copies are available for reference within their Directorates. The full text of Financial Procedure Rules is available on the Intranet within the Council's Constitution. Any failure to comply with Financial Procedure Rules shall be reported to the Chief Finance

Officer by the relevant Director as soon as possible after such failure is known.

6. The Council's detailed financial procedures, setting out how the Procedures will be implemented, are contained in the appendices to the Financial Procedure Rules.
7. The Chief Finance Officer is responsible for issuing advice and guidance to underpin the Financial Procedure Rules that Members, officers and others acting on behalf of the Council are required to follow.
8. All references in these Procedures to the masculine person shall be deemed to include the feminine and vice versa.
9. All references to Director or Directors in these Procedures means the Head of the Paid Service, Deputy Chief executive, Corporate Director of Governance and Regulatory Services, Corporate Director of Economic Development and Chief Finance Officer.

Financial Procedure 1: Financial Management

For detailed procedures, see Appendix A: Financial Management

Introduction

- 1.1. Financial management covers all financial accountabilities in relation to the running of the Council, including the policy framework and budget.
- 1.2. Sound internal control for financial matters can only be achieved by clear arrangements for delegation of powers and responsibilities, separation of duties and an effective system of monitoring, feedback and control.
- 1.3. These Procedures, together with any Accounting Instructions that may be issued by the Chief Finance Officer, are intended to ensure the proper administration of the financial affairs of the Council. They shall be applicable in all situations in which officers act on behalf of the Council.

The Council

- 1.4. The Council is responsible for adopting the Council'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 Council's overall framework of accountability and control. The framework is set out in its constitution. The Council is also responsible for monitoring compliance with the agreed policy and related Executive decisions.
- 1.5. The Council has the ultimate power and responsibility for the regulation and control of its finances and the allocation of resources between Services. The procedural framework by which the Council exercises its functions is contained in its Standing Orders and the Scheme of Delegation.

The Executive

- 1.6. The Executive comprises a Leader appointed by the Council and other Members appointed by the Leader. The Executive is responsible for carrying out all the functions of the Council, other than those that by law have to be carried out by the Council itself or by Committees and which cannot be undertaken by the Executive.
- 1.7. Executive decisions can be delegated to a Committee of the Executive, an individual Executive Member, an officer or a joint Committee.
- 1.8. The Executive is responsible for establishing protocols to ensure that individual Executive Members consult with relevant officers before taking a decision within his delegated authority. In doing so, the individual Member must take account of any legal and financial liabilities and risk management issues that may arise from the decision.

Committees of the Executive

Overview and Scrutiny Panels

- 1.9. The relevant Overview and Scrutiny Panel is responsible for scrutinising Executive decisions before or after they have been implemented and for holding the Executive to account. The Overview and Scrutiny Panel is also responsible for making recommendations on future policy options and for reviewing the general policy and service delivery of the Council. The following Overview and Scrutiny Panels have been established :
 - 1.9.1. Health and Wellbeing Scrutiny Panel
This will fulfil all of the Overview and Scrutiny functions in respect of Community Activities; Health and Wellbeing, Culture and Recreation and Crime and Disorder.
 - 1.9.2. Business and Transformation Scrutiny Panel
This will fulfil all of the Overview and Scrutiny functions in respect of Corporate Resources; Finance and Best Value. It also has responsibility for internal and external

audit. It has right of access to all the information that it considers necessary and can consult directly with internal and external auditors.

1.9.3. Economic Growth Scrutiny Panel

This will fulfil all of the Overview and Scrutiny functions in respect of Economic Prosperity and Infrastructure, Environment and Transport.

Standards Committee

- 1.10. The Standards Committee is established by the Council and is responsible for promoting and maintaining high standards of conduct amongst Councillors. In particular, it is responsible for advising the Council on the adoption and revision of the Members' Code of Conduct, and for monitoring the operation of the code, as required by the Local Government Act 2000.

Development Control Committee

- 1.11. This will deal with planning and development control matters.

Licensing Committee

- 1.12 This will deal with all Liquor and Public Entertainment Licences.

Regulatory Panel

- 1.13 This will deal with Taxi, Private Hire and other miscellaneous licences.

Appeals Panels

- 1.14 The Appeals Panels determine all appeals of whatever nature against decisions made by the Council, including personnel, licensing and homelessness appeals.

The Employment Panel

- 1.15 This panel will interview and make recommendations to the Council in respect of the appointment of Head of Paid Service and other Chief Officer posts. It will also deal with other employment and personnel issues.

The Audit Committee

- 1.16 The Audit Committee provides independent assurance of the adequacy of the risk-management framework and the associated control environment, and independent scrutiny of the Authority's financial and non-financial performance. The Committee is responsible for reviewing the external auditor's reports and the annual audit letter and Internal Audit's annual report.

The Statutory Officers

Head of Paid Service - Town Clerk and Chief Executive

- 1.17 The Head of Paid Service is responsible for the corporate and overall strategic management of the Council. He must report to and provide information for the Executive, the Council, the Overview and Scrutiny Panel and other Committees. He is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation. The Head of Paid Service is also responsible, together with the Monitoring Officer, for the system of record keeping in relation to all the Council's decisions (see below).

Monitoring Officer - Corporate Director of Governance and Regulatory Services

- 1.18 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 Council and/or to the Executive, and for ensuring that procedures for recording and reporting key decisions are operating effectively.
- 1.19 The Monitoring Officer must ensure that Executive decisions and the reasons for them are made public. He must also ensure that Councillors are aware of decisions made by the Executive and of those made by officers who have delegated Executive responsibility.
- 1.20 The Monitoring Officer is responsible for advising all Councillors and officers about who has authority to take a particular decision.
- 1.21 The Monitoring Officer is responsible for advising the Executive or Council about whether a decision is likely to be considered contrary to or not wholly in accordance with the policy framework.
- 1.22 The Monitoring Officer (together with the Chief Finance Officer) is responsible for advising the Executive or 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 inter - Directorate 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.

1.23 The Monitoring Officer is responsible for maintaining an up-to-date constitution.

Chief Finance Officer (S151) - Chief Finance Officer

1.24 The Chief Finance Officer has statutory duties in relation to the financial administration and stewardship of the Council. This statutory responsibility cannot be overridden and nothing in any scheme of delegation shall detract from the statutory responsibility of the Chief Finance Officer to ensure the proper administration of the Council's affairs. The Chief Finance Officer is responsible for establishing a framework for the financial management of the Council's affairs, in accordance with his statutory duties arising from:

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

1.25 The Chief Finance Officer is responsible for:

- All corporate finance functions including final accounts and balance sheet, budget strategy and co-ordination, fiscal matters, borrowing and investments and cash flow;
- the proper administration of the Council's financial affairs;
- strategic financial planning, including advice to the Executive, DMT meetings, Panels, Committees and Council on corporate financial matters; and presenting financial options for the Council;

- overall budget reporting; warning of potential overspend of the overall budget and recommending corrective action where required;
- the custody of public money, ensuring that the Council performs and accounts for its activities in a proper manner in accordance with best accounting practice;
- agreeing Directorate financial procedures which ensure that the above rule is properly carried out;
- approving approving all financial procedures, records, systems and accounts in use or proposed for any of the Council's activities.

Detailed notes for guidance on financial systems may be issued and will be observed by all Directors to ensure satisfactory standards of accuracy, reliability, probity and regularity.

1.26 The Chief Finance Officer will be given access to any information as is necessary to comply with his statutory duties and with the instructions of the Council. The Chief Finance Officer is a statutory Chief Officer but not a Chief Officer for Carlisle City Council's internal staffing structure.

1.27 Section 114 of the Local Government Finance Act 1988 requires the Chief Finance Officer to report to the Council, Executive and external auditor if the Council 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 Council;
- is about to make an unlawful entry in the Council's accounts.

1.28 Section 114 of the 1988 Act also requires:

- The Chief Finance Officer to nominate a properly qualified Member of staff to deputise should he be unable to perform the duties under section 114 personally;

- The Council to provide the Chief Finance Officer with sufficient accommodation and other resources, including legal advice where this is necessary, to carry out his duties under section 114.

Directors

1.29 Directors are responsible for:

- ensuring that Financial Procedure Rules are complied with;
- ensuring that Executive Members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Chief Finance Officer;
- signing contracts on behalf of the Council.

1.30 It is the responsibility of Directors to consult with the Executive, other Directors and the Chief Finance Officer and seek approval on any matter liable materially to affect the Council's finances, before any commitments are incurred.

1.31 Any report by a Director which concerns a matter relating to finance or to information technology shall identify those implications and no such report shall be submitted to the Executive until the Chief Finance Officer has been consulted and has had the opportunity to comment on such matters. The Chief Finance Officer is to be given adequate time to comment in advance of the agenda deadline. The Chief Finance Officer has the right to insist on the inclusion of his comments before the report is finalised.

1.32 Directors shall provide the Chief Finance Officer with any necessary information and access to all documents and records as he may require to fulfil his obligations under these Procedures.

It shall be the responsibility of each Director to ensure that there are proper arrangements in his Directorate for securing economy, efficiency and effectiveness in the use of the Council resources and that adequate systems of internal control operate within their Directorates. Each Director should agree and formally document these arrangements with

the managers of those units under his control.

Other Financial Accountabilities

Virement

- 1.33 The Council is responsible for agreeing procedures for virement of expenditure between budget headings. The scheme is outlined within the Scheme of Virement, as set out in Appendix A.
- 1.34 Directors are responsible for agreeing in-year virement within delegated limits, in consultation with the Chief Finance Officer where required. They must notify the Chief Finance Officer of any proposed virement.

Leasing

- 1.35 Any leasing agreement or other hire arrangement relating to the acquisition of any items of equipment or other item, shall not be entered into without reference to the Chief Finance Officer who shall ensure that the proposed method of acquisition represents the best value for money to the Council. The Corporate Director of Governance and Regulatory Services must also be consulted, to ensure that the terms of the contract are understood and are not disadvantageous to the Council.

Treatment of year-end balances

- 1.36 The Council is responsible for agreeing procedures for carrying forward under- and overspending on budget headings.

Accounting policies

- 1.37 The Chief Finance Officer is responsible for accounting policies and ensuring that they are applied consistently.

Financial stationery

- 1.38 All official documents of a financial nature, e.g. forms, tickets, order books, receipts, shall be in a form approved by the Chief Finance Officer and controlled in accordance with instructions issued by her.

Accounting records and returns

- 1.39 The Chief Finance Officer is responsible for determining the accounting procedures and records for the Council.

Annual statement of accounts

- 1.40 The Chief Finance 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 "(CIPFA/LASAAC). The Audit Committee is responsible for approving the annual statement of accounts following the audit process.

Financial Procedure 2: Financial Planning

For detailed procedures, see Appendix B: Financial Planning

Introduction

- 2.1 The allocation of resources to particular purposes enables the conversion of funding into service provision. Budgetary control is a continuous process involving the reviewing and adjusting of spending and financial targets during each year, and exerts accountability over budget holders.
- 2.2 The Council is responsible for agreeing the Council's policy framework and budget, which will be proposed by the Executive. In terms of financial planning, the key elements are:
- the corporate plan
 - the Medium Term Financial Plan
 - the budget
 - the capital programme

Policy framework

- 2.3 The policy framework comprises the statutory plans and strategies as outlined in Article 4 of the Council's Constitution.
- 2.4 The Council is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework and for determining the circumstances in which a decision will be deemed to be contrary to the budget or policy framework. Such decisions should be referred to the Council by the Chief Finance Officer.
- 2.5 The Council is responsible for setting the level at which the Executive may reallocate budget funds from one service to another. The Executive is responsible for taking in-year decisions on resources and priorities in order to deliver the budget policy framework within the financial

limits set by the Council (refer to the Scheme of Virement).

Preparation of the corporate plan

- 2.6 The Head of Paid Service is responsible for proposing the corporate plan to the Executive for consideration before its submission to the Council for approval.

Budgeting

Budget format

- 2.7 The general format of the budget will be approved by the Council and proposed by the Executive on the advice of the Chief Finance Officer after consultation with other Directors. The budget should include allocation to different services and projects, proposed taxation levels and contingency funds.

Budget preparation

- 2.8 The Chief Finance Officer is responsible for ensuring that a revenue budget is prepared on an annual basis together with the revenue prospects over a five year period for consideration by the Executive, before submission to the Council. The Council may amend the budget or ask the Executive to reconsider it before approving it.
- 2.9 The Executive is responsible for issuing guidance on the general content of the budget in consultation with the Chief Finance Officer as soon as possible following approval by the Council.
- 2.10 It is the responsibility of Directors, in consultation with the Chief Finance Officer, to ensure that budget estimates reflecting agreed service plans are submitted to the Executive and that these estimates are prepared in line with guidance issued by the Executive.

Budget monitoring and control

- 2.11 The Chief Finance Officer is responsible for providing appropriate financial information to enable budgets to be monitored effectively. He must monitor and control expenditure against budget allocations and report to the Executive on the overall position on a regular basis.
- 2.12 It is the responsibility of individual Directors to control income and expenditure within their areas of responsibility and to monitor performance, taking account of financial information provided by the Chief Finance Officer. They should report to the Executive on variances within their own areas. They should also take any action necessary to avoid exceeding their budget allocation and alert the Chief Finance Officer to any difficulties in this respect.

Resource allocation

- 2.13 The Chief Finance Officer is responsible for developing and maintaining a resource allocation process that ensures due consideration of the Council's policy framework.

Preparation of the capital programme

- 2.14 The Chief Finance Officer is responsible for ensuring that a capital programme is prepared on an annual basis for consideration by the Executive before submission to the Council.

Guidelines

- 2.15 Guidelines on budget preparation are issued to Members and Directors by the Executive following agreement with the Chief Finance Officer. The guidelines will take account of:
- legal requirements
 - medium-term planning prospects
 - the corporate plan
 - available resources
 - spending pressures

- best value and other relevant government guidelines
- other internal policy documents
- cross-cutting issues (where relevant).

Maintenance of reserves

2.16 It is the responsibility of the Chief Finance Officer to advise the Executive and the Council on prudent levels of reserves for the Council.

Financial Procedure 3: Risk Management and Control of Resources

For detailed procedures, Appendix C: Risk Management and Control of Resources

Introduction

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

Risk Management

- 3.2 The Executive is responsible for approving the Council's Risk Management Policy Statement and Strategy and for reviewing the effectiveness of risk management. The Executive is responsible for ensuring that proper insurance exists where appropriate.
- 3.3 The Directors are responsible for preparing the Council's Risk Management Policy Statement and for promoting it throughout the Council.
- 3.4 The Chief Finance Officer is responsible for advising the Executive on proper insurance cover where appropriate.

Internal Control

- 3.5 Internal control refers to the systems of control devised by management to help ensure the Council's objectives are achieved in a manner that promotes economic, efficient and effective use of resources and that the Council's assets and interests are safeguarded.
- 3.6 The Chief Finance 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.

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

3.8 In allocating responsibilities, the Chief Officers/Director shall have regard to the desirability of securing an adequate and effective level of control by allocating roles in a way that in itself gives some assurance that transactions will be properly processed and that errors will be detected promptly. Examples of such controls are;

- Internal check – the checking of one person’s work by another
- Separation of duties – assigning key tasks within a process to different members of staff
- Systems manuals – descriptions of how systems and individuals should operate
- Authorisation – certification that a transaction or event is acceptable for further processing.

Audit Requirements

3.9 The Accounts and Audit Regulations 2015 issued by the Secretary of State for Communities and Local Government require every local Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes; and to conduct a review of the effectiveness of the system of internal control.

3.10 Public Sector Audit Appointments Ltd are responsible for appointing external auditors to each local Council. The basic duties of the external auditor are governed by the Local Audit and Accountability Act 2014.

3.11 The Council may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenues and Customs, who have statutory rights of access.

Preventing Fraud and Corruption

- 3.12 The Chief Finance Officer is responsible for the development and maintenance of an anti-fraud and anti-corruption policy. This is included at Appendix G; Theft, Fraud and Corruption Response Plan.

Assets

- 3.13 Directors should ensure that records and assets are properly maintained and securely held. They should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place and that these are properly recorded in the Council's Business Continuity Plan.

Treasury Management

- 3.14 The Council has adopted CIPFA's Code of Practice for Treasury Management in Local Authorities and has regard to the Prudential Code on Capital Finance in Local Authorities.
- 3.15 The Council is responsible for approving the Treasury Management Strategy Statement including the Prudential Indicators and the annual Investment Strategy setting out the matters detailed in CIPFA's Code of Practice for Treasury Management in Local Authorities. The Strategy Statement and Investment Strategy are proposed to the Council by the Executive. The Chief Finance Officer has delegated responsibility for implementing and monitoring the Strategies.
- 3.16 All money in the hands of the Council is controlled for treasury management purposes by the officer designated for the purposes of section 151 of the Local Government Act 1972, referred to in the Code as the Chief Finance Officer.
- 3.17 The Chief Finance Officer is responsible for reporting to the Executive a proposed Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy for the coming financial year at or before the start of each financial year.

- 3.18 All Executive decisions on borrowing, investment or financing shall be delegated to the Chief Finance Officer, who is required to act in accordance with the Code.
- 3.19 The Chief Finance Officer is responsible for reporting to the Executive not less than four times in each financial year on the activities of the treasury management operation and on the exercise of his 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.

Staffing

- 3.20 The Council is responsible for determining how officer support for Executive and non-Executive roles within the Council will be organised.
- 3.21 The Head of Paid Service is responsible for providing overall management to staff. He is also responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job.
- 3.22 Directors are responsible for controlling total staff numbers by:
- advising the Executive 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 Procedure 4: Financial Systems and Procedures

For detailed procedures, see Appendix D: Financial Systems and Procedures

Introduction

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

General

- 4.2 The Chief Finance Officer is responsible for the operation of the Council's accounting systems, the form of accounts and the supporting financial records. Any changes made by Directors to the existing financial systems or the establishment of new systems must be approved by the Chief Finance Officer. However, Directors are responsible for the proper operation of financial processes in their own Directorates, in accordance with any instructions issued by the Chief Finance Officer.
- 4.3 Any changes to agreed procedures by Directors to meet their own specific service needs should be agreed with the Chief Finance Officer.
- 4.4 Directors should ensure that their staff receive relevant financial training that has been approved by the Chief Finance Officer.
- 4.5 Directors must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation. Directors must ensure that staff are aware of their responsibilities under Freedom of Information legislation.

Income and Expenditure

- 4.6 It is the responsibility of Directors to ensure that a proper scheme of delegation has been established within their area and is operating effectively. The scheme of delegation should

identify staff authorised to act on the Director's behalf, or on behalf of the Executive, in respect of payments, income collection and placing orders, together with the limits of their authority. Specimen signatures of relevant staff should be provided to the Chief Finance Officer as required. The Executive 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

- 4.7 The Chief Finance Officer is responsible for all payments of salaries and wages to staff, including payments for overtime, and for payment of allowances to Members.

Taxation

- 4.8 The Chief Finance Officer is responsible for advising Directors, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the Council.
- 4.9 The Chief Finance Officer is responsible for maintaining the Council's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

Trading accounts/Directorates

- 4.10 It is the responsibility of the Chief Finance Officer to advise on the establishment and operation of trading accounts and Directorates.

Financial Procedure 5: External Arrangements

For detailed procedures, see Appendix E: External Arrangements

Introduction

- 5.1 A local Council 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 and environmental well-being of its area.

Partnerships

- 5.2 The Executive is responsible for approving delegations, including frameworks for partnerships. The Executive is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.
- 5.3 The Executive can delegate functions – including those relating to partnerships – to officers. These are set out in the scheme of delegation that forms part of the Council’s constitution. Where functions are delegated, the Executive remains accountable for them to the Council.
- 5.4 The Head of Paid Service represents the Council on partnership and external bodies, in accordance with the scheme of delegation.
- 5.5 The Monitoring Officer must consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. He must ensure that the risks have been fully appraised before agreements are entered into with external bodies.
- 5.6 The Chief Finance Officer is responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the Council and must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory.

- 5.7 Directors are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

External Funding

- 5.8 The Chief Finance Officer is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Council's accounts.

Work for Third Parties

- 5.9 The Executive is responsible for approving the contractual arrangements for any work for third parties or external bodies.

Appendices

Appendix A: Financial Management

Financial Management Standards

Why is this important?

- A.1 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 that 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

- A.2 The key controls and control objectives for financial management standards are:
- their promotion throughout the Council;
 - a monitoring system to review compliance with financial standards;
 - and
 - regular comparisons of performance indicators and benchmark standards that are reported to the Executive and Council.

Responsibilities of the Chief Finance Officer

- A.3 To ensure the proper administration of the financial affairs of the Council.
- A.4 To set the financial management standards and to monitor compliance with them.
- A.5 To ensure proper professional practices are adhered to and to act as the lead officer in relation to the standards, performance and development of finance staff throughout the Council.

- A.6 To advise on the key strategic controls necessary to secure sound financial management.
- A.7 To ensure that financial information is available to enable accurate and timely monitoring and reporting of comparisons of national and local financial performance indicators.

Responsibilities of Directors

- A.8 To promote the financial management standards set by the Chief Finance Officer in their Directorates and to monitor adherence to the standards and practices, liaising as necessary with the Chief Finance Officer.
- A.9 To promote sound financial practices in relation to the standards, performance and development of staff in their Directorates.

Managing Expenditure

Scheme of virement

Why is this important?

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

Key controls

- A.11 The scheme of virement is administered by the Chief Finance Officer within guidelines set by the Council. Any variation from this scheme requires the approval of the Council.
- A.12 The overall budget is agreed by the Executive and approved by the Council. The Executive, Portfolio Holders, Directors 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.
- A.13 Virement must not create additional overall budget liability. The Executive, Portfolio Holders and Directors are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they should not incur recurring expenditure from one-off sources of savings or additional income, nor create future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. Budget managers must plan to fund such commitments from within their own budgets.
- A.14 Virement that is likely to impact on the level of service activity of another Director should be implemented only after agreement with the relevant Director.

- A.15 No virement relating to a specific financial year can be made after 31 March in that year (refer to treatment of year-end balances section below).
- A.16 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 purpose for which it has been established;
 - the Executive has approved the basis and the terms, including financial limits, on which it will be allocated. Individual allocations in excess of amounts provided should be reported to the Executive.
- A.17 The virement limits apply equally to:
- Virements between budgets of different accountable Portfolio Holders/Directors (although relevant Deputy Chief Executive approval will be required);
 - Virements from either controllable or uncontrollable budgets (as determined by the Chief Finance Officer).
- A.18 The virement limits apply in total i.e. a maximum of £35,000 from any one budget head per annum can be vired without the approval of the Executive or Council.
- A.19 The Chief Finance Officer may recommend that the virement procedures be suspended if overall corporate budgetary constraints should necessitate it.

Responsibilities of the Chief Finance Officer

- A.20 To prepare jointly with the Director a report to the Executive where virement in excess of £35,000 is proposed, or to the Council for sums in excess of £70,000.

- A.21 To authorise all proposed exercise of virement for items under £35,000 (in all cases a formal virement request form must be completed).
- A.22 To ensure that the limit applies in total i.e. a maximum of £35,000 from any one budget head per annum can be vired without the approval of the Executive or the Council.
- A.23 To monitor and report to the Executive and the Business and Transformation Scrutiny Panel on the exercise of virement on a quarterly basis.

Responsibilities of the Executive, Portfolio Holders and Directors

- A.24 The Executive, a Portfolio Holder or Directors may exercise virement on budgets under their control for amounts up to £35,000 on any budget head during the year. Prior authorisation is required from the Chief Finance Officer together with completion of the formal virement request form. Formal consultation with other Directors and Portfolio Holders will be required as appropriate.
- A.25 Amounts greater than £35,000 require the approval of the Executive, following a joint report by the Chief Finance 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 years. Amounts greater than £70,000 require the approval of the Council.

Treatment of year-end balances

Why is this important?

- A.26 The rules below cover arrangements for the transfer of resources between one accounting year to another, i.e. a carry-forward. The scheme is administered by the Chief Finance Officer within guidelines set by the Council. Any variation from the scheme requires the approval of the Council.

Key controls

- A.27 All requests for carry forward of unspent budgets must be submitted to the Chief Finance Officer.
- A.28 Appropriate accounting procedures will be set by the Chief Finance Officer to ensure that carried-forward totals are correct. Underspends or savings will be calculated by reference to controllable costs as determined by the Chief Finance Officer, and no carry forward requests will be authorised without Executive and Council approval where a Directorate overspends its controllable budget.
- A.29 The accounting mechanism for the carry forward is the granting of a supplementary estimate funded from underspends or savings in the previous year.
- A.30 The Chief Finance Officer may recommend the procedures for carry forward be suspended if overall budgetary constraints should necessitate it.

Responsibilities of the Chief Finance Officer

- A.31 To administer the scheme of carry-forward within the guidelines approved by the Council.
- A.32 To report all overspending and underspending on service estimates carried forward to the Executive, Business and Transformation Scrutiny Panel and to the Council.
- A.33 To authorise carry forward requests in full where it relates to a specific committed item of expenditure where, due to external or other factors, the Director has been unable to spend the approved budget by 31 March. The use of the resource will be restricted to the purpose for which the estimate was originally approved. The carry forward will only be approved by the Chief Finance Officer if the expenditure is within both the Directorate's and the Authority's budget as approved for that year. Any carry forward which would result in an overspend for the Authority will require authorisation by the Council.

- A.34 To comment formally to the Executive, Business and Transformation Scrutiny Panel and Council on proposals for carry forward where the proposal is to vire the budget carried forward to be used for purposes other than that originally intended.

Responsibilities of Directors

- A.35 Any overspending on service estimates in total on budgets under the control of the Director must be carried forward to the following year, and will constitute the first call on service estimates in the following year, unless the Council subsequently determines otherwise by way of a supplementary estimate. The Chief Finance Officer will report the extent of overspending carried forward to the Executive and to the Council.
- A.36 Net underspending on service estimates under the control of the Director may be carried forward, subject to:
- The authorisation of the Chief Finance Officer where the expenditure is committed and the use of the resource is restricted to the purpose the budget was originally provided for;
 - Reporting to the Executive, Business and Transformation Scrutiny Panel and Council the request for carry forward where the use of the resource is intended to be used for a purpose not as originally intended.

In accordance with the Council's Corporate Charging Policy, and as an incentive to Managers, any additional income over and above the budget target agreed by the Chief Finance Officer will be shared on a request for carry forward by the Director. This is on the basis of 75% returning to the Council's corporate reserves and 25% being retained for use in the service area, but with a limit of £10,000 being retained by the service to avoid distortion of the Council's overall spending priorities. Any amounts required over £10,000 will be subject to a report to the Executive, Business and Transformation Scrutiny Panel and Council.

- A.37 All internal Directorate surpluses and any undistributed profits shall be earmarked within the Council's reserves and retained for the benefit of the Council. Their application shall require the approval of the Executive up to £10,000 and the Council over £10,000.

Accounting Policies

Why is this important?

- A.38 The Chief Finance Officer is responsible for the preparation of the Council'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 (CIPFA/LASAAC), for each financial year ending 31 March.

Key controls

- A.39 The key controls for accounting policies are:
- systems of internal control are in place that ensure that financial transactions are lawful
 - suitable accounting policies are selected and applied consistently
 - proper accounting records are maintained
 - financial statements are prepared which present a true and fair view of the financial position of the Council and its expenditure and income

Responsibilities of the Chief Finance Officer

- A.40 To select suitable accounting policies and to ensure that they are applied consistently. The accounting policies are set out in the statement of accounts, which is prepared at 31 March each year, and covers such items as:
- separate accounts for capital and revenue transactions
 - the basis on which debtors and creditors at year end are included in the accounts
 - details on substantial provisions and reserves
 - fixed assets

- depreciation
- capital charges
- work in progress
- stocks and stores
- revenue expenditure funded from capital (under statute)
- accounting for value added tax
- government grants
- leasing

Responsibilities of Directors

A.41 To adhere to the accounting policies and guidelines approved by the Chief Finance Officer.

Accounting Records and Returns

Why is this important?

A.42 Maintaining proper accounting records is one of the ways in which the Council discharges its responsibility for stewardship of public resources. The Council has a statutory responsibility to prepare its annual accounts to present a true and fair view of 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 Council's resources.

Key controls

A.43 The key controls for accounting records and returns are:

- all Executive Members, finance staff and budget managers operate within the required accounting standards and timetables

- all the Council's transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis
- procedures are in place to enable accounting records to be reconstituted in the event of systems failure
- reconciliation procedures are carried out to ensure transactions are correctly recorded
- prime documents are retained in accordance with legislative and other requirements.

Responsibilities of the Chief Finance Officer

- A.44 To determine the accounting procedures and records for the Council. Where these are maintained outside the finance Directorate, the Chief Finance Officer should consult the Director concerned.
- A.45 To arrange for the compilation of all accounts and accounting records under his direction.
- A.46 To comply with the following principles when allocating accounting duties:
- separating the duties of providing information about sums due to or from the Council and calculating, checking and recording these sums from the duty of collecting or disbursing them
 - employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
- A.47 To make proper arrangements for the external audit of the Council's accounts in accordance with the Accounts and Audit Regulations 2015.
- A.48 To maintain a proper record of all grants and contributions due to the Council and ensure that all claims for funds including grants are made by the due date.

- A.49 To prepare and publish the audited accounts of the Council for each financial year, in accordance with the statutory timetable and with the requirement for the Audit Committee to approve the statement of accounts before 30 September in the following year.
- A.50 To administer the Council's arrangements for under and overspending to be carried forward to the following financial year.
- A.51 To ensure the proper retention of financial documents in accordance with the requirements set out in the Council's document retention schedule, as outlined in Appendix F: Retention of Records.

Responsibilities of Directors

- A.52 To consult and obtain the approval of the Chief Finance Officer before making any changes to accounting records and procedures.
- A.53 To comply with the principles outlined in paragraph 1.38 when allocating accounting duties.
- A.54 To maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements.
- A.55 To supply information required to enable the statement of accounts to be completed in accordance with guidelines issued by the Chief Finance Officer.

Annual Statement of Accounts

Why is this important?

- A.56 The Council has a statutory responsibility to prepare its own accounts to present a true and fair view of its operations during the year. The Audit Committee is responsible for approving the statutory annual statement of accounts.

Key controls

A.57 The key controls for the annual statement of accounts are:

- the Council 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 Council, that officer is the Chief Finance Officer and is referred to throughout this document as the Chief Finance Officer;
- the Council's statement of accounts must be prepared in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom (CIPFA/LASAAC).

Responsibilities of the Chief Finance Officer

A.58 To select suitable accounting policies and to apply them consistently.

A.59 To make judgements and estimates that are reasonable and prudent.

A.60 To comply with the Code of Practice.

A.61 To sign and date the statement of accounts, stating that it presents a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March.

A.62 To draw up the timetable for final accounts preparation and to advise staff and external auditors accordingly.

Responsibilities of Directors

- A.63 To comply with accounting guidance provided by the Chief Finance Officer and to supply the Chief Finance Officer with information when required.

Appendix B: Financial Planning

Performance Plans

Why is this important?

- B.1 Each local Council has a statutory responsibility to publish various performance plans, including a sustainable community strategy and crime reduction strategies. The purpose of these plans is to explain overall priorities and objectives, current performance, and proposals for further improvement. These plans should reflect local as well as national priorities and are developed in consultation with our partners and or local communities.

Key controls

- B.2 The key controls for performance plans are:
- to ensure that all relevant plans are produced and that they are consistent;
 - to produce plans in accordance with statutory requirements;
 - to meet the timetables set;
 - to ensure that all performance information is accurate, complete and up to date to reflect local as well as national priorities;
 - to provide improvement targets which are meaningful, realistic and challenging.

Responsibilities of the Chief Finance Officer

- B.3 To advise and supply the financial information that needs to be included in performance plans in accordance with statutory requirements and agreed timetables.
- B.4 To contribute to the development of corporate and service targets and objectives and performance information.

- B.5 To ensure that systems are in place to measure activity and collect accurate financial information for use as performance indicators.
- B.6 To ensure that performance and financial management information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met.

Responsibilities of Directors

- B.7 To contribute to the development of performance plans in line with statutory requirements.
- B.8 To contribute to the development of corporate and service targets and objectives and performance information.

Budgeting

Format of the budget

Why is this important?

- B.9 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

- B.10 The key controls for the budget format are:
- the format complies with all legal requirements;
 - the format complies with CIPFA's Service Reporting Code of Practice;
 - the format reflects the accountabilities of service delivery.

Responsibilities of the Chief Finance Officer

- B.11 To advise the Executive on the format of the budget to be approved by the Council.

Responsibilities of Directors

- B.12 To comply with accounting guidance provided by the Chief Finance Officer.

Revenue budget preparation, monitoring and control

Why is this important?

- B.13 Budget management ensures that once the Council has approved the budget, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the Council to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.
- B.14 By continuously identifying and explaining variances against budgetary targets, the Council can identify changes in trends and resource requirements at the earliest opportunity. The Council itself operates within an annual cash limit, approved when setting the overall budget. To ensure that the Council in total does not overspend, each service is required to manage its own expenditure within the cash-limited budget allocated to it.
- B.15 For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure for a service area or cost-centre. However, budgetary control may take place at a more detailed level if this is required by the Director's Scheme of Delegation.

Key controls

- B.16 The key controls for managing and controlling the revenue budget are:

- budget managers should be responsible only for income and expenditure that they can influence;
- there is nominated budget manager for each cost-centre heading;
- budget managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities;
- budget managers follow an approved certification process for all expenditure;
- income and expenditure are properly recorded and accounted for 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 Chief Finance Officer

B.17 To establish an appropriate framework of budgetary management and control that ensures that:

- budget management is exercised within annual cash limits unless the Council agrees otherwise;
- each Director has available timely information on receipts and payments on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities;
- expenditure is committed only against an approved budget head;
- all officers responsible for committing expenditure comply with relevant guidance, and the Financial Procedure Rules;
- each cost-centre should have a single named manager, determined by the relevant Director. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commits expenditure;
- significant variances from approved budgets are investigated and reported on by budget managers.

B.18 To administer the Council's scheme of virement.

- B.19 To submit reports to the Executive and to the Council, in consultation with the relevant Director, where a Director is unable to balance expenditure and resources within existing approved budgets under his control.
- B.20 To prepare and submit reports on the Council's projected income and expenditure compared with the budget on a regular basis.

Responsibilities of Directors

- B.21 To maintain budgetary control within their Directorates, in adherence to the principles in B.17 (appropriate framework of budgetary management) and to ensure that all income and expenditure are properly recorded and accounted for.
- B.22 To ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the Director (grouped together in a series of cost centres). As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.
- B.23 To ensure that spending remains within the service's overall cash limit, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast.
- B.24 To ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget.
- B.25 To prepare and submit to the Executive reports on the service's projected expenditure compared with its budget, in consultation with the Chief Finance Officer.
- B.26 To ensure prior approval by the Council or Executive (as appropriate) for new proposals, of whatever amount, that:
- create financial commitments in future years;
 - change existing policies, initiate new policies or cease existing policies;

- materially extend or reduce the Council's services.

B.27 To ensure compliance with the scheme of virement.

B.28 To agree with the relevant Director where it appears that a budget proposal, including a virement proposal, may impact materially on another service area or Director's level of service activity.

Budgets and medium-term planning

Why is this important?

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

B.30 Any report on new proposals should explain the full financial implications, following consultation with the Chief Finance Officer. Unless the Council or Executive has agreed otherwise, Directors must plan to contain the financial implications of such proposals within their cash limit.

B.31 The revenue budget must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of the Council. Budgets (spending plans) are needed so that the Council can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for a Council to budget for a deficit balance at the end of the financial year.

B.32 Medium-term planning (or a 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 Council is always preparing for events in advance.

Key controls

B.33 The key controls for budgets and medium-term planning are:

- specific budget approval for all expenditure
- budget managers are consulted in the preparation of the budgets for which they will be held responsible and accept accountability within delegations set by the Executive for their budgets and the level of service to be delivered
- 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 Chief Finance Officer

- B.34 To prepare and submit reports on budget prospects for the Executive, including resource constraints set by the Government. Reports should take account of medium-term prospects, where appropriate.
- B.35 To determine the detailed form of revenue estimates and the methods for their preparation, consistent with the budget approved by the Council, and after consultation with the Executive and Directors.
- B.36 To prepare and submit reports to the Executive on the aggregate spending plans of Directorates and on the resources available to fund them, identifying, where appropriate, the implications for the level of Council Tax to be levied.
- B.37 To advise on the medium-term implications of spending decisions.
- B.38 To encourage the best use of resources and value for money by working with Directors to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.

- B.39 To advise the Council on Executive proposals in accordance with his responsibilities under section 151 of the Local Government Act 1972.

Responsibilities of Directors

- B.40 To prepare estimates of income and expenditure, in consultation with the Chief Finance Officer, to be submitted to the Executive.
- B.41 To prepare budgets that are consistent with any relevant cash limits, with the Council's annual budget cycle and with guidelines issued by the Executive. The format should be prescribed by the Chief Finance Officer in accordance with the Council's general directions.
- B.42 To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.
- B.43 In consultation with the Chief Finance Officer and in accordance with the laid-down guidance and timetable, to prepare detailed draft revenue and capital budgets for consideration by the Executive.
- B.44 When drawing up draft budget requirements, to have regard to:
- spending patterns and pressures revealed through the budget monitoring process;
 - legal requirements;
 - policy requirements as defined by the Council;
 - policy framework initiatives already under way.

Resource allocation

Why is this important?

- B.45 A mismatch often exists between available resources and required resources. A common scenario is that available resources are not adequate to fulfil need/desire. It is therefore

imperative that needs/desires are carefully prioritised and that resources are fairly allocated, in order to fulfil all legal responsibilities. Resources may include staff, money, equipment, goods and materials.

Key controls

B.46 The key controls for resource allocation are:

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

Responsibilities of the Chief Finance Officer

B.47 To advise on methods available for funding.

B.48 To assist in the allocation of resources to budget managers.

Responsibilities of Directors

B.49 To work within budget limits and to utilise resources allocated in the most efficient, effective and economic way.

B.50 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?

- B.51 Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the Council, such as land, buildings, and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs.
- B.52 The Government places strict controls on the financing capacity of the Council. This means that capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources.

Key controls

- B.53 The key controls for capital programmes are:
- specific approval by the Council for the programme of capital expenditure in accordance with the Capital Strategy;
 - proposed expenditure on capital schemes is subject to the approval of the Chief Finance Officer;
 - a scheme and estimate, including project plan, progress targets and associated revenue expenditure is prepared for each capital project, for approval by the Executive;
 - proposals for improvements and alterations to buildings must be approved by the appropriate Director;
 - schedules for individual schemes within the overall budget approved by the Council must be submitted to the Executive for approval (for example, minor works), or under other arrangements approved by the Council;
 - the development and implementation of asset management plans;
 - accountability for each proposal is accepted by a named manager;

- monitoring of progress in conjunction with expenditure and comparison with approved budget.

Responsibilities of the Chief Finance Officer

- B.54 To prepare capital estimates jointly with Directors and the Head of Paid Service and to report them to the Executive. The Executive will make recommendations on the capital estimates and on any associated financing requirements to the Council. Executive approval is required where a Director proposes to bid for additional borrowing approval not anticipated in the capital programme. This is because the extra borrowing may create future commitments to financing costs.
- B.55 To prepare and submit reports to the Executive on the projected income, expenditure and resources compared with the approved estimates.
- B.56 To issue guidance concerning capital schemes and controls, for example, on project appraisal techniques. The definition of 'capital' will be determined by the Chief Finance Officer, having regard to government regulations and accounting requirements.
- B.57 To obtain authorisation from the Executive for individual schemes where the estimated expenditure exceeds the capital programme provision by more than £10,000 or 10% of the accepted tender figure, whichever is the lower.

Responsibilities of Directors

- B.58 To comply with guidance concerning capital schemes and controls issued by the Chief Finance Officer.
- B.59 To ensure that all capital proposals have undergone a project appraisal in accordance with guidance issued by the Chief Finance Officer.
- B.60 To prepare regular reports reviewing the capital programme provisions for their services. They should also prepare a quarterly return of estimated final costs of schemes in the

approved capital programme for submission to the Chief Finance Officer.

- B.61 To ensure that adequate records are maintained for all capital contracts.
- B.62 To proceed with projects only when there is adequate provision in the capital programme and with the agreement of the Chief Finance Officer, where required.
- B.63 To prepare and submit reports, jointly with the Chief Finance Officer, to the Executive, of any variation in contract costs greater than the limits outlined above. The Executive may meet cost increases of up to 10% or £10,000 whichever is the lower by virement from savings elsewhere within their capital programme.
- B.64 To prepare and submit reports, jointly with the Chief Finance Officer, to the Executive, on completion of all contracts where the final expenditure exceeds the approved contract sum by more than the specified amount.
- B.65 To ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the Chief Finance Officer and, if applicable, approval of the scheme through the capital programme.
- B.66 To consult with the Chief Finance Officer and to seek Executive approval where the Director proposes to bid for capital funding from external sources to support expenditure that has not been included in the current year's capital programme.

Maintenance of reserves

Why is this important?

- B.67 The Council 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 Council to provide for unexpected events and thereby protect it from overspending, should such events occur. Reserves for specific purposes may also be

maintained, such as the purchase or renewal of capital items.

Key controls

- B.68 To maintain reserves in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (CIPFA/LASAAC) and agreed accounting policies.
- B.69 For each reserve established, the purpose, usage and basis of transactions should be clearly identified.
- B.70 Authorisation of expenditure which is to be met from reserves by the appropriate Director in consultation with the Chief Finance Officer.

Responsibilities of the Chief Finance Officer

- B.71 To advise the Executive and/or the Council on prudent levels of reserves for the Council, and to take account of the advice of the external auditor in this matter.

Responsibilities of Directors

- B.72 To ensure that reserves are used only for the purposes for which they were intended.

Appendix C: Risk Management and Control of Resources

Risk Management

Why is this important?

- C.1 All organisations, whether private or public sector, face risks to people, property and continued operations. Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk management is the planned and systematic approach to the identification, evaluation and control of risk. Its objectives are to secure the assets of the organisation and to ensure the continued financial and organisational well-being of the organisation. In essence it is, therefore, an integral part of good business practice. Risk management is concerned with evaluating the measures an organisation already has in place to manage identified risks and then recommending the action the organisation needs to take to control these risks effectively.
- C.2 It is the overall responsibility of the Executive to approve the Council's risk management strategy, and to promote a culture of risk management awareness throughout the Council.

Key controls

- C.3 The key controls for risk management are:
- procedures are in place to identify, assess, prevent or contain material known risks, and these procedures are operating effectively throughout the Council;
 - a monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis;
 - managers know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives;
 - provision is made for losses that might result from the risks that remain;

- procedures are in place to investigate claims within required timescale;
- acceptable levels of risk are determined and insured against where appropriate;
- the Council has identified business continuity plans for implementation in the event of disaster that results in significant loss or damage to its resources.

Responsibilities of the Chief Finance Officer

- C.4 To prepare and promote the Council's Risk Management Policy Statement and to develop risk management controls in conjunction with other Directors.
- C.5 To include all appropriate employees of the Council in a suitable fidelity guarantee insurance.
- C.6 To affect corporate insurance cover, through external insurance and internal funding, and to negotiate all claims in consultation with other officers, where necessary.

Responsibilities of Directors

- C.7 To notify the Chief Finance 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 Chief Finance Officer or the Council's insurers.
- C.8 To take responsibility for risk management, having regard to advice from the Chief Finance Officer and other specialist officers (e.g. crime prevention, fire prevention, health and safety, Internal Audit).
- C.9 To ensure that there are regular reviews of risk within their Directorates.
- C.10 To notify the Chief Finance Officer promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.

- C.11 To consult the Chief Finance Officer and the Corporate Director of Governance and Regulatory Services on the terms of any indemnity that the Council is requested to give.
- C.12 To ensure that employees, or anyone covered by the Council's insurance, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

Internal Controls

Why is this important?

- C.13 The Council is complex and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives.
- C.14 The Council has statutory obligations and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations.
- C.15 The Council faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to manage these risks.
- C.16 The system of internal controls is established in order to provide measurable achievement of:
- efficient and effective operations
 - reliable financial information and reporting
 - compliance with laws and regulations
 - risk management.

Key controls

C.17 The key controls and control objectives for internal control systems are:

- key controls should be reviewed on a regular basis and the Council should make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively;
- 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;
- financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems;
- an effective Internal Audit function that is properly resourced. It should operate in accordance with the principles contained in the Auditing Practices Board's auditing guideline Guidance for Internal Auditors, CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom and with any other statutory obligations and regulations.

Responsibilities of the Chief Finance Officer

C.18 To assist the Council to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.

Responsibilities of Directors

C.19 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.

- C.20 To review existing controls in the light of changes affecting the Council and to establish and implement new ones in line with guidance from the Chief Finance Officer.
- C.21 To ensure staff have a clear understanding of the consequences of lack of control.

Audit Requirements

Internal Audit

Why is this important?

- C.22 The Accounts and Audit Regulations 2015 (S1 2011/234), regulation 5, specifically require that a “relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes” with regulation 6 requiring relevant a relevant authority to “conduct a review of effectiveness of the system of internal control”. Impartial monitoring and inspection of activities is essential to a healthy organisation. All financial and other operations are subject to audit reviews and investigations which, inter alia, assist the Chief Finance Officer to meet his statutory duties and provide Members and Managers with an objective view of the standard of financial management, administration and general performance.
- C.23 Accordingly, Internal Audit is an independent and objective appraisal function established by the Council for reviewing the system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources and assists the Chief Finance Officer in discharging his fiduciary responsibilities to Council Tax payers under common law as decided in “A.G. v. De Winton”.

Key controls

- C.24 The key controls for Internal Audit are:
- it is independent in its planning and operation

- the Audit Manager has direct access to the Head of Paid Service, to all levels of management and to elected Members
- the Internal Auditors comply with the Auditing Practices Board's guideline Guidance for Internal Auditors, and with CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom.

Responsibilities of the Chief Finance Officer

C.25 To ensure that Internal Auditors have the authority to:

- access Council premises at reasonable times
- access all assets, records, documents, correspondence and control systems
- receive any information and explanation considered necessary concerning any matter under consideration
- require any employee of the Council to account for cash, stores or any other Council asset under his control
- access records belonging to third parties, such as contractors, when required
- access directly the Head of Paid Service, the Executive and the Business and Transformation Scrutiny Panel

C.26 To approve the strategic and annual audit plans prepared by the Audit Manager, which take account of the characteristics and relative risks of the activities involved.

C.27 To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

Responsibilities of Directors

C.28 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.

- C.29 To ensure that auditors are provided with any information and explanations that they seek in the course of their work.
- C.30 To consider and respond promptly to recommendations in audit reports. Directors and managers will respond promptly to all audit reports whether internal or external. Internal Audit reports require a written response indicating the actions to be taken. These actions and the outcomes should be recorded in operational and financial terms by management.
- C.31 The prime responsibility for adequate and effective internal control lies with Directors. The role of the Audit Manager is to provide advice and guidance, and to monitor and inspect the arrangements management has put in place.
- C.32 To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- C.33 Whenever any matter arises which involves, or is thought to involve, irregularities (as defined below) concerning cash, stores or property of the Council, or in the exercise of the functions of the Council, the matter is to be reported immediately (via the relevant Director if preferred) to the Chief Finance Officer or in his absence to the Audit Manager who shall take such steps as he considers necessary by way of investigation and report as detailed in the Theft, Fraud and Corruption Response Plan, which is included as Appendix G: Theft, Fraud and Corruption Response Plan.
- C.34 Directors shall meanwhile take any appropriate action to prevent further loss and secure records and documentation against removal or alteration.
- C.35 To be responsible for ensuring that sound financial procedures are operated throughout their Directorates, including compliance with these Procedures. Particular areas of interest include:
- quality of financial management;
 - soundness of financial decisions;
 - efficiency and effectiveness of the use of resources to achieve aims and objectives in line with priorities;

- efficiency and effectiveness of financial control;
- action taken to evaluate the cost effectiveness of the operation;
- action taken to evaluate cost effectiveness and operational performance in relation to the market environment.
- 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 Audit Manager prior to implementation.

C.36 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 Audit Manager prior to implementation.

External audit

Why is this important?

C.37 Public Sector Audit Appointments Ltd are now responsible for appointing external auditors to each local Council in England and Wales. The external auditor has rights of access to all documents and information necessary for audit purposes.

C.38 The basic duties of the external auditor are defined in the Local Audit and Accountability Act 2014. In particular, section 4 of the said Act provides that the accounts of a relevant authority for a financial year must be audited in accordance with the statutory requirements by a local auditor appointed under the Act. The Act requires the National Audit Office through the Comptroller and Audit General to prepare a Code of Audit Practice, which external auditors follow when carrying out their duties. The Code of Audit Practice issued in April 2015 sets out the auditor's objectives to review and report upon:

- the financial aspects of the audited body's corporate governance arrangements;
- the audited body's financial statements;
- aspects of the audited body's arrangements to manage its performance.

- C.39 The external auditor must be satisfied that the statement of accounts present a 'true and fair view' of the financial position of the Council and its income and expenditure for the year in question and complies with the legal requirements.

Key controls

- C.40 External auditors are appointed by Public Sector Audit Appointments Ltd normally for a minimum period of five years. The National Audit Office prepares a Code of Audit Practice, which external auditors follow when carrying out their audits.

Responsibilities of the Chief Finance Officer

- C.41 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.
- C.42 To ensure there is effective liaison between external and Internal Audit.
- C.43 To work with the external auditor and advise the Council, Executive and Directors on their responsibilities in relation to external audit.

Responsibilities of Directors

- C.44 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.
- C.45 To ensure that all records and systems are up to date and available for inspection.

Preventing Fraud and Corruption

Why is it this important?

- C.46 The Council will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Council.
- C.47 The Council'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.
- C.48 The Council also expects that individuals and organisations (e.g. suppliers, contractors, service providers) with which it comes into contact will act towards the Council with integrity and without thought or actions involving fraud and corruption.

Key controls

- C.49 The key controls regarding the prevention of financial irregularities are that:
- the Council has an effective anti-fraud and anti-corruption policy and maintains a culture that will not tolerate fraud or corruption;
 - all Members and staff act with integrity and lead by example;
 - senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the Council or who are corrupt;
 - high standards of conduct are promoted amongst Members by the Standards Committee;
 - the maintenance of a register of interests in which any hospitality or gifts must be recorded. The acceptance of gifts shall be limited to items of a small promotional nature such as pens, diaries etc with an estimated value not exceeding £10. Such items need not be recorded in the Register;

- Any items which are estimated to have a value in excess of £10 shall be duly recorded on the relevant form which is to be forwarded to the Corporate Director of Governance and Regulatory Services for collation into a corporate register;
- Hospitality should be accepted only as an adjunct to Council business, (e.g. a working lunch) and should generally be from organisations with whom the Council already has an established relationship. All hospitality the cost of which is estimated to exceed £10, shall be duly recorded on the relevant form which is to be forwarded to the Corporate Director of Governance and Regulatory Services for collation into a corporate register and shall be recorded in the Directorate Register kept for this purpose;
- All offers of gifts and hospitality with an estimated value exceeding £10, which are declined, should also be recorded on the relevant form and forwarded to the Governance Directorate for collation into a corporate register;
- Whenever it is reasonable to do so, the relevant Director's permission must be sought in advance before any significant offers of gifts or hospitality are accepted. N.B. gifts may be considered appropriate to donate to the Mayor's Charity fund;
- Whistle blowing procedures are in place and operate effectively;
- Legislation including the Public Interest Disclosure Act 1998 is adhered to.

Responsibilities of the Chief Finance Officer

- C.50 To develop and maintain an anti-fraud and anti-corruption policy.
- C.51 To ensure that all suspected irregularities are reported to the Audit Manager, the Head of Paid Service, the Executive and the Business and Transformation Scrutiny Panel.

Responsibilities of Directors

- C.52 To maintain adequate and effective internal control arrangements.
- C.53 To ensure that all suspected irregularities are reported to the Audit Manager.

- C.54 To instigate the Council's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.
- C.55 To ensure that where financial impropriety is discovered, the Chief Finance Officer 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.
- C.56 To maintain a Directorate register of interests.

Assets

Security

Why is this important?

- C.57 The Council holds assets in the form of property, vehicles, equipment, furniture, computer systems, stocks and materials and other items. 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. The Council's assets must be securely and properly safeguarded.
- C.58 The key controls for the security of resources such as land, buildings, fixed plant machinery, equipment, software and information are:
- resources are used only for the purposes of the Council and are properly accounted for;
 - resources are available for use when required;
 - resources no longer required are disposed of in accordance with the law and the Procedures of the Council so as to maximise benefits;
 - an asset register is maintained by the Council. Assets are recorded when they are acquired by the Council and this record is updated as changes occur with respect to the location and condition of the asset;

- all staff are aware of their responsibilities with regard to safeguarding the Council's assets and information, including the requirements of the Data Protection Act and software copyright legislation;
- all staff are aware of their responsibilities with regard to safeguarding the security of the Council's computer systems, including maintaining restricted access to the information held on them and compliance with the Council's computer and internet security policies.

Responsibilities of the Chief Finance Officer

- C.59 To ensure that an asset register is maintained in accordance with good practice for all items of vehicles and plant in excess of £5,000 and all fixed assets with a value in excess of £20,000. The function of the asset register is to provide the Council with information about fixed assets so that they are:
- safeguarded
 - used efficiently and effectively
 - adequately maintained.
- C.60 To receive the information required for accounting, costing and financial records from each Director.
- C.61 To ensure that assets are valued in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (CIPFA/LASAAC).

Responsibilities of Directors

- C.62 Inventories shall be prepared in the form approved by the Chief Finance Officer and shall be kept up to date by each Director in respect of the establishments under his control. Such inventories shall include an adequate description of all moveable plant and machinery, furniture and fittings and office equipment belonging to the Council. All hired or leased items shall be separately identified on the inventory.

- C.63 Any use of property by a Directorate or establishment other than for direct service delivery should be supported by documentation identifying terms, responsibilities and duration of use. A copy of the relevant part of each inventory shall be kept in all premises of the Directorate concerned and updated as required.
- C.64 To ensure that lessees and other prospective occupiers of Council land are not allowed to take possession or enter the land until a lease or agreement, in a form approved by the Director in consultation with the Corporate Director of Governance and Regulatory Services, has been established as appropriate.
- C.65 To ensure the proper security of all buildings and other assets under their control.
- C.66 Where land or buildings are surplus to requirements, a recommendation for sale should be the subject of a joint report by the Corporate Director of Governance and Regulatory Services and the Corporate Director of Economic Development.
- C.67 To pass title deeds to the appropriate Director who is responsible for custody of all title deeds.
- C.68 To ensure that no Council asset is subject to personal use by an employee without proper authority.
- C.69 To ensure the proper use and safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the Council. This includes security measures to prevent loss and minimise damage to and vulnerability of Council assets.
- C.70 To ensure that the Directorate maintains a register of moveable assets in accordance with arrangements defined by the Chief Finance Officer.
- C.71 To ensure that assets are identified, their location recorded and that they are effectively marked as the property of the Council. Items leased or hired to the Council should wherever possible be marked distinctively to this effect.

- C.72 To consult the Chief Finance Officer in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- C.73 To ensure cash holdings on premises are kept to a minimum.
- C.74 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 Chief Finance Officer.
- C.75 To record all disposal or part exchange of assets that should normally be by competitive tender or public auction, unless, following consultation with the Chief Finance Officer, the Executive agrees otherwise.
- C.76 To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Chief Finance Officer.
- C.77 To ensure that all employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the Council in some way.

Inventories

- C.78 To maintain inventories and record an adequate description of furniture, fittings, equipment, plant and machinery above £5,000 in value.
- C.79 To carry out an annual check of all items on the inventory in order to verify location, and to review condition. Any deficiency or surplus shall be reported to the Chief Finance Officer who shall decide whether a report to the Business and Transformation Scrutiny Panel is required.
- C.80 Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the Council.
- C.81 No item shall be removed from Council premises otherwise than in the normal course of business, and may not be used otherwise than for Council purposes. In any event all such removals must be authorised in writing by the relevant Director, who will be responsible for ensuring notification to and compliance with the Chief Finance Officer requirements for insurance purposes.

Stocks and stores

- C.82 To make arrangements for the care and custody of stocks and stores in the Directorate.
- C.83 To ensure that a delivery note submitted by the supplier and signed by the person receiving the goods is obtained in respect of every delivery of goods. All goods must be checked for quantity and inspected for quality and compliance with the specification as soon as practicable after delivery. Any shortcomings must be notified and confirmed in writing to the supplier immediately.
- C.84 The stores records and accounts shall be kept in a format approved by the Chief Finance Officer and shall be subject to his examination and check at any time.
- C.85 No item shall be removed from any stores without a written authorisation.

- C.86 To ensure stocks are maintained at reasonable levels and are subject to a regular independent physical check. Annually at the 31 March or as near as possible to that date, a complete stocktaking of all stores shall be carried out by a responsible officer and stock sheets shall be prepared showing the actual stocks on hand at 31 March as revealed by the stocktaking. The stocks in hand shown in the stores accounting system shall also be recorded along with any resulting surplus or deficiency. Directors shall inform the Chief Finance Officer of any stocktaking being carried out in order that a representative of the Chief Finance Officer can be present to undertake such test checks as may be necessary.
- C.87 Each authorised officer shall sign the stock sheets of the Directorate and certify that the details are correct and forward a certified copy to the Chief Finance Officer.
- C.88 The Chief Finance Officer may waive annual stocktaking where he is satisfied that an adequate system of continuous stocktaking is in operation.
- C.89 All surpluses/deficiencies revealed by stocktaking will be reported immediately to the Chief Finance Officer. All deficiencies/surpluses must be investigated and explained. The Chief Finance Officer will decide whether the matter warrants a report to the Business and Transformation Scrutiny Panel.

Intellectual property

Why is this important?

- C.90 Intellectual property is a generic term that includes inventions and writing. If these are created by the employee during the course of employment, then, as a general rule, they belong to the employer, not the employee. Various acts of Parliament cover different types of intellectual property.
- C.91 Certain activities undertaken within the Council may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property.

Key controls

- C.92 In the event that the Council decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with the Council's approved intellectual property procedures.

Responsibilities of the Chief Finance Officer

- C.93 To develop and disseminate good practice through the Council's intellectual property procedures.

Responsibilities of Directors

- C.94 To ensure that controls are in place to ensure that staff do not carry out private work in Council time and that staff are aware of an employer's rights with regard to intellectual property.

Asset disposal

Why is this important?

- C.95 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 rules for the Disposal of Redundant Furniture and Equipment. (See Appendix H: Disposal of Redundant Furniture and Equipment).

Key controls

- C.96 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 Council, 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.

C.97 Procedures protect staff involved in the disposal from accusations of personal gain.

Responsibilities of the Chief Finance Officer

C.98 To issue guidelines representing best practice for disposal of assets.

C.99 To ensure appropriate accounting entries are made to remove the value of disposed assets from the Council's records and to include the sale proceeds if appropriate.

Responsibilities of Directors

C.100 To dispose of redundant equipment in accordance with the Council's Rules for the Disposal of Redundant Furniture and Equipment.

C.101 Stores deemed to be obsolete or otherwise surplus to requirements shall be disposed of in accordance with the following:

- A report of obsolete/surplus stock it is proposed to sell/write off shall be submitted to the Business and Transformation Scrutiny Panel for approval, where the value exceeds £1,000;
- Where the value of the obsolete/surplus stock is less than £1,000 then approval to dispose can be given by the Chief Finance Officer;

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

Treasury Management

Why is this important?

C.102 Many millions of pounds pass through the Council's books each year. This led to the establishment of codes of practice. These aim to ensure that the Council's money is

properly managed in a way that balances risk with return, but with the overriding consideration being given to the security of the Council's capital sum.

Key controls

- C.103 That the Council's borrowings and investments comply with the CIPFA Code of Practice on Treasury Management and with the Council's Treasury Policy Statement.

Treasury management and banking

Responsibilities of Chief Finance Officer

- C.104 To arrange the borrowing and investments of the Council in such a manner as to comply with the CIPFA Code of Practice on Treasury Management and the Council's Treasury Management Policy Statement and Strategy.

- C.105 To report at least four times per year on treasury management activities to the Executive.

- C.106 To operate any bank accounts as are considered necessary. The opening or closing of any bank account shall require the approval of the Chief Finance Officer.

Responsibilities of Directors

- C.107 To follow the instructions on banking issued by the Chief Finance Officer.

Investments and borrowing

Responsibilities of Chief Finance Officer

- C.108 To ensure that all money in the hands of the Council is aggregated for the purposes of treasury management and is under his control as the officer designated for the purposes of Section 151 of the Local Government Act 1972.

- C.109 To circulate, from time to time, a list of "Approved Organisations for Investment". Officers with the authority to invest the Council's funds will not place funds with any organisation not on this list and will comply with any limits for funds placed with a particular organisation.
- C.110 To ensure that all certificates, bonds and other documents relating to the Council's investments are held securely and clearly marked in the main safe.
- C.111 To ensure that all investments of money are made in the name of the Council or in the name of nominees approved by the Council.
- C.112 To ensure that all securities that are the property of the Council or its nominees and the title deeds of all property in the Council's ownership are held in the custody of the Corporate Director of Governance and Regulatory Services unless held by an approved Nominee Custodian.
- C.113 To affect all borrowings in the name of the Council.
- C.114 To act as the Council's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the Council.

Responsibilities of Directors

- C.115 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 Council, following consultation with the Chief Finance Officer.

Trust funds and funds held for third parties

Responsibilities of Directors

- C.116 To arrange for all trust funds to be held, wherever possible, in the name of the Council. All officers acting as trustees by virtue of their official position shall deposit securities, etc relating to the trust with the Chief Finance Officer, unless the deed otherwise provides.
- C.117 To arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Chief Finance Officer and to maintain written records of all transactions.
- C.118 To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.

Petty cash advances

Responsibilities of Chief Finance Officer

- C.119 To provide employees of the Council with petty cash advances to meet minor expenditure on behalf of the Council and to prescribe rules for the use of these advances. A receipt shall be signed in respect of each advance by the officer concerned who shall be held personally responsible to account for it.
- C.120 Payments out of Directorate petty cash accounts will only be made for the following purposes:
- Minor expenses such as postage where payment by cash is essential. In no case shall any one payment exceed £50 (or such other sum as determined by the Chief Finance Officer from time to time)), except by special arrangement,
 - and in the case of continuing arrangements confirmed in writing with the Chief Finance Officer.

- C.121 To determine the petty cash limits and to maintain a record of all petty cash advances made. Periodically to review the arrangements for the safe custody and control of these advances.
- C.122 To reimburse petty cash holders as often as necessary to restore the advance, but normally not more than monthly.

Responsibilities of Directors

C.123

- To ensure that employees operating a petty cash advance obtain receipts as evidence of expenditure wherever possible and in ALL CASES where VAT is charged.
- To ensure that claims for reimbursement are made on a proper form and are certified for payment by an authorised officer.
- To verify as correct, by an appropriate officer, all petty cash accounts.
- To be responsible for ensuring that all cash balances are kept locked in a safe place and secure from unauthorised access.
- To ensure that because of possible tax/N.I. implications, payments in respect of wages and/or travelling and subsistence expenses are not paid from petty cash without the prior approval of the Chief Finance Officer.
- To produce upon demand by the Chief Finance Officer cash and all vouchers to the total value of the advance.
- To record transactions promptly.
- To provide the Chief Finance Officer with a certificate of the value of the advance at 31 March each year.
- To ensure that the advance is never used to cash personal cheques or to make personal loans and that the only receipts are the reimbursement of the advance and change relating to purchases
- To account to the Chief Finance Officer for the amount advanced to any employee who leaves the Council's employment or otherwise ceases to be entitled to hold an advance
- To ensure that no income received on behalf of the City Council is paid into a petty cash account but is accounted for and banked as provided elsewhere in these

Procedures.

Estates

- C.124 The Building and Estates Services Manager shall maintain a Terrier of all land and property owned by the City Council recording the Service and purpose for which land is held, location, extent and plan reference, purchase details, current value, nature of interest, rent payable and tenancies granted.
- C.125 The Corporate Director of Governance and Regulatory Services shall have the custody of all title deeds and will be responsible for their security.

Disposal of land or buildings

- C.126 All proposals involving the disposal of land or buildings shall be submitted to the Council in accordance with Standing Orders and the Scheme of Delegation. For the purposes of this Financial Procedure Rule the term disposal shall include disposal by sale, gift, barter, leasehold in excess of 99 years or any other means.

Staffing

Why is this important?

- C.127 In order to provide the highest level of service, it is crucial that the Council recruits and retains high calibre, knowledgeable staff, qualified to an appropriate level.

Key controls

- C.128 The key controls for staffing are:

- an appropriate staffing strategy and policy, in which staffing requirements and budget allocation are matched

- procedures are in place for forecasting staffing requirements and cost controls that ensure that staff time is used efficiently and to the benefit of the Council
- checks undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced and trustworthy.

Responsibilities of the Chief Finance Officer

- C.129 To ensure that budget provision exists for all existing and new employees.
- C.130 To act as an advisor to Directors on areas such as National Insurance and pension contributions, as appropriate.

Responsibilities of Directors

- C.131 To produce an annual staffing budget.
- C.132 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).
- C.133 To monitor staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff.
- C.134 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.
- C.135 To ensure that the HR Manager and the Chief Finance Officer are immediately informed if the staffing budget is likely to be materially over or under-spent.

Appendix D: Financial Systems and Procedures

General

Why is this important?

D.1 Directorates have many systems and procedures relating to the control of the Council's assets, including purchasing, costing and management systems. Directorates are increasingly reliant on computers for their financial management information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.

D.2 The Chief Finance Officer has a professional responsibility to ensure that the Council's financial systems are sound and should therefore be notified of any new developments or changes.

Key controls

D.3 The key controls for systems and procedures are:

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

Responsibilities of the Chief Finance Officer

D.4 To make arrangements for the proper administration of the Council's financial affairs, including to:

- issue advice, guidance and procedures for officers and others acting on the Council's behalf
- determine the accounting systems, form of accounts and supporting financial records
- establish arrangements to ensure that all financial systems and controls are subject to periodic checks by Internal Audit in accordance with risk management controls and assessments
- establish arrangements for the external audit of the Council's financial affairs
- approve any new financial systems to be introduced
- approve any changes to be made to existing financial systems.

Responsibilities of Directors

D.5 To ensure that accounting records are properly maintained and held securely.

D.6 To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Chief Finance Officer.

D.7 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.

D.8 To incorporate appropriate controls to ensure that, where relevant:

- all input is genuine, complete, accurate, timely and not previously processed
- all processing is carried out in an accurate, complete and timely manner

- output from the system is complete, accurate and timely

D.9 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.

D.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.

D.11 To ensure that systems are documented and staff trained in operations.

D.12 To consult with the Chief Finance Officer before changing any existing system or introducing new systems.

D.13 To establish a scheme of delegation identifying officers authorised to act upon the Director's behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority.

D.14 To supply lists of authorised officers, with specimen signatures and delegated limits, to the Chief Finance Officer, together with any subsequent variations.

D.15 To ensure that effective contingency arrangements, including back-up procedures, exist for computer systems and in respect of all information held in electronic files on which the Council's finance and management systems rely. Wherever possible, back-up information should be securely retained in a fireproof location, preferably off site or at an alternative location within the building.

D.16 To ensure that, where appropriate, systems are registered in accordance with data protection legislation and that staff are aware of their responsibilities under the legislation.

D.17 To ensure that relevant standards and guidelines for computer systems issued by the Director are observed.

D.18 To ensure that computer equipment and software are protected from loss and damage through theft, vandalism, etc.

D.19 To comply with the copyright, designs and patents legislation and, in particular, to ensure that:

- only software legally acquired and installed by the Council is used on its computers
- staff are aware of legislative provisions
- in developing systems, due regard is given to the issue of intellectual property rights.

Income and Expenditure

Income

Why is this important?

D.20 Effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly and that cash flow is optimised. It is preferable to obtain income in advance of supplying goods or services as this both improves the Council's cashflow and avoids the time and cost of administering debts.

Key controls

D.21 The key controls for income are that:

- all income due to the Council is identified and allocated correctly, in accordance with an approved charging policy, which is regularly reviewed
- all income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery
- all money received by an employee on behalf of the Council is paid in at least weekly to the Chief Finance Officer or, as he directs, to the Council's bank account, and properly recorded. All monies must be held securely before being paid in. The responsibility for cash collection should be separated from that for identifying the amount due and for reconciling the amount due to the amount received
- effective action is taken to pursue non-payment within defined timescale
- formal approval for debt write-off is obtained
- appropriate write-off action is taken within defined timescale
- appropriate accounting adjustments are made following write-off action
- all appropriate income documents are retained and stored for the defined period in accordance with the document retention schedule
- money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.

Responsibilities of the Chief Finance Officer

D.22 To agree arrangements for the collection of all income due to the Council and to approve the procedures, systems and documentation for its collection and subsequent banking.

D.23 To order and supply to Directorates all receipt forms, books or tickets and similar items and to satisfy herself regarding the arrangements for their control.

D.24 To agree the write-off of bad debts without limit.

D.25 To approve all debts to be written off in consultation with the relevant Director, to keep a record of all sums written off up to the approved limit and to

adhere to the requirements of the Accounts and Audit Regulations 2015.

D.26 To report all debts written off to the Executive and the Business and Transformation Scrutiny Panel, in consultation with the relevant Director.

D.27 To ensure that appropriate accounting adjustments are made following write-off action.

Responsibilities of Directors

D.28 To establish a charging policy for the supply of goods or services, including the appropriate charging of VAT. Each Director working in conjunction with the Chief Finance Officer shall submit at least annually to the Executive a review of those charges where the Council controls their setting.

D.29 All invoices and demands for payment shall specify that remittances should be made payable to Carlisle City Council and in no circumstances will payment be made in the name of an officer/Member of the Council.

D.30 The Chief Finance Officer shall make proper arrangements for the financial organisation, accounting and record keeping necessary to ensure the proper recording of all sums due to the Council and for the proper collection, control, banking and prompt and proper accounting for all cash in all Directorates of the Council.

D.31 Except where specifically approved (e.g. Leisuretime) no new charges or changes to existing charges shall be made without prior approval of the Executive on a report from the Director concerned, prepared in conjunction with the Chief Finance Officer.

D.32 Except where alternative procedures are approved by the Chief Finance Officer, every sum received by an officer of the Council shall be acknowledged immediately by the issue of an official receipt, ticket or voucher.

Sums received shall be banked promptly, in full and in the manner received, in accordance with instructions issued or approved by the Chief Finance Officer.

D.33 Personal cheques shall not be cashed out of monies held on behalf of the Council.

D.34 Directors shall ensure that charges for work done are billed promptly and substantiated as each contract or internal agreement specifies. Appropriate charging records and billing systems will be operated and agreed with the Chief Finance Officer. The Chief Finance Officer will ensure that internal bills are paid promptly by accounting transfer upon certification of the amount by the client unit.

D.35 Sums due to Council shall not be written off except by the authority of the Chief Finance Officer. A report or summary of all amounts so written off shall be submitted quarterly to the Executive.

D.36 To separate, as far as is practicable, the responsibility for identifying amounts due and the responsibility for their collection.

D.37 To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.

D.38 To issue official receipts or to maintain other documentation for income collection.

D.39 To ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded.

D.40 To hold securely receipts, tickets and other records of income for the appropriate period.

D.41 To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling.

D.42 To ensure that income is paid fully and promptly into the appropriate Council bank account in the form in which it is received. Appropriate details should be recorded on to paying-in slips to provide an audit trail. Money collected and deposited must be reconciled to the bank account on a regular basis.

D.43 To supply the Chief Finance Officer on a timely basis with details relating to work done, goods supplied, services rendered or other amounts due, to enable the Chief Finance Officer to record correctly the sums due to the Council and to ensure accounts are sent out as close to the event as possible. To do this, Directors should use established performance management systems to monitor recovery of income and flag up areas of concern to the Chief Finance Officer. Directors have a responsibility to assist the Chief Finance Officer in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf. Only up to approved levels of cash can be held on individual premises.

D.44 To keep a record of every transfer of money between employees of the Council. The Receiving Officer must sign for the transfer and the transferor

must retain a copy.

D.45 To recommend to the Chief Finance Officer all debts to be written off and to keep a record of all sums written off. 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.

D.46 To notify the Chief Finance Officer of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Chief Finance Officer.

Ordering and Paying for Work, Goods and Services

Why is this important?

D.47 Public money should be spent with demonstrable probity and in accordance with the Council's policies. Authorities have a statutory duty to achieve best value in part through economy and efficiency. The Council's procedures should help to ensure that services obtain value for money from their purchasing arrangements. These procedures should be read in conjunction with the Council's Standing Orders relating to tenders and contracts.

General

D.48 Every officer and Member of the Council has a responsibility to declare any links or personal interests that they or their immediate family may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the Council, in accordance with appropriate

codes of conduct and Standing Orders.

D.49 Official orders must be in a form approved by the Chief Finance Officer. Official orders must be issued in advance for all work, goods or services to be supplied to the Council, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions specified by the Chief Finance Officer.

D.50 Each order must conform to the approved guidelines on central purchasing and the standardisation of supplies and materials. Standard terms and conditions must not be varied without the prior approval of the Chief Finance Officer.

D.51 Apart from petty cash and other payments from advance accounts, the normal method of payment from the Council shall be by cheque or other instrument or approved method, drawn on the Council's bank account by the Chief Finance Officer. The use of direct debit shall require the prior agreement of the Chief Finance Officer.

D.52 Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of Council contracts.

D.53 Before ordering any goods or services, reference must be made to the Council's Contract Procedure Rules.

D.54 The Council's Procurement team should be contacted in all cases where advice relating to prospective purchases/orders is required.

Key controls

D.55 The key controls for ordering and paying for work, goods and services are that:

- all goods and services are ordered only by appropriate persons and are correctly recorded;
- all goods and services shall be ordered in accordance with the Council's Standing Orders for tenders and contracts;
- 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;
- payments will not normally be made unless goods or services have been received by the Council to the correct price, quantity and quality standards. Circumstances may arise, however, where payment is required in advance – for example in order to secure the supply or to take advantage of discounted prices. The risk of making an advance payment must always be considered and where necessary the financial standing of the organisation concerned should be assessed. In every such case, an appropriate note, with signature at Director level, must be written on to the invoice;
- all payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method;
- all appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the Rules for the Retention of Documents;
- all expenditure, including VAT, is accurately recorded against the right budget and any exceptions are corrected;
- 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 Chief Finance Officer

D.56 To ensure that all the Council's financial systems and procedures are sound and properly administered.

D.57 To approve any changes to existing financial systems and to approve any new systems before they are introduced.

D.58 To approve the form of official orders and associated terms and conditions. All order books or forms and all documents or vouchers with a financial value shall be in a form approved by the Chief Finance Officer and shall be ordered, controlled and issued in accordance with procedures issued and approved by the Chief Finance Officer.

D.59 To make payments from the Council's funds on the Director's authorisation that the expenditure has been duly incurred in accordance with Financial Procedure Rules.

D.60 The Chief Finance Officer shall be at liberty to apply any check he thinks desirable and shall be responsible for ensuring that all accounts have been duly checked and certified by the Directorate concerned.

D.61 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.

D.62 To make payments to contractors on the certificate of the appropriate Director, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.

D.63 To provide advice and encouragement on making payments by the most economical means.

D.64 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.

D.65 To ensure that all cheques and other instruments drawn on the Council's bank accounts are authorised by the Chief Finance Officer. All cheques in excess of £5,000 shall be countersigned by an officer authorised for this purpose.

D.66 The Chief Finance Officer shall obtain from the Bank on a daily basis, statements of sums paid and received on all of the Council's accounts and reconcile them to the lists of accounts paid, the paid cheques and sums deposited by Council staff.

Responsibilities of Directors

D.67 To ensure that uniquely numbered official orders are used for all goods and services, other than the exceptions specified in D49.

D.68 To ensure that orders are only used for goods and services provided to the Council. Individuals must not use official orders to obtain goods or services for their private use.

D.69 To ensure that only those staff authorised by her sign orders and to maintain an up-to-date list of such authorised staff, including specimen signatures identifying in each case the limits of their authority. The authoriser of the order should be satisfied that the goods and services ordered are

appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary. Best value principles should underpin the Council's approach to procurement. Value for money should always be achieved. All orders shall be raised in accordance with the procedures outlined in the Contract Procedure Rules. Where it is necessary or desirable (e.g. in order to obtain discounts) to place an order by means of electronic communication (e.g. telephone/Internet), this shall be confirmed by an official order (prominently marked CONFIRMATION ONLY) not later than the next working day. Where in such cases the supplier does not require a written order, the supplier's copy of the order should be retained and annotated accordingly. All orders shall conform with the direction of the Council with respect to purchasing contracts for those items for which a contract exists, i.e. a list of authorised suppliers. All orders for computer equipment, software or services shall be made via DIS Services.

D.70 To ensure that goods and services are checked on receipt to verify that they are in accordance with the order. This check should, where possible, be carried out by a different officer from the person who authorised the order. Appropriate entries should then be made in inventories or stores records.

D.71 All invoices for goods or services shall be examined in the Directorate concerned and registered on the Purchase Ledger System. Under the terms of the Late Payment of Commercial Debts (Interest) Act 1998, all businesses are legally entitled to charge interest on all outstanding debts. Directorates will be required to meet any interest charges from their own budgets. If no credit period has been agreed, the Act sets a default period of 30 days after which interest can run. The 30 day period starts running from the later of two actions:

- the delivery of the goods or performance of the service by the supplier;

- the day on which the purchaser has notice of the debt.

D.72 Before certifying an account, the certifying officer shall, save to the extent that the Director may otherwise determine, have satisfied herself that:-

- the work, goods or services, to which the account relates, have been properly ordered received, carried out examined and approved.
- all prices, extensions, calculations, trade discounts, other allowances, credits and tax are correct.
- prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices
- the invoice is correctly coded
- expenditure has been properly incurred and is within the relevant estimate provision.
- appropriate entries have been made in inventories, stores records or stock books as required.
- the account has not been previously passed for payment and is a proper liability of the Council.
- If VAT is included within the invoice, that it is a valid VAT invoice.

D.73 Certified invoices shall be passed to the Chief Finance Officer without delay. Certification shall be in manuscript by or on behalf of the Director but shall not be by the same person who ordered the item.

D.74 The Director shall as soon as possible after the 31 March in each year give the Chief Finance Officer any details he may require regarding outstanding invoices for that Directorate for the previous financial year. When such invoices are finally certified for payment, he shall if the Chief Finance Officer requires

identify them accordingly.

D.75 Directors shall be specified on all orders that invoices shall be sent in the first instance to the Directorate issuing the order.

D.76 To ensure that payments to suppliers of goods and/or services are not made on a photocopied or faxed invoice, statement or other document other than the formal invoice. Where, in very exceptional circumstances, it is considered necessary to make payments against documents other than official invoices, it is essential that Directorates ensure that no payment has already been made and annotate the invoice as such. This check will also be carried out by the Chief Finance Officer, but the onus nevertheless remains with Directorates to ensure that there is no possibility of duplicate payment. Payments, other than those made to suppliers of goods and/or services, should be paid on stationery as supplied by the Chief Finance Officer with supporting evidence provided.

D.77 To encourage suppliers of goods and services to receive payment by the most economic means for the Council. It is essential, however, that payments made by direct debit have the prior approval of the Chief Finance Officer.

D.78 To ensure that the Directorate obtains best value from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality, with regard to the best practice guidelines issued by the Chief Finance Officer, which are in line with best value principles and contained in the Council's Standing Orders and Procurement Code of Practice.

D.79 To utilise the central purchasing procedures established by the Chief Finance Officer in putting purchases, where appropriate, out to competitive

quotation or tender. These will comply with the Standing Orders relating to tenders and contracts and will cover:

- authorised officers and the extent of their authority
- advertisement for tenders
- procedure for creating, maintaining and revising a standard list of contractors
- selection of tenderers
- compliance with UK and EC legislation and regulations
- procedures for the submission, receipt, opening and recording of tenders
- the circumstances where financial or technical evaluation is necessary
- procedures for negotiation
- acceptance of tenders
- the form of contract documentation
- cancellation clauses in the event of corruption or bribery
- contract records.

D.80 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).

D.81 To ensure that loans, leasing or rental arrangements are not entered into without prior agreement by the Chief Finance Officer. This is because of the potential impact on the Council's borrowing powers, to protect the Council against entering into unapproved credit arrangements, to ensure that value for money is being obtained and to ensure compliance with the Council's Treasury Management Policy Statement.

D.82 With regard to contracts for construction and alterations to buildings and for civil engineering works, to document and agree with the Chief Finance Officer the systems and procedures to be adopted in relation to financial

aspects, including certification of interim and final payments, checking, recording and authorising payments, the system for monitoring and controlling capital schemes and the procedures for validation of subcontractors' tax status.

D.83 To notify the Chief Finance Officer immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.

D.84 To ensure that all appropriate payment records are retained and stored for the defined period, in accordance with the Rules for the Retention of Documents.

Payments under contract for works

D.85 The Chief Finance Officer shall keep a register of contracts and the appropriate Director shall notify her of any contract entered into. All contracts made on behalf of the Council shall be subject to Standing Orders, Financial Procedure Rules and Contract Procedure Rules.

D.86 All contract payments will be recorded in the register and total sums paid against contracts will be compared to the accepted tender price.

D.87 Payments on account to contractors shall be made by the Chief Finance Officer only on the certificate signed by the supervising officer of the appropriate Directorate, showing the original amount of the contract, the value of work executed to date, retention monies, amount paid to date and the amount now certified.

D.88 The prior approval of the Executive shall be obtained to any variations or additions to a contract involving the Council in payment of an additional sum

of £10,000 or 10% of accepted tender figure, whichever is the smaller. All variations shall be notified to the Chief Finance Officer and no orders for goods or services shall be raised for which budgetary provision is not available. In cases of emergency, the relevant Director should consult with the Head of Paid Service in accordance with the Council's agreed procedures. Adequate procedures for the monitoring of contracts and the controlling of variations shall be the responsibility of the relevant Director.

D.89 Before a supervising officer issues a final certificate of payment under a contract; a report on the contractor's final account shall be obtained. All relevant documents as may be required by the Chief Finance Officer shall be submitted.

D.90 The Chief Finance Officer shall, to the extent he deems necessary, examine final accounts for contracts and shall be entitled to make all enquiries and receive such information and explanations as he may require in order to be satisfied as to the accuracy of the accounts.

D.91 Claims from contractors in respect of matters not clearly within the terms of any existing contract shall be referred to the Corporate Director of Governance and Regulatory Services for consideration of the Council's legal liability and, where necessary to the Chief Finance Officer for financial consideration before a settlement is reached.

D.92 Where completion of a contract is delayed beyond the date of completion or such extended time as may have been authorised under the contract, and where the supervising Director is of the opinion that the work ought reasonably to have been completed within the (extended) time, he shall certify in writing to this effect with a view to action for the recovery of liquidated damages in accordance with the contract and inform the Chief Finance Officer

thereof.

Housing Benefit

D.93 The Chief Finance Officer will be responsible for the examination of all claims for housing benefit or rebate of local taxation in accordance with Government regulations. The names of officers authorised to approve and sign such claims shall be recorded by the Chief Finance Officer along with specimen signatures and shall be amended on the occasion of any change.

D.94 In all appropriate cases and where not expressly prohibited by law, housing benefit or rebate of local taxation shall be set against the recipients' liability to the Council for arrears of rent/local taxation, otherwise payment will be made in accordance with procedures approved by the Chief Finance Officer.

D.95 No Member of staff shall deal with a case where the applicant/s are related to or otherwise well known to them. In any such cases staff should declare an interest and the case should be re-allocated.

Payments to Employees and Members

Why is this important?

D.96 Staff costs are the largest item of expenditure for most Council services. It is therefore important that payments are accurate, timely, made only where they are due for services to the Council and that payments accord with individuals' conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for and that Members' allowances are authorised in accordance with the scheme adopted by the Council. Failure to apply taxation and National Insurance regulations

properly can incur significant financial penalties.

Key controls

D.97 The key controls for payments to employees and Members are that:

- proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to:
 - i. starters
 - ii. leavers
 - iii. variations
 - iv. enhancements

and that payments are made on the basis of hours worked

- frequent reconciliations of payroll expenditure are made against approved budgets and bank accounts
- all appropriate payroll documents are retained and stored for the defined period in accordance with the Rules for the Retention of Documents
- H M Revenues and Customs regulations are complied with.

Responsibilities of the Chief Finance Officer

D.98 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 her, on the due date.

D.99 To record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions.

D.100 To maintain personal records relating to the above.

D.101 To make arrangements for payment of all travel and subsistence claims or financial loss allowance.

D.102 To make arrangements for paying Members' travel or other allowances upon receiving the prescribed form duly completed and authorised.

D.103 To provide advice and encouragement to secure payment of salaries and wages by the most economic means.

Responsibilities of Directors

D.104 To ensure appointments are made in accordance with the Procedures of the Council and approved establishments, grades and scale of pay and that adequate budget provision is available.

D.105 To notify the Chief Finance Officer of all appointments, terminations, resignations or other variations that may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Chief Finance Officer. This is to include minute references where necessary and details of any sick leave/special absence.

D.106 Monthly overtime and sickness returns shall be made by the penultimate Monday in each month. All such returns shall be signed by an authorised officer.

D.107 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.

D.108 To send an up-to-date list of the names of officers authorised to sign timesheets, claims and other records to the Payroll Manager, together with specimen signatures.

D.109 If any item subject to taxation or national insurance is not reported to the Chief Finance Officer (in accordance with his advice and requirements) for central payment via the payroll or mileage systems and this subsequently gives rise to a financial penalty or charge, such cost will be recharged to the Service concerned, unless otherwise determined by the Executive.

D.110 To ensure that payroll transactions are processed only through the payroll system. Directors should give careful consideration to the employment status of individuals claiming to be employed on a self-employed consultant or subcontract basis. H M Revenues and Customs apply a tight definition for employee status, and in cases of doubt, advice should be sought from the Chief Finance Officer.

D.111 To certify travel and subsistence claims and other allowances. Certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred, and that allowances are properly payable by the Council, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and that the Chief Finance Officer is informed where appropriate.

D.112 To ensure that the Chief Finance Officer is notified of the details of any employee benefits in kind, to enable full and complete reporting within the

income tax self-assessment system.

D.113 To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the Rules for the Retention of Documents.

Allowances for travelling, subsistence and attendance

Employees

D.114 All claims for payment of car allowances, subsistence allowances, travelling and incidental expenses shall be submitted, duly certified in a form approved by the Chief Finance Officer, on a monthly basis within the notified timescales.

D.115 The names of officers authorised to certify claims for payment shall be notified to the Chief Finance Officer by each Director together with specimen signatures and shall be amended on the occasion of any change.

D.116 Certification of a claim shall be taken to mean that the journeys were properly undertaken, the expenses were properly and necessarily incurred and that the allowances are properly payable by the Council in accordance with the agreed rates.

Elected Members

D.117 Members of the Council who are entitled to claim allowances as detailed in the Members' Allowances Scheme approved by the City Council from time to time, shall be made to the Chief Finance Officer on the appropriate forms. All claims will be made regularly and all final claims in a financial year will be submitted within two months of the last meeting in the year.

Taxation

Why is this important?

D.118 Like all organisations, the Council is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is therefore very important for all officers to be aware of their role.

Value Added Tax

D.119 The Chief Finance Officer is responsible for completing the monthly VAT return to HM Revenues and Customs, which is extracted from details on the Nominal Ledger.

D.120 Directors are responsible for ensuring that their staff are aware of VAT liabilities and that the correct VAT treatment is given when certifying invoices for payment or raising debtor accounts.

D.121 If Members of staff are uncertain about the VAT liability on either income or expenditure they should contact the Financial Services.

D.122 “Output Tax” relates to income and is the VAT charged on debtor invoices and other miscellaneous income.

D.123 “Input Tax” relates to expenditure and is payable on all business-related goods and services. It is allocated to the relevant VAT control code through the Purchase Ledger system when the correct VAT indicator is entered.

D.124 VAT can only be reclaimed from HM Revenues and Customs when supported by a proper tax invoice which should show the following:

- Identifying invoice number
- Date of supply (i.e. tax point)
- Name, address and VAT number of the supplier
- Name and address of the customer to whom the goods or services are supplied
- Type of supply
- Sufficient description to identify the goods or services supplied
- Quantity of goods or extent of services, rate of tax and amount payable
- Gross amount payable excluding tax
- Rate of cash discount offered
- Amount of tax chargeable at each rate
- Total amount of tax

D.125 VAT cannot be reclaimed on internal bill-head vouchers unless supported by a suitable VAT invoice.

Key controls

D.126 The key controls for taxation are that:

- budget managers are provided with relevant information and kept up to date on tax issues
- budget managers are instructed on required record keeping
- all taxable transactions are identified, properly carried out and accounted for within stipulated timescales
- records are maintained in accordance with instructions
- returns are made to the appropriate authorities within the stipulated timescale.

Responsibilities of the Chief Finance Officer

D.127 To complete all H M Revenues and Customs returns regarding PAYE.

D.128 To complete a monthly return of VAT inputs and outputs to HM Revenues and Customs.

D.129 To provide details to the H M Revenues and Customs regarding the Construction Industry Tax Deduction scheme.

D.130 To maintain up-to-date guidance for Council employees on taxation issues.

Responsibilities of Directors

D.131 To ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with H M Revenues and Customs regulations.

D.132 To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary Construction Industry Tax Deduction requirements.

D.133 To ensure that all persons employed by the Council are added to the Council'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.

D.134 To follow the guidance on taxation issued by the Chief Finance Officer.

Trading Accounts and Directorates

Why is this important?

D.135 Trading accounts and Directorates have become more important as local authorities have developed a more commercial culture. Under best value, authorities are required to keep trading accounts for services provided on a basis other than straightforward recharge of cost. They are also required to disclose the results of significant trading operations in the annual Statement of Accounts.

Responsibilities of the Chief Finance Officer

D.136 To advise on the establishment and operation of trading accounts.

Responsibilities of Directors

D.137 To consult with the Chief Finance Officer where a Directorate wishes to enter into a contract with a third party where the contract expiry date exceeds the remaining life of their main contract with the Council. In general, such contracts should not be entered into unless they can be terminated within the main contract period without penalty.

D.138 To observe all statutory requirements, 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.

D.139 To ensure that the same accounting principles are applied in relation to trading accounts as for other services.

D.140 To ensure that each Directorate prepares an annual business plan

Data Processing

D.141 The following items shall not be purchased or procured for Council use by any other means without reference to the Head of DIS and if required to SMT:

- Any IT equipment capable of running a program loaded by the user;
- Any device capable of being attached to the above;
- Any communications equipment to link such devices;
- Any software to be used on any of the above devices.

D.142 Physical security and control of such equipment will be the responsibility of the Director in whose Directorate the equipment is located, in accordance with arrangements agreed by the Chief Finance Officer.

D.143 The Head of DIS shall be responsible for maintaining proper security arrangements and privacy in respect of information held in the central IT installation or in respect of its use provided that where facilities exist in a Directorate for independent access to IT/computer files the relevant Director shall be responsible for ensuring that there is no unauthorised access.

D.144 The Corporate Director of Governance and Regulatory Services shall be responsible for advising and maintaining proper arrangements as required under Data Protection legislation. Directors will be responsible for ensuring compliance within their Directorate, by ensuring that there is at least one "nominated officer" with responsibility for liaising with the Data Protection Officer.

D.145 All computer applications holding personal data shall be notified, by each Directorate's nominated officer/s, to the Head of DIS in order that the Data Protection Officer can make the necessary registration.

D.146 No new posts of which the major function relates to data processing shall be created without reference to the Head of DIS and consideration by SMT.

D.147 All documents to be used for submitting data for computer processing shall be in a form approved by the Chief Finance Officer.

D.148 All data submitted by Directorates in connection with payment procedures not referred to elsewhere in these Procedures shall be certified as correct by the appropriate Director.

D.149 The Chief Finance Officer shall have access to all data processing equipment and records and may make such lists and require such information as he sees necessary.

D.150 Directors shall ensure that all information and data upon which the Council's financial and management systems rely is properly secured and periodically backed up in accordance with directions and guidance given by the Chief Finance Officer or the Head of DIS.

Security

D.151 Each Director is responsible for maintaining proper security at all times for all buildings, stocks, stores furniture, equipment, cash etc. under his control. He will consult the Chief Finance Officer in any case where security is thought to be defective or where it is considered that special security arrangements may

be needed.

D.152 Key holders of safes and similar receptacles are responsible for the safe custody of these keys at all times. The loss of any such keys must be reported to the Chief Finance Officer immediately. Directors shall maintain up to date lists of all authorised key holders.

Insurances

D.153 The Chief Finance Officer shall effect all insurance arrangements in consultation with all Directors where necessary, and shall maintain all necessary records relating thereto.

D.154 Each Director shall give prompt notification to the Chief Finance Officer of the extent and nature of all new risks in his Directorate. Advice can be sought from the Chief Finance Officer on what constitutes a "risk".

D.155 Each Director shall immediately notify the Chief Finance Officer in writing of any loss, liability or damage covered by insurance in connection with his Directorate, or any loss or damage not covered by insurance or in connection with which a claim lies on a third party.

D.156 The Chief Finance Officer shall in consultation with Directors annually review all insurances and shall furnish Directors with details of insurance arrangements so that they may consider whether any variations are required.

D.157 Any monies due and received from Insurers shall be made payable to Carlisle City Council and forwarded to the Chief Finance Officer.

Appendix E: External Arrangements

Partnerships

Why is this important?

- E.1 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.
- E.2 Local authorities will mobilise investment, bid for funds, champion the needs of their areas and harness the energies of local people and community organisations. Local authorities will be measured by what they achieve in partnership with others.

General

- E.3 The main reasons for entering into a partnership are:
- the desire to find new ways to share risk
 - the ability to access new resources
 - to provide new and better ways of delivering services
 - to forge new relationships.
- E.4 A partner is defined as either:
- an organisation (private or public) undertaking, part funding or participating as a beneficiary in a project, or
 - a body whose nature or status gives it a right or obligation to support the project.

E.5 Partners participate in projects by:

- acting as a project deliverer or sponsor, solely or in concert with others
- acting as a project funder or part funder
- being the beneficiary group of the activity undertaken in a project.

E.6 Partners have common responsibilities:

- to be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation
- to act in good faith at all times and in the best interests of the partnership's aims and objectives
- to be open about any conflict of interests that might arise
to encourage joint working and promote the sharing of information, resources and skills between public, private and community sectors
- to hold confidentially any information received as a result of partnership activities or duties that is of a confidential or commercially sensitive nature
- to act wherever possible as ambassadors for the project.

Key controls

E.7 The key controls for Council partners are:

- if appropriate, to be aware of their responsibilities under the Council's Financial Procedure Rules and the Contract Procedure Rules
- to ensure that risk management processes are in place to identify and assess all known risks
- to ensure that project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise
- to agree and accept formally the roles and responsibilities of each of the partners involved in the project before the project commences

- to communicate regularly with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution.

Responsibilities of the Chief Finance Officer

- E.8 To advise on effective controls that will ensure that resources are not wasted.
- E.9 To advise on the key elements of funding a project. They include:
- a scheme appraisal for financial viability in both the current and future years
 - risk appraisal and management
 - resourcing, including taxation issues
 - audit, security and control requirements
 - carry-forward arrangements.
- E.10 To ensure that the accounting arrangements are satisfactory.

Responsibilities of Directors

- E.11 To maintain a register of all contracts entered into with external bodies in accordance with procedures specified by the Chief Finance Officer.
- E.12 To ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared for the Chief Finance Officer.
- E.13 To ensure that such agreements and arrangements do not impact adversely upon the services provided by the Council.
- E.14 To ensure that all agreements and arrangements are properly documented and that they provide clarity as to the Council's role in the partnership, including where appropriate whether the Council is acting as Agent, Principal or Joint Principal and the basis on which these roles are undertaken.

- E.15 To provide appropriate information to the Chief Finance Officer to enable a note to be entered into the Council's statement of accounts concerning material items.

External Funding

Why is this important?

- E.16 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 Council. Local authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers. Funds from external agencies such as the National Lottery and the Single Regeneration Budget provide additional resources to enable the Council to deliver services to the local community. However, in some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the Council's overall plan.

Key controls

- E.17 The key controls for external funding are:
- 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;
 - to ensure that funds are acquired only to meet the priorities approved in the policy framework by the Council;
 - 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;
 - to ensure that the consequences for the Council, or for any partners for whom the Council may be acting as Agent, of exceeding the funding or expenditure requirements are clearly set out and understood;

- all bids for external funding are to be referred to and signed off by the Chief Finance Officer

Responsibilities of the Chief Finance Officer

- E.18 To consider, sign off as appropriate and maintain a central record of, all bids for external funding which have been so referred by other Director/s.
- E.19 To ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts.
- E.20 To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.
- E.21 To ensure that audit requirements are met.

Responsibilities of Directors

- E.22 To ensure that all bids for external funding are referred to, and are signed off by, the Chief Finance Officer prior to submission to the funding body/ies.
- E.23 To ensure that the project progresses in accordance with the agreed timetable and that all expenditure is properly incurred and recorded in accordance with the Authority's "Grants and External Funding" procedures.
- E.24 To ensure that all claims for funds are made by the due date and that the Chief Finance Officer is informed accordingly.

Work for Third Parties

Why is this important?

- E.25 Current legislation enables the Council to provide a range of services to other bodies. Such work may enable a unit to maintain economies of scale and existing expertise. Arrangements should be in place to ensure that any risks associated with this work is minimised and that such work is intra vires.

Key controls

- E.26 The key controls for working with third parties are:
- to ensure that proposals are costed properly in accordance with guidance provided by the Chief Finance Officer
 - to ensure that contracts are drawn up using guidance provided by the Chief Finance Officer and that the formal approvals process is adhered to
 - to issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register.

Responsibilities of Chief Finance Officer

- E.27 To issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register.

Responsibilities of Directors

- E.28 To ensure that the approval of the Executive is obtained before any negotiations are concluded to work for third parties.
- E.29 To maintain a register of all contracts entered into with third parties in accordance with procedures specified by the Chief Finance Officer.

- E.30 To ensure that appropriate insurance arrangements are made.
- E.31 To ensure that the Council is not put at risk from any bad debts.
- E.32 To ensure that no contract is subsidised by the Council.
- E.33 To ensure that, wherever possible, payment is received in advance of the delivery of the service.
- E.34 To ensure that the Directorate/Service has the appropriate expertise to undertake the contract.
- E.35 To ensure that such contracts do not impact adversely upon the services provided for the Council.
- E.36 To ensure that all contracts are properly documented.
- E.37 To provide appropriate information to the Chief Finance Officer to enable a note to be entered into the statement of accounts.

Appendix F: Retention of Records

There is a legal requirement to retain certain records for periods between three years and permanently. A grid, which gives guidelines on how long documents should be held, is shown below. However, other contracts, partnerships, agreements and grant related certification requirements may stipulate longer timeframes and these should take precedence over such obligations. Relevant responsible officers should provide the necessary information on retention periods to Financial Services:

<i>A Guide to Records Retention</i>				
There are statutory rules to the length of time that you should keep business records. If you are unsure, or need clarification on any points noted below, please contact Internal Audit.				
Document Type		3 Years	6 Years	Permanent
Accident Report and Claims				*
Annual Accounts			*	
Audit Reports			*	
Bank Paying-In Books				*
Bank Reconciliations	*			
Bank Statements			*	
Cashbooks/Other Account Books			*	
Cheque-book Counterfoils			*	
Contracts				*

Correspondence (General)	*			
Correspondence (Legal & Important Matters)				*
Daily Takings Records			*	
Deeds and Mortgage Documents				*
Employee Personnel Records (After Termination)			*	
Expense Claims and Payments Records			*	
Import and Export Documents			*	
Insurance Records and Policies				*
Lease and Hire Agreements				*
Management Accounts			*	
Non-Employee Accounts	*			
Order and Delivery Notes		*		
P11D – All Forms		*		
PAYE Records		*		
Payroll Records		*		
Petty Cash Records			*	
Profit and Loss Accounts			*	
Property Records Incl. Appraisals				*
Purchase and Sales Books			*	
Quotations, Out		*		

Share Certificates				*
Statutory Registers				*
Tax Records				*
VAT Account and Relevant Correspondence			*	
VAT Invoices & Credit Notes Issued/Received			*	

Appendix G: Theft, Fraud and Corruption Response Plan

Introduction

G.1. This procedure note sets out the responsibilities of officers and actions to be taken in cases where theft, fraud, irregularity or corruption is suspected within the Council. Definitions of each of these are set out below.

- *Theft*
Dishonestly appropriating property belonging to another with the intention of permanently depriving them.
- *Fraud*
The intentional distortion of financial statements or other records by persons internal or external to the organisation carried out to conceal the misappropriation of assets or otherwise for gain.
- *Irregularity*
The intentional distortion or mis-statement of financial statements or accounting records and/or the misappropriation of assets.
- *Corruption*
The offering, giving, soliciting or accepting of an inducement favour or reward which may influence the actions taken by the Council, its Members or Officers.

Discovery of Fraud or Corruption

G.2. All financial irregularities should be reported immediately to the Chief Finance Officer or in his/her absence to the Audit Manager, as outlined in Financial Procedure Rules section C33. Where actions are thought to be deliberate then the possibility of fraud or corruption should be considered.

G.3. Cases of fraud and corruption often come to light in the following ways:

- Management follows up areas where there is evidence of controls not being applied
- Routine systems checks

- Tip-offs from a third party

- G.4. **Initial reports should be treated with discretion and caution as apparently suspicious circumstances may turn out to have a reasonable explanation or could be malicious.**
- G.5. **Where suspicions are aroused during audit reviews, the details should immediately be brought to the attention of the Audit Manager who should in turn report to the Chief Finance Officer. Consideration should then be given to consulting the police, depending on the scale of the incident, at the discretion of the Chief Finance Officer in consultation with the Head of Paid Service. (N.B. The Council is not obliged to report all such incidents to the Police).**
- G.6. **Officers should be aware of the rules for interviewing those believed to be involved. In particular, the conditions of the Police and Criminal Evidence Act 1984 (PACE) determine whether the evidence collected will be admissible in court.**
- G.7. **Interviewing under PACE must be left to the police, or where it cannot be avoided, to Internal Audit.**
- G.8. **Where it has been determined that criminal offence may have been committed against the Authority or its employees, the Chief Finance Officer, in liaison with the Investigating Officer (normally the Audit Manager), will meet with the Director of the relevant Directorate (or his/her representative) and the Head of Paid Service, or a member of Legal Services (or a representative therefrom), to determine whether to take the matter further.**
- G.9. **This does not preclude informal approaches to the Police by Legal Services and/or the Investigating Officer.**
- G.10. **Where a criminal offence has been committed against the Authority (other than Housing Benefit cases), the matter will be referred to the Police.**
- G.11. **Summaries of the responsibilities of the key officers follow.**

Responsibilities of the Chief Finance Officer

G.12. Action this Response Plan:

- Inform the relevant Director (unless he/she is under suspicion)
- Inform the Audit Manager
- Inform other Managers e.g. Personnel, as necessary

G.13. Review the preliminary findings of the Audit Manager, and decide whether to :

- Discontinue the investigation as suspicions are not confirmed
- Continue with a full internal investigation
- Involve the Police, External Audit and/or other bodies affected

G.14. Agree the objectives and terms of the investigation as proposed by the Audit Manager.

G.15. Agree the resources that are necessary for the investigation as recommended by the Audit Manager. Agree any non-performance of other activities as necessary (particularly internal audit work).

G.16. Inform the Head of Paid Service that an investigation is under way.

G.17. Manage any public relations necessary.

G.18. Remain in contact with the Audit Manager throughout the Investigation.

G.19. Review the likely outcome.

G.20. Liaise with Personnel and the relevant Director to determine whether action is to be taken against a member of staff.

Responsibilities of the Audit Manager

Detailed guidelines are set out in the CIPFA booklet “The Investigation of Fraud in the Public Sector” which should be read in conjunction with the following:

- G.21. **The Audit Manager will organise the investigation on behalf of the Chief Finance Officer, keeping her/her informed of significant events.**
- G.22. **The Audit Manager will carry out a preliminary and discreet investigation in order to produce initial evidence as to the validity of the suspicions. This will include an assessment of the scale and implications of the suspected fraud or corruption. This will enable the Chief Finance Officer to determine how to proceed.**
- G.23. **If suspicions are confirmed, the Audit Manager will set up a full investigation by:**
- agreeing terms of reference, scope and key issues;
 - identifying staffing resources, skill mix required and officers’ responsibilities.
- G.24. **The Audit Manager will form the investigating team, attend progress meetings and keep other officers (as appropriate) fully informed of progress.**
- G.25. **The Audit Manager will arrange for audit days to be available for the Investigation. The appropriate level of skill mix should be made available, including specialist skills, e.g. computing, where necessary. The Chief Finance Officer will be informed of the likely effect this will have on the Annual Audit Plan.**
- G.26. **Internal Audit will carry out the collection of evidence in the expected discrete and professional manner. However, extra care needs to be taken. Secrecy and confidentiality must be maintained, since the suspicions may be unfounded, or the perpetrator(s) alerted.**
- G.27. **Working papers will be dated, initialled and set out in a form that a lay person could understand and could be presented in court. It is important to ensure that all relevant documents/records are collated at as early a stage as possible.**

- G.28. **It is equally important to ensure that all “prime” documents, notes of discussions etc. however “rough and ready” are retained for possible use as evidence, as the Courts do not take kindly to “non-contemporaneous” material.**
- G.29. **Prime documents should be removed to a safe place. Copies should be used for working purposes. In order to maintain secrecy, batches of documents rather than individual ones should be removed.**
- G.30. **Observation of suspect’s activity should be undertaken by two staff. Care should be taken not to act as an “agent provocateur”. Advice should be taken from the RIPA Monitoring Officer on the application of the Regulation of Investigatory Powers Act 2000.**
- G.31. **Interviewing (other than for internal disciplinary purposes) is a specialist skill that is best left to the police. If Internal Audit have to interview, the PACE rules must be observed.**
- G.32. **The Audit Manager will be the point of contact with the police, External Auditors, and/or other bodies affected.**
- G.33. **At the conclusion of the investigation, the Audit Manager will prepare a report identifying any systems weaknesses and lessons to be learned, together with an Action Plan with named responsibilities and (where appropriate) completion dates.**

Responsibilities of Director

- G.34. **The Director will make any necessary arrangements in the Directorate :**
- to arrange for any employee under suspicion to be suspended pending the investigation and provide alternative staff cover;
 - to secure any documents or premises which may be interfered with;
 - to arrange to have documents etc. available for scrutiny;

- to ensure that Internal Audit have unlimited and unrestricted access to all members of staff, and to all information, records etc. which may be required for purposes of the investigation.

Responsibilities of the Chief Finance Officer

G.35. If staff are involved, advise on personnel and procedural issues in relation to:

- Investigations
- Suspension
- Disciplinary procedures
- Dismissal

G.36. Liaise with employee's Union representative, if appropriate.

G.37. If it is determined necessary for employees to be dismissed, carry out termination procedures. Advise Managers about the wording of future references, if any, for such employees.

Theft, Fraud & Corruption - Guidance Notes

Action to be taken by staff on discovery of a potential offence

- G.38. It is essential that any person discovering or suspecting theft, fraud or corruption should inform either the Chief Finance Officer or the Audit Manager immediately. If this is not practicable, the line manager must be informed as a minimum. Discretion is needed especially where the suspicion rests with a superior officer.
- G.39. Out of office hours, the Director/person in charge must use his/her discretion whether to contact the Police. This is especially relevant in the case of theft where a delay in reporting to the Police may be undesirable.
- G.40. Confidentiality will be respected; "anonymous tip-offs" will be assessed and followed up where appropriate. It is in each person's interest if he/she believes that a colleague (or

indeed any other person) may be acting unlawfully, to report such suspicions.

- G.41. Full details should be made available. Any actions relating to the potential offence should not, however, be made in a way that might arouse the suspicions of an individual who may be involved.
- G.42. During the course of any investigation it is essential that details are not discussed with anyone other than members of the investigation team. Talking to the "wrong" people may jeopardise a successful outcome to the investigation.
- G.43. Media attention should be directed to the Chief Finance Officer; no personal comments should be passed, even if it is believed that the comments will not be reported.
- G.44. Where the Police are involved statements may need to be given to secure a prosecution.
- G.45. Contact telephone numbers:
- | | | |
|------|-----------------------|--------------|
| i. | Chief Finance Officer | Ext. 7290 |
| ii. | Audit Manager | 01228 226261 |
| iii. | Cumbria Constabulary | Tel 101 |

Guidelines and information regarding action that can be taken by employees who have serious concerns about any aspect of the Authority's work are contained in the City Council's Confidential Reporting Code.

Appendix H: Disposal of Redundant Furniture and Equipment

Furniture and Non-IT Equipment

- H.1 From time to time, the question of disposal of redundant items of furniture and equipment arises.
- H.2 It is important to ensure that all such disposals are carried out in a proper manner, and the following guidelines are intended to assist in this respect.
- H.3 Clearly, it is not possible to draft a set of rules that will fit every instance. The onus will therefore be on Managers to demonstrate that they have acted reasonably and in the Authority's best interest and that there can be no subsequent complaints of unfair/unreasonable action relating to the chosen method of disposal. This is particularly likely to be the case where individual members of staff are allowed to obtain such items.
- H.4 Where items are damaged beyond reasonable repair, or they are considered to be so obsolete as to be of no further use, they should be sent to the refuse tip, unless a [preferred user](#) wishes to take the items away at no cost to the Authority. Should no preferred user be found, the items may be offered to members of staff, who should be asked to make a bid and given sufficient time to ensure proper scope for a competitive response.
- H.5 Notice of the item, its condition, where it can be seen and the closing date for offers should be circulated via e-mail with a hard copy to each Director.
- H.6 Where an item is deemed to have some degree of continuing usefulness, albeit not to the Authority, and therefore to have a residual value, reasonable efforts must be made to ensure that the maximum income is received from its disposal. The method of disposal will clearly depend on the assessed value of the item. It is not considered to be economic to advertise items publicly where the assessed value is less than the cost of advertising, nor to arrange to have items disposed of through auction unless the estimated sale value is sufficient to cover the cost of transport and the auctioneer's fees and still provide a surplus.

- H.7 In all cases where items are disposed of, a proper record of their disposal should be made and the inventories etc. should be suitably amended.
- H.8 The above procedures do not apply to the disposal of vehicles, which are subject to sale via auction, or to computer equipment, for the disposal of which the Shared DIS Services Manager's advice must be sought.
- H.9 For the purposes of this document, **preferred users** are Community Centres and other Authority supported agencies (e.g. Citizens Advice Bureau, Council for Voluntary Services, Carlisle Community Law Centre, BRAG), Charities and non-profit making bodies, LEA schools and other Public Service bodies.

IT Equipment

Corporate Responsibility

- H.10 Managers have a responsibility to ensure that they are able to demonstrate that they have acted reasonably and in the Authority's best interest, and that there can be no subsequent complaints of unfair/unreasonable action relating to the method of disposal. (Such complaints are particularly likely where individual members of staff are allowed to obtain such items). It is therefore required that, given the specialist nature of IT equipment, disposal is undertaken by DIS Services.

DIS Services' Role

- H.11 Upon receipt of all equipment due for disposal, DIS Services should first estimate the value of each individual item.
- H.12 On a regular basis, a list of equipment should be circulated to all Directorates, who will have first call on the items. (This note should include a date by which all applications must be received).
- H.13 Once the application date has passed, any items remaining which are deemed to have some degree of continuing usefulness, albeit not to the Council, and therefore have a residual value, should be made available for sale. The sale of these items should be

organised so as to provide opportunity for members of the general public (including members of staff) to bid for each item/s of equipment.

- H.14 All reasonable efforts must be made to ensure that the maximum income is received from its or their disposal. The method of disposal will clearly depend on the assessed value of the item or items. It is not considered to be economic to advertise items publicly where the assessed value is less than the cost of advertising, nor to have items disposed of through auction unless the estimated sale value is sufficient to cover the cost of transport and the auctioneer's fee and still provide a surplus.
- H.15 Any items that are damaged beyond economic repair, or are considered to be so obsolete as to have no residual value, would normally be disposed of to tip. However, given that IT equipment requires specialist disposal due to certain environmental factors, which would therefore incur a charge, the remaining equipment should first be offered to any preferred user willing to take items away at no cost to the Council.
- H.16 Where no preferred user can be found, the item or items should be offered to members of staff, who should be asked to make a nominal bid and given sufficient time to ensure proper scope for a competitive response.
- H.17 Notice of the item/s, its condition, where it can be seen and the closing date for offers should be circulated via e-mail with a hard copy to each Director.
- H.18 Any items remaining after this exercise should be disposed of in the appropriate fashion, as advised by DIS Services.
- H.19 In all cases where items are disposed of, DIS Services should maintain a proper record of their disposal and inventories etc. should be suitably amended.