

CONSTITUTION COMMITTEE:

27 JANUARY 2012

FINANCIAL GOVERNANCE POLICIES

REPORT OF THE MONITORING OFFICER

AGENDA ITEM: 4

Reason for this Report

1. To update Members on key financial governance matters within the Authority and the development of related policies which will form part of the Constitution.

Background

2. The Council is responsible for ensuring that its business is conducted in accordance with the law and its Constitution, and has a fiduciary responsibility to ensure that public money is properly accounted for. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, and achieve best value.

Issues

3. The Committee is asked to consider the following new and updated financial policies and rules, which will form part of the Constitution and are appended to this report:
 - **Anti Fraud, Anti Corruption and Bribery Policy** (Appendix A) – this policy is reviewed regularly and has been updated to incorporate the bribery element as all Authorities are now required to have such a policy in place to address such matters in line with the Bribery Act 2010, which came into force on 1 July 2011.
 - **Money Laundering Policy and Procedure** (Appendix B) – this is a new policy which aims to maintain and improve upon the high standards of conduct that currently exist within the Council.
 - **Schools Financial Procedure Rules** (Appendix C) – the rules have been updated following extensive consultation with a wide range of stakeholder groups. The Schools Budget Forum will consider this report at its next meeting.
4. It is proposed that these documents should be recommended to Council by the Committee. These policies assist in upholding the values of good

governance through encouraging high standards of conduct and behaviour by Members, Officers and relevant stakeholders e.g. Partner agencies and contractors.

Legal Implications

5. The legal implications are set out in the body of the policies and rules attached to this report.

Financial Implications

6. There are no direct financial implications arising from the report.

RECOMMENDATIONS

- (i) Committee recommends to Council that it approves the **Anti Fraud, Anti Corruption and Bribery Policy** and the **Money Laundering Policy and Procedure** as set out in the appendices to this report;
- (ii) Committee recommends to Council that it approves the **Schools Financial Procedure Rules** as set out in the appendices to this report, subject to consideration by the Schools Budget Forum.

Melanie Clay

Chief Officer, Legal & Democratic Services and Monitoring Officer
23 January 2012

The following Appendices are attached:

Appendix A – Anti Fraud, Anti Corruption and Bribery Policy

Appendix B – Money Laundering Policy and Procedure

Appendix C – Schools Financial Procedure Rules

Cardiff Council

Anti-Fraud, Anti-Corruption & Bribery Policy and Procedure



A Proud Capital



1. INTRODUCTION

1.1 Cardiff Council is one of the largest employers in Wales, delivering services to approximately 340,000 people, with a combined net revenue and capital budget of over £600 million a year and has assets, interests and annual transactions running into £billions. In administering its responsibilities in relation to fraud and corruption, whether it is attempted on the Council or from within it, the Council is committed to an effective Anti-Fraud, Anti-Corruption & Bribery Policy.

1.2 The Oxford dictionary of law defines fraud as: “a false representation by means of a statement or conduct made knowingly or recklessly in order to gain a material advantage”.

1.3 Corruption is defined as “when money or other consideration is paid, given to or received by a person in the employment of the Crown or of a Public Body by, or from, a person holding, or seeking to obtain a contract from the Crown, or Public Body such money or consideration shall be deemed to have been given, or received, corruptly unless the contrary is proved.” *Prevention of Corruption Act 1916*.

1.4 The Bribery Act 2010 came into force on the 1st July 2011 and is designed to combat bribery and corruption. It is an offence for an individual or organisation to offer, promise or give a bribe as well as to request, agree to receive or accept a bribe.

1.5 Bribery is defined as the giving or taking of a reward in return for acting dishonestly and/or in breach of the law. There are four possible offences:

- Bribing another person - the offering, promising or giving financial reward to induce to perform a relevant function or activity improperly
- Receiving a bribe - the accepting of, agreeing to accept or requesting of a reward in return for performing a relevant function or activity improperly
- Bribing a foreign public official - to offer or give a financial advantage to a foreign public official with the intention of influencing the official or obtaining or

retaining business, where the official is neither permitted nor required by written law

- Corporate offence of failing to prevent bribery - if an organisation fails to stop people who are acting on its behalf from being involved in bribery.

1.6 High ethical standards are an integral part of good governance and can lead to increased public confidence in local democracy. In promoting good governance standards, the Council aims to create an anti-fraud culture and environment to deter those who may commit fraudulent and corrupt acts and encourage those who suspect such activity to report it promptly.

1.7 In managing its responsibilities the Council is determined to protect itself against fraud and corruption both from within the authority and from outside. The Council is committed to an effective ‘Anti-Fraud, Anti-Corruption and Bribery Policy’ designed to:

- communicate the Policy to stakeholders
- encourage prevention
- promote detection
- identify a clear pathway for investigation
- act as a deterrent against future fraud or corruption.

1.8 Cardiff Council has a Prosecution Policy that deals with sanction action taken against persons that defraud the housing benefit and/or council tax benefit schemes.

2. PURPOSE OF THE POLICY

2.1 The Council is determined that the culture and tone of the organisation is one of honesty and opposition to fraud and corruption.

2.2 The Council’s expectation on propriety and accountability is that Members and staff at all levels will lead by example in ensuring adherence to rules, and that all procedures and practices are above reproach.

- 2.3 The Council also demands that individuals and organisations that it comes into contact with, will act towards the Council with integrity and without thought or actions involving fraud or corruption.
- 2.4 The Council's Members and staff are an important element in its stance on fraud and corruption and they are positively encouraged to raise any concerns associated with Council's activities, either currently or in the past. They can do this in the knowledge that such concerns will be treated in strict confidence and properly investigated.
- 2.5 The public can also be considered to be an important element in the Council's stance on fraud and corruption and are encouraged to raise concerns associated with Council activities. The public should be able to do so with assurance that these concerns will be professionally investigated in a confidential manner.
- 2.6 The Council is also aware of the high degree of external scrutiny of its affairs by a variety of bodies including local taxpayers, service users, the media, the Wales Audit Office, Inland Revenue/Customs & Excise and various government departments and inspectorates.
- 2.7 The Council should have in place a clear network of systems and procedures to assist it in the fight against fraud and corruption. It is determined that these arrangements will keep pace with any future developments in both preventative and detection techniques regarding fraudulent or corrupt activity that may affect its operation or related responsibilities.
- 2.8 The Council is committed to the values of probity and accountability, but the determined perpetrator will always seek a way around the systems and procedures. It is, therefore, necessary for all managers to be aware of what is required in the event of being notified of a suspected fraud. This document sets out the process for staff that wish to notify any suspicions. It also sets out how the Council's officers should respond.

3. SCOPE OF POLICY

- 3.1 This Policy covers the procedures relating to the prevention, detection and investigation of any alleged fraud, corruption, bribery or financial impropriety. It is based on a series of comprehensive and interrelated procedures designed to frustrate any attempted fraudulent or corrupt act.
- 3.2 This Policy is aimed to allow all Officers and Members of the Council an opportunity to raise any concerns that they may have in relation to possible fraud, financial impropriety, corruption or bribery and provide them with guidance as to the process to adopt, where they have such concerns.
- 3.3 The Policy is closely linked to the Council's [Whistle blowing](#) Policy which provides staff with an opportunity to raise issues and concerns they may have for **other than** those where there is suspicion of fraud or financial impropriety.
- 3.4 This Policy includes members of the public who are encouraged to report any suspicion of fraud, corruption, bribery or financial impropriety so that it can be properly investigated.

4. PREVENTION

- 4.1 There are a number of ways to deter potential fraudsters from committing or attempting fraudulent or corrupt acts, whether they are inside and/or outside of the Council, and these include:
- Having a Policy and publicising the fact that the Council is firmly set against fraud, bribery and corruption and states this at every appropriate opportunity – e.g. publicising the whistle blowing arrangements, clause in contracts, statements on benefits claim forms, publications etc.;
 - Acting robustly and decisively when fraud, bribery and corruption are suspected and proven – e.g., the termination of contracts, dismissal, prosecution etc.;

- Taking action to effect the maximum recoveries for the Council – e.g. through agreement, Court action, penalties, insurance etc.;
- The Council’s Audit and Risk Manager will optimise the publicity opportunities associated with anti-fraud and corruption activity within the Authority. Where appropriate, the results of any action taken, including prosecutions, will be reported in the media.
- Having sound internal control systems that still allow for innovation, but at the same time do not provide the opportunity for fraud and corruption:
- Prompt review of systems where frauds have been committed.

- Measures to enable the prevention and detection of inaccuracies and fraud,
- Identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers in relation to significant transactions.

The latter requirement is a key control in the prevention of impropriety.

Policies and Systems of Control

- 4.2 A major deterrent in the prevention of fraud or corruption is the implementation of robust systems of internal control. Senior management must ensure that controls are in place within all their systems that reduce the risk of fraud or corruption and as new systems are developed and introduced, ensure that internal controls are prioritised.
- 4.3 The Council has adopted a Constitution incorporating [Financial Procedure Rules](#) and [Contract Standing Order & Procedure Rules](#) which must be adhered to at all times and procedures in place, underpinning these, which must be followed. Council employees are expected to follow any Code of Conduct relating to their personal, professional qualifications and also to abide by the Council’s [Employee Code of Conduct](#) and the role that appropriate staff are expected to play in the Council's framework of internal control will be featured in staff induction procedures. Members are required to adhere to the Council’s [Member’s Code of Conduct](#).
- 4.4 The Corporate Chief Officer has a statutory responsibility under Section 151 of the Local Government Act 1972 to ensure that proper arrangements are made for the Council's financial affairs and to determine the accounting control systems which include:

- 4.5 Under the Council’s Financial Procedure Rules and Contract Standing Orders & Procurement Rules, Managers across the Council have an important role to play in the prevention of fraud, bribery and corruption. Managers need to understand the importance of soundly designed systems which meet key control objectives and minimize the opportunities for fraud and corruption. They are responsible for assessing the potential for fraud, bribery and corruption within their own Service’s activities and for implementing appropriate strategies to reduce this risk. To this end, Internal Audit endeavor to provide appropriate advice to managers to ensure they are fully aware of the need to give sufficient emphasis to the preventative aspects of fraud and corruption work.
- 4.6 As part of the Council’s published Accounts each year, a formal statement is produced which describes the Internal Control Systems and provides an assessment of their effectiveness. This Annual Governance Statement is designed to provide assurance to external parties of the quality of the Council’s governance arrangements and demonstrates effective stewardship of the public funds entrusted to the Council.
- 4.7 The Council has a clear network of systems and procedures to assist it in the fight against fraud, bribery and corruption. It is determined that these arrangements will keep pace with any future developments and therefore this Policy will build on the existing arrangements to ensure they remain current and will comply with best practice.

- 4.8 Both the work of Internal and External Audit provide support to management by undertaking independent assessment and evaluation of internal controls. It is important, therefore, that management does have regard to and respond to all audit recommendations looking to improve the internal control environment.
- 4.9 All Members and employees of the Council are required to register acceptance of gifts or hospitality, above a certain threshold, which are in any way related to the performance of their duties in relation to the Council. (Further advice on this issue is contained in document [1.CM.070](#)).
- 4.10 Employees are reminded that they must operate within Section 117 of the Local Government Act 1972 regarding the requirement to disclose any pecuniary interests in contracts relating to the Council and not to accept, under colour of their office or employment, any fee or reward whatsoever other than their proper remuneration.
- 4.11 The Council has in place disciplinary procedures for all categories of employee. Any breach of conduct will be dealt with under these procedures and may result in dismissal.
- 4.12 The Chief Officer Legal and Democratic Services is the appointed Monitoring Officer in line with the Local Government Act 2000. This role includes overall responsibility for the maintenance and operation of the Authority's Whistleblowing Policy.
- 4.14 The continuing success of its Anti-Fraud, Corruption and Bribery Policy and its general credibility will depend largely on the effectiveness of programmed training, communication and responsiveness of officers throughout the organisation.
- 4.15 To facilitate this, the Council supports the concept of full induction, training and follow-up training; particularly to officers involved in internal control systems and financial and finance-related systems. This should ensure that their responsibilities and duties in this respect are regularly highlighted and reinforced, and to casual, temporary and agency staff, who may not be aware of the high standards of probity that are required in the public sector.
- 4.16 The officers involved in the review of internal control systems and investigative work are properly experienced and regularly trained. The training plans of Internal Audit and the Investigation Team reflect this requirement.
- 4.17 The development of appropriate knowledge and skills in respect of fraud awareness, prevention, detection and investigation applies more widely across the Council than those directly engaged in investigative work. A key priority therefore will be to conduct a programme to promote fraud awareness to appropriate groups of officers throughout the Council.

Recruitment and Training

- 4.13 The Council recognises that a key preventative measure in the fight against fraud, corruption and bribery is to take effective steps at the recruitment stage to establish, as far as possible, the previous record of potential staff in terms of their propriety and integrity. Staff recruitment is, therefore, required to be in accordance with procedures laid down by the Council. In particular, written references regarding known honesty and integrity of potential staff must be obtained before employment offers are confirmed. Where appropriate Criminal Records Bureau (CRB) checks will also be undertaken before appointments are confirmed.
5. DETECTION
- 5.1 It is important that there are ways of detecting fraud when it happens. Most systems will have controls to measure the throughput of transactions and provide management reports for monitoring as a means of identifying suspected fraud.
- 5.2 The work of both Internal and External Audit will be primarily to ensure controls are imbedded into systems as a prevention measure, but as part of their work around compliance etc. they will be proactively looking at where there are increased risks of fraud or financial impropriety and reporting where any suspicions arise. Management should also have inbuilt checks and balances and inspection regimes in place to help early detection of any untoward.

5.3 The Council is committed to exchanging information with other local and national agencies in order to identify and prevent fraud using data matching techniques. Such activity is carried out in full compliance with the Data Protection Act 1998 and with the Audit Commission's Code of Practice for National Fraud Initiative Data Matching Exercises, and includes providing information to other agencies for data matching purposes. Any employee found to be perpetrating fraud on another local or national agency is liable to face disciplinary action where this has implications for the Council's trust and confidence in the employee. In certain cases disciplinary action could lead to dismissal. Internal Audit, undertakes the NFI Data Matching exercise every 2 years.

5.4 With the increase in recent years of fraud perpetrated against a variety of public bodies, which usually involve fraudsters having multiple identities and addresses, the necessity for liaison with other organisations has become paramount. Some of these include

- Police Forces and fraud squads
- Audit Commission
- Universities and colleges
- Student Loan Company
- HM Immigration service
- Department for Work and Pensions
- National Anti Fraud network

5.5 It is also often the alertness of staff and the public that enables detection to occur and the appropriate action to take place, when there is evidence that fraud or corruption has occurred.

5.6 Depending on the nature and anticipated extent of the allegations, Internal Audit will work closely with service area management, other agencies and, as appropriate, the police, to ensure that all allegations and evidence are properly investigated and reported upon.

6. REPORTING A SUSPECTED FRAUD OR FINANCIAL IMPROPRIETY

6.1 Suspected fraud can be notified in a number of ways but in all cases it is important that staff and/or the public feel confident to report their concerns and are clear of the means by which they are able to do so.

6.2 The Council can be expected to deal swiftly and thoroughly with any person who attempts to defraud the Council or who is corrupt. The Council should be considered as robust in dealing with financial malpractice.

6.3 Members of the public and service users should be encouraged to report concerns through appropriate channels e.g. the internet, in writing.

Cardiff Council Employees

6.4 Under [Financial Procedure Rules](#), the Chief Operating Officer and Chief Officers are required to immediately notify the Audit & Risk Manager whenever any matter arises which involves, or is thought to involve, a breach of security, theft, or irregularities concerning cash, stores or other property of the Authority, or any suspected irregularity in the exercise of the functions of the Authority (Financial Procedure Rules – Section 4).

6.5 If an employee discovers a suspected fraud then they should firstly report the matter as soon as is practicable to their line manager. Line managers should attempt to establish as many details as possible (by discussion with the notifying officer only) and should complete the Fraud Referral Form [general referral form](#) (ref. 4.F.AU.001D) on the Intranet Site and forward this to Audit & Risk Manager Internal Audit, Investigation Team. The referral may also be emailed to: fraud@cardiff.gov.uk or sent in the post to the Internal Audit Section, Financial Services, County Hall, Atlantic Wharf, Cardiff CF10 4UW. All post received in Audit is delivered unopened.

6.6 If the concern relates to the employee's line manager, the notifying officer may consider reporting their concerns direct to the Audit & Risk Manager, the Chief Corporate Services & Section 151 Officer or the Chief Executive.

6.7 The overall responsibility for investigating suspected fraud or financial impropriety rests with management and as the employing department, service area management should assign responsibility for the investigation to a senior officer within their own service area (an Investigating Officer). The Chief Corporate Services Officer in her capacity

as Section 151 Officer does, however, have overall financial stewardship throughout the Council and the aim of Internal Audit being alerted to all suspected financial impropriety is so they can provide the Chief Corporate Services & Section 151 with assurance that a proper investigation is undertaken.

- 6.8 Any person who suspects any fraud or financial impropriety has a responsibility to report this and if in doubt, should contact Internal Audit for advice. All referrals will be considered, but officers must not abuse the process by raising unfounded malicious allegations.
- 6.9 Every effort should be made to protect the interest of any person who honestly reports a suspicion of fraud or corruption to try to ensure they do not receive any adverse treatment as a consequence of making such a report.
- 6.10 Where the circumstances suggest a criminal offence has been, or is about to be committed, then consideration should be given to referring the matter immediately to the police. Internal Audit can advise on this and need to be informed where this is being considered, at the earliest opportunity. In such circumstance, the Council's policy on [Referrals for Police](#) should be followed.

Members of the Public

- 6.11 Members of the public wishing to report suspicions of a breach of security, theft, or irregularities concerning cash, stores or other property of the Authority, or any suspected irregularity in the exercise of the functions of the Authority should in the first instance refer to the Fraud web page of the Council's [internet site](#), at www.cardiff.gov.uk (Your Council/Council Finance/Fraud).
- 6.12 The website contains an online [referral form](#) which may be completed by members of the public to report their suspicions.
- 6.13 Alternatively the Internal Audit Investigation team may be contacted via email: fraud@cardiff.gov.uk or telephone: 029 2087 2284 or sent in the post to the Audit & Risk Manager, Internal Audit Section, Financial Services, County Hall, Atlantic Wharf, Cardiff CF10 4UW. All post to Internal Audit is delivered unopened.

- 6.14 Where the suspicion relates to state benefit fraud, members of the public are encouraged to contact the manned fraud hotline: telephone: 0800 328 6340.

Council Members

- 6.15 Any suspicions relating to fraud or financial impropriety concerning Members should be referred to the Chief Legal & Democratic Services Officer (Monitoring Officer), County Hall, Atlantic Wharf, Cardiff, CF10 4UW, who will decide appropriate action in accordance with the Member's Code of Conduct.

7. INVESTIGATION

Cardiff Council Employees

- 7.1 The Internal Audit Investigation Team consists of professionally trained investigators who are available to advise and support any Investigating Officer in all aspects of investigation. This team have a responsibility to provide assurance to the Section 151 Officer that all suspicions of fraud and financial impropriety are dealt with in an effective, efficient and consistent manner and it is important they work closely with the Investigating Officer in all cases.
- 7.2 Once the Audit & Risk Manager has been notified of a suspected fraud or financial impropriety (in accordance with Financial Procedure Rules), a member of the Audit Investigation team will discuss the matter with the person / Manager who made the referral or service area Investigation Officer, if appointed by then.
- 7.3 The extent to which the Investigations team are involvement will be discussed and normally the service area will take responsibility for leading the investigation, supported by a member of the Audit Investigation team. Where this is the case, it is important that Audit are kept fully informed throughout the investigatory process.
- 7.4 In certain circumstances it may be agreed that a member of the Audit Investigation team may take the lead role in relation to the investigation e.g. where surveillance is required, as this can only be approved within Internal Audit and only trained officers are able to undertake such surveillance activity. Where the leading

role is taken by a member of the Audit Investigation team they will keep the investigating officer or service area management informed of progress on a regular basis.

- 7.5 Where agreement cannot be reached on the extent of the Audit Investigation team involvement, the Audit & Risk Manager will have the final decision.
- 7.6 Following an assessment of the case, where it is decided further investigation is not viable then this will be agreed between the member of the Audit Investigation team and the Investigating Officer or Manager who made the referral. The officer who raised the initial concern will be notified with the reason why the matter is not being pursued.
- 7.7 Investigations into the conduct of officers will be in accordance with the disciplinary [investigations policy](#) and procedure.
- 7.8 If at any time there is a suspicion or an allegation that a serious crime may have been committed (or is about to be committed) the Service Area, in conjunction with the Audit Investigation Team, should immediately report the matter to the Police.
- 7.9 Throughout all investigations the Investigating Officer will retain material obtained as part of the investigation which may be relevant to the investigation. This includes not only material coming into the possession of the investigator (such as documents seized) but also material generated by him (such as interview records).
- 7.10 The Investigating Officer will ensure that interviews are conducted and statements taken in the right manner. In particular, that the relevant Council policy and procedures are followed.
- 7.11 The Audit & Risk Manager is the delegated officer under this Policy, with authority to approve surveillance which may be undertaken to establish if the allegations are founded. Strict regulations apply to surveillance and guidance should be sought.
- 7.12 The Council's [Disciplinary Procedures](#) will be used where the outcome of the Investigation indicates any fraud, corruption or financial malpractice.

7.13 At all stages of an investigation the Service Area and or investigating officers should seek advice from Human Resources to ensure compliance with relevant policies and procedures.

Members of the Public

7.14 All referrals from members of the public relating to fraud or financial impropriety will be investigated by the Internal Audit Investigation team. This team consists of professionally trained Investigators who follow standard methodology in accordance with an Investigator's Code of Practice.

Council Members

7.15 The Chief Legal and Democratic Services Officer (Monitoring Officer), in liaison with the Audit & Risk Manager, will arrange for appropriate investigation of any referrals, in accordance with the Member's Code of Conduct.

8. SUMMARY

8.1 The Council recognises that the continuing success of its Anti Fraud, Anti Corruption and Bribery Policy and its general credibility will depend largely on the responsiveness of staff throughout the organisation.

8.2 To facilitate this, the Council supports the concept of induction and training for all staff, with more specific training for staff involved in internal control systems to ensure that their responsibilities and duties in this respect are regularly highlighted and reinforced. The Internal Audit Section provides fraud awareness training to service areas where it is considered that there are higher risks of fraud and/or financial impropriety.

8.3 Managers need to ensure internal controls are robust within their systems as a means of preventing fraud and the work of auditors will be planned with a view to prevention of any fraud or corruption within the organisation and may help to detect this. It is important that Managers act on the recommendations from their Auditors and where financial impropriety has occurred that they review the internal control environment in an effort to minimise future risk.

8.4 The Chief Operating Officer and Chief Officers are required to immediately notify the Internal Audit & Risk Manager whenever any matter arises which involves, or is thought to involve, a breach of security, theft, or irregularities concerning cash, stores or other property of the Authority, or any suspected irregularity in the exercise of the functions of the Authority (Financial Procedure Rules). Engagement with trained specialists in investigations provides an assurance of good practice in relation to investigations and should help to achieve a consistent approach.

8.5 The Chief Operating Officer and Chief Officers are required to ensure that staff for whom they have a responsibility are aware of the need to comply with the Rules, Regulations and Codes of Conduct of the Council. Staff, in turn, are required to act lawfully and honestly in connection with Council business. Staff who do not comply or are found to have acted unlawfully or dishonestly must be aware that this will lead to disciplinary action against them.

8.6 The public also have a role to play in bringing to the attention of the Authority, any concerns they have in relation to financial impropriety in connection with Council services. The Council need to ensure a thorough and professional investigation of those concerns is undertaken.

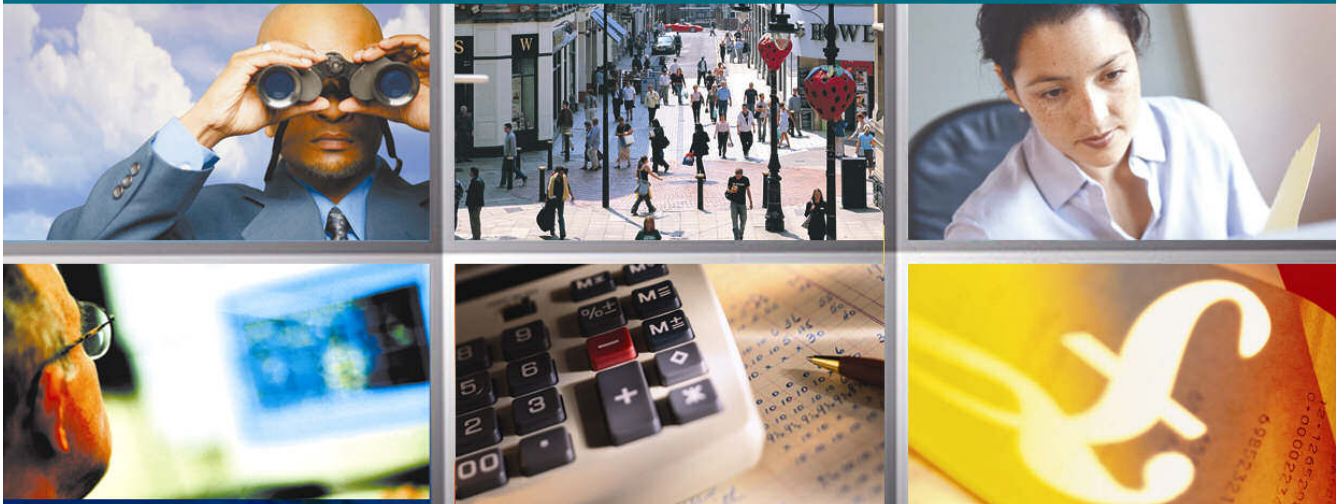
9. CONTACTS

9.1 Initial contact on any matters relating to investigations should be with David Hexter, Group Auditor (Investigations), Tel: (029) 2087 2284, alternatively, contact Derek King / Bob Jones, Audit & Risk Manager, Tel: (029) 2087 2248.

Further guidance relating to referrals for fraud can be found on the Council's internet site at www.cardiff.gov.uk (Your Council/Council Finance/Fraud).

Cardiff Council

Anti-Money Laundering Policy and Procedure



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CARDIFF COUNCIL

ANTI-MONEY LAUNDERING POLICY AND PROCEDURE



**Cardiff Council
Corporate Services
Internal Audit**

**David Hexter
Reporting Officer
Internal Audit
County Hall
Cardiff
CF10 4UW**

Phone: 029 2087 2284
Fax: 029 2082 7143
Email: d.hexter@cardiff.gov.uk

Introduction

1. This policy aims to maintain and improve upon the high standards of conduct which currently exist within the Council to ensure that we are not used by 3rd parties for the purpose of money laundering.
2. This Policy sets out the procedures which must be followed and it is suggested that this be read in conjunction with the **Anti-Money Laundering Policy and Procedure Guidance Notes** and the Council's Policies on **Whistle Blowing, Anti-Fraud, Anti-Corruption and Bribery Policy and Financial Procedure Rules** which governs the day to day operation of the Authority's financial administration.
3. There have been significant changes to the legislation concerning money laundering (the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2007), which have broadened the definition of money laundering and increased the range of activities caught by the statutory framework. As a result, the new obligations now impact on certain areas of local authority business and require local authorities to establish internal procedures to prevent the use of its services and resources for money laundering.

Definition of Money Laundering

4. Money laundering is the process by which criminally obtained money or other assets (criminal property) are exchanged for "clean" money or other assets with no obvious link to their criminal origins. It also covers money, however come by, which is used to fund terrorism.
5. There is no one method of laundering money. Methods can range from the purchase and resale of a luxury high value item (for example a car or jewellery) to passing money through a complex web of legitimate businesses and "shell" companies (i.e. those companies that primarily exist only as named legal entities without any trading or business activities).



6. There are typically 3 stages to money laundering:
- **placement** – the “dirty money” enters the financial system;
 - **layering** – removing the link to the source funds by quickly moving the money between institutions and accounts. Often involves questionable deals in terms of normal business transactions and finally;
 - **integration** – legitimate funds created enabling the criminals to utilise as they see fit.
7. The money launderer’s aim is not necessarily to make a profit, they may, therefore, undertake transactions at a financial loss if it helps to disguise the source of the funds.

Scope

8. This Policy applies to all employees and Members of the Council and enables officers and Members to raise any concerns that they may have in relation to suspicions of money laundering activity and sets out the procedures which must be followed to ensure the Council complies with its legal obligations. The policy and procedures as set out are commended for use in Schools.

The Money Laundering Reporting Officer (MLRO)

9. The officer nominated to receive disclosures about money laundering activity within Cardiff Council and to liaise with the Serious Organised Crime Agency (SOCA) is David Hexter, Group Auditor Investigations, whose contact details are as follows:

Group Auditor (Investigations)
Corporate Services
Internal Audit
County Hall
CF10 4UW

Telephone: 029 2087 2284
Facsimile: 029 2082 7143
Email: d.hexter@cardiff.gov.uk

Disclosure Procedure

10. Where an officer / Member knows or suspects that money laundering activity has taken place or they become concerned about their involvement in potential money laundering practices they should promptly contact the MLRO. Referrals should be made on the money laundering referral form, available on the intranet with as much information included as possible. A Guidance document has also been created to assist with the completion of the form. Failure to report may make an officer / Member liable to prosecution.
11. The Council’s MLRO will refer the matter to the Serious Organised Crime Agency (SOCA) as considered appropriate and the officer / Member informed of such a disclosure. The MLRO will act as liaison between SOCA and the officer / Member concerned and will seek consent to continue with a transaction. This permission may take 7 working days and officers / Members should not complete any transactions until clearance has been provided. A criminal offence may be committed should an officer / member fail to report concerns or await consent.
12. There should be no discussions with colleagues as confidentiality is paramount and the person that is suspected of being involved in money laundering must not be “tipped off”. At no time and under no circumstances should an officer / Member voice any suspicions to the person(s) who they suspect of money laundering.
13. Where there are concerns of money laundering SOCA will appoint an investigating officer, it is important that further enquiries are not undertaken by any officer / Member.
14. The MLRO will keep appropriate records in a confidential manner.

CARDIFF COUNCIL

Financial Procedure Rules for Schools



A Proud Capital



Prepared by Internal Audit

January 2012

Version 10

FINANCIAL PROCEDURE RULES FOR SCHOOLS

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EXECUTIVE SUMMARY

Financial Procedure Rules provide the basic framework for the conduct of the Council's affairs. The purpose of these Procedure Rules is to ensure that public accountability and high standards of financial integrity are exercised over the control of public funds. In addition, they assist sound administration, reduce the risk of irregularities and support the delivery of effective, efficient and economic services.

The Financial Procedure Rules for Schools apply to all officers in schools (community, voluntary or foundation). It is the responsibility of all Governing Bodies through their Headteachers to ensure that they are followed and that all appropriate staff in their school are adequately trained in their application.

This document provides schools with the principal elements of a sound approach to the administration of public monies and set out the main financial requirements of the Council. They state what these are and who is responsible for preparing, authorising and acting on them. The Council may make minor amendments to the document which do not alter the substantive content of the rules, such as updating Council officer designations.

The Governing Body of each school is responsible for:

- a) planning and conducting its affairs to remain solvent;
- b) establishing proper arrangements for financial management and internal control of budgets;
- c) providing such information as the Council may reasonably require to enable it to ascertain that the Governing Body is able to fulfil its financial obligations; and
- d) ensuring that funding is used only for the purpose for which it was intended.

The Headteacher of a school is responsible for:

- e) the management of the school's finances at a strategic and operational level; and
- f) the management of effective systems of internal control.

The Council considers the Headteacher to be the person with overall responsibility to the Governing Body for the financial management of the school. The Headteacher should ensure that the Governing Body is provided with proper training, guidance and advice on financial matters and ensure that accounts are prepared in a proper manner as specified by the Council.

Serious failure to comply with these Financial Procedure Rules, or the procedures issued under them, will constitute misconduct.

CHAPTER ONE – STATUS

INTRODUCTION

- 1.1 The purpose of the following Financial Procedure Rules for Schools is to ensure that public accountability and high standards of financial integrity are exercised in the control of public funds relating to Schools. The Procedure Rules govern the conduct of the School / Council and its employees in relation to all financial matters. They are introduced both to protect the interests of the School / Council and all those staff who are involved with financial administration.
- 1.2 The Financial Procedure Rules for Schools are drawn up by the Chief Corporate Services and Section 151 Officer, who is the Council's responsible officer for financial administration (as defined below). He / she shall be informed if there are any matters arising where a change to the Procedure Rules is considered necessary.
- 1.3 These Procedure Rules will take precedence over Schools' own Financial Regulations drawn up by the Governing Body. It is the duty of the Governing Body to ensure that these Procedure Rules are followed and brought to the attention of all staff in their School. Failure to comply with Procedure Rules or the instructions issued under them, will constitute misconduct and may lead to the Scheme of Delegation being withdrawn.
- 1.4 For the purpose of these Procedure Rules, an employee shall mean employee of the Council or one who is employed by the Governing Body of the Voluntary Aided Schools and properties and assets will mean that of the Council.

RESPONSIBILITY OF COUNCIL

- 1.5 The Executive and the Council is responsible for regulating and controlling the finances of the Authority.
- 1.6 The Executive and the Council is also responsible for determining the Scheme of Delegation of Management to the Governing Body of the School ("the Scheme") in accordance with the Schools Standards and Framework Act (SSAF Act 1998).

RESPONSIBLE OFFICER FOR FINANCIAL ADMINISTRATION

- 1.7 The Chief Corporate Services and Section 151 Officer shall, for the purposes of Section 151 of the Local Government Act 1972 and Section 114 of the Local Government Finance Act 1988, be responsible for the proper administration of the Council's financial affairs.
- 1.8 The responsibility of the Chief Corporate Services and Section 151 Officer, under these acts, shall include all aspects of the financial management undertaken by a Governing Body and all powers delegated to Governing Bodies by the SSAF Act 1998.
- 1.9 The Chief Corporate Services and Section 151 Officer is responsible for issuing advice and guidance to underpin the Financial Procedure Rules that Governing Bodies and School officers are required to follow.

RESPONSIBILITY OF MANAGEMENT

Governing Body

- 1.10 The Governing Body has a general responsibility for the conduct of the School.

- 1.11 The Governing Body is responsible for ensuring that all staff in the School are aware of the existence and content of these Financial Procedure Rules, and guidance documents issued by the Chief Corporate Services and Section 151 Officer, and that they comply with them. Governing Bodies who fail to observe financial regulations may have the financial scheme withdrawn.
- 1.12 The Governing Body shall draw up its own Financial Regulations for the School in which it shall set out such issues as the authority delegated to the Headteacher for authorisation of expenditure and virements. It should also contain the duties and responsibilities of each member of staff with regard to administration and financial operation of the School. These Regulations shall be the subject to at least annual review by the Governing Body and must be kept up to date.
- 1.13 Each year the Governing Body shall determine a budget for the School consistent with the resources available to it.
- 1.14 The Governing Body shall ensure that the expenditure incurred by the School is lawful and in accordance with the scheme.
- 1.15 The Governing Body shall be responsible for the accountability of staff and the security, custody and control of all resources including plant, buildings, vehicles, materials, cash and stores appertaining to its School in accordance with the procedures agreed with the Chief Corporate Services and Section 151 Officer.
- 1.16 The Governing Body should ensure that there are written descriptions of financial systems and procedures which are kept up to date. All appropriate staff should be trained in their use.
- 1.17 The Governing Body shall be responsible for:
- a) the financial administration of their School, in compliance with these Financial Procedure Rules
 - b) the monitoring and control of expenditure against the School's budgets
 - c) carrying out the activities of the School / Council in an orderly, economic and efficient manner
 - d) ensuring adherence to the Council's policies and directives as far as they relate to the School
 - e) safeguarding assets of the School / Council
 - f) securing, as far as possible, the completeness and accuracy of records.
- 1.18 The Governing Body shall:
- a) agree with the Chief Corporate Services and Section 151 Officer any amendments to financial systems or introduction of new systems
 - b) provide all information required by the Chief Corporate Services and Section 151 Officer for financial purposes and to allow him/her or an authorised representative, access to all information, records, documents and explanations that he/she requires
 - c) maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements

- d) establish and maintain sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness
- e) consult with the Chief Corporate Services and Section 151 Officer with respect to any matter which is liable to materially affect the finances of the Council, before any provisional or other commitment is incurred or before reporting thereon to Executive and the Council
- f) take action upon any Internal Audit reports to ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion
- g) ensure that all staff who are responsible for the financial administration of the School are issued with appropriate written instructions. This will ensure the effective implementation of financial systems and procedures even in the absence of staff
- h) ensure that there is a clear separation of duties within the administration of all financial systems to ensure adequate controls are in place
- i) maintain proper records of authorised signatories for all financial systems and to ensure that only these officers sign key documents such as orders, invoices, claims and payroll records
- j) immediately notify the Chief Corporate Services and Section 151 Officer (in practice represented in this regard by the Audit and Risk Manager) whenever any matter arises which involves, or is thought to involve, a breach of security, theft, or irregularities concerning cash, stores or other property of the School / Council, or any suspected irregularity in the exercise of the functions of the School / Council
- k) liaise with Internal Audit in relation to the investigation of any suspected irregularities within their School, in line with the Council's Anti-Fraud and Anti-Corruption Strategy.

Headteacher

- 1.19 The Headteacher has responsibility for the leadership, direction and day to day management of the School within the educational needs and priorities identified in the School improvement plan.
- 1.20 The Headteacher should ensure that financial control is maintained in the absence of key staff by training or by arranging for staff to shadow each other's duties from time to time.

CHAPTER TWO – FINANCIAL MANAGEMENT

FINANCIAL MANAGEMENT STANDARDS

Why is this important?

- 2.1 All governors and staff have a duty to abide by the highest standards of probity in dealing with financial issues. This duty 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

- 2.2 The key controls and control objectives for financial management standards are:
- (a) a monitoring system to review compliance with financial standards with reports to the Governing Body
 - (b) their promotion throughout the School.

Responsibilities of the Governing Body

- 2.3 To promote the financial management standards set by the Chief Corporate Services and Section 151 Officer in their School and to monitor adherence to the standards and practices, liaising as necessary with the Chief Corporate Services and Section 151 Officer.
- 2.4 To promote sound financial practices in relation to the standards, performance and development of staff in their School.

Responsibilities of the Chief Corporate Services and Section 151 Officer

- 2.5 To ensure the proper administration of the financial affairs.
- 2.6 To set the financial management standards and to monitor compliance with them.
- 2.7 To advise on the key strategic controls necessary to secure sound financial management.
- 2.8 To ensure that financial information is available to enable accurate and timely monitoring reports.

MANAGING EXPENDITURE

Accounting Policies

Why is this important?

- 2.9 The Chief Corporate Services and Section 151 Officer is responsible for the preparation of the County 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: A Statement of Recommended Practice' (CIPFA/LASAAC), for each financial year ending 31st March.
- 2.10 The Chief Corporate Services and Section 151 Officer is responsible for the preparation of statements of accounts relating to Schools.

Key controls

2.11 The key controls for accounting policies are:

- (a) systems of internal control are in place that ensure that financial transactions are lawful
- (b) suitable accounting policies are selected and applied consistently
- (c) proper accounting records are maintained
- (d) financial statements are prepared which present fairly the financial position of the Council and Schools and their expenditure and income.

Responsibilities of the Governing Body

2.12 To adhere to the accounting policies and guidelines approved by the Chief Corporate Services and Section 151 Officer.

Accounting Records and Returns

Why is this important?

2.13 Maintaining proper accounting records is one of the ways in which the Council discharges its responsibility for stewardship of public resources.

2.14 The Council has a statutory responsibility to prepare its annual accounts to present fairly its operations during the year. These are subject to external audit by a body appointed by the Auditor General for Wales. 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

2.15 The key controls for accounting records and returns are:

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

Responsibilities of the Governing Body

2.16 To consult and obtain the approval of the Chief Corporate Services and Section 151 Officer before making any changes to accounting records and procedures.

2.17 To comply with the following principles when allocating accounting duties:

- (a) separating the duties of providing information about sums due to or from the School and calculating, checking and recording these sums from the duty of collecting or disbursing them

- (b) employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
- 2.18 To maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements.
- 2.19 To supply information required to enable the statement of accounts to be completed in accordance with guidelines issued by the Chief Corporate Services and Section 151 Officer.
- 2.20 To ensure the proper retention of financial documents in accordance with the requirements set out in the Council's document retention schedule.

Responsibilities of the Chief Corporate Services and Section 151 Officer

- 2.21 To recommend the accounting procedures and records for Schools.
- 2.22 To make proper arrangements for the audit of the Council's accounts in accordance with the Accounts and Audit Regulations 2003.
- 2.23 To prepare and publish the audited accounts of the Council and Schools for each financial year, in accordance with the statutory timetable and with the requirement for the Executive to approve the statement of accounts before the statutory deadline.
- 2.24 To determine the retention period of financial records where there are no requirements prescribed by statutory or other external regulations.

Scheme of virement

Why is this important?

- 2.25 The scheme of virement, determined by the Governing Body, is intended to enable the budgets to be managed with a degree of flexibility within the overall budget and therefore to optimise the use of resources.

Key controls

- 2.26 Key controls for the scheme of virement are:
 - (a) it is administered within guidelines set by the Governing Body
 - (b) the overall budget is agreed by the Governing Body. Authorisation to incur expenditure should be in accordance with the estimates that make up the budget
 - (c) budget holders are expected to exercise discretion in managing budgets responsibly and prudently. Virement does not create additional overall budget liability. Budget holders should aim to avoid creating recurring expenditure from one-off sources of savings or additional income, or creating future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources
 - (d) virements are reported to the appropriate committee at the School.

Responsibilities of the Governing Body

- 2.27 To set the limits for virement within the revenue budget.

Banking Arrangements and Cheques

Why is this important?

- 2.28 Many millions of pounds pass through the Council's bank accounts each year. It is vital that proper procedures are in place to ensure that the banking arrangements for the School / Council are secure and controlled.

Key controls

- 2.29 All banking arrangements are operated in accordance with approved procedures.

Responsibilities of the Governing Body

- 2.30 To ensure that bank accounts bear the name of the Council and School in the title.
- 2.31 To ensure that bank accounts are not opened in the names of individuals.
- 2.32 To ensure that the School bank account is regularly reconciled (that is, at least monthly).
- 2.33 To ensure that Internal Audit have access to the School's bank accounts and records.
- 2.34 To ensure that all cheques ordered and their safe custody is carried out in accordance with arrangements approved by the Chief Corporate Services and Section 151 Officer (in practice represented in this regard by the Audit and Risk Manager).
- 2.35 To ensure that cheques are not pre-signed before the details are entered.
- 2.36 To ensure that cheques drawn on the School's imprest account or cheque book account are endorsed by two authorised signatories.
- 2.37 To ensure that no personal cheques are cashed through the School bank account.
- 2.38 To ensure that all income collected is promptly banked.
- 2.39 To ensure that, in the transport of cash for banking or any other purpose, due regard is made for the safety of employees, and the proper security of cash, and arrangements made which incorporate the necessary safeguards.
- 2.40 To ensure that, in accordance with the relevant Accounts and Audit Regulations, each employee who banks money, enters on the paying in slip, a reference (such as the receipt number or the number or the name of the debtor) and indicate its place of origin on the reverse of each cheque.
- 2.41 To ensure that bank accounts do not become overdrawn.
- 2.42 To ensure that payments made through the Council's bank account are properly authorised, correctly calculated, valid and in accordance with Council's procurement and payment procedures.

Responsibilities of the Chief Corporate Services and Section 151 Officer

- 2.43 To ensure that all banking arrangements are made by or under approved arrangements.

- 2.44 To ensure that all bank accounts operated by or on behalf of the Council shall bear an official title and in no circumstances shall an account be opened in the name of an individual.
- 2.45 To ensure that cheques drawn on the Council's main bank accounts bear the facsimile signature of the Chief Corporate Services and Section 151 Officer or be signed by another officer authorised to do so.
- 2.46 To ensure that the Council's main bank account is regularly reconciled.

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CHAPTER THREE – FINANCIAL PLANNING

BUDGETING

Format of the budget

Why is this important?

- 3.1 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.
- 3.2 The School Funding (Wales) Regulations 2010 allow local authorities to direct spending or claw back monies when amounts in surplus budgets held by Schools where the total available exceeds £50,000 (for primary Schools) or £100,000 for secondary Schools and special Schools).
- 3.3 The Governing Body shall only spend their delegated budget share for the purpose of the School.

Key controls

- 3.4 The key controls for the budget format are:
 - (a) the format complies with all legal requirements
 - (b) the format reflects the accountabilities of service delivery.

Responsibilities of the Governing Body – all schools

- 3.5 To comply with accounting guidance provided by the Chief Corporate Services and Section 151 Officer.
- 3.6 To determine a Budget for the School consistent with the resources available to it and notify the Chief Corporate Services and Section 151 Officer by 15th May of its proposed budget allocation in a prescribed format.
- 3.7 In exceptional circumstances when there is a need to set a deficit budget, to obtain prior approval from both the Chief Education Officer and the Chief Corporate Services and Section 151 Officer and they should be managed in accordance with the Protocol for Dealing with Schools with Deficit Budgets. Any over or under spending of the delegated budget shall be carried forward into the following financial year.
- 3.8 To ensure that excessive surpluses are not accumulated and follow the conditions as set out in the Scheme.

Additional responsibilities of the Governing Body – cheque book schools

- 3.9 To submit an annual cash flow forecast in a prescribed format by 15th May.

Responsibilities of the Chief Corporate Services and Section 151 Officer

- 3.10 To advise the Governing Body on the format of the budget that is approved by the County Council.

- 3.11 To notify the Governing Body of the resources available to the School by 1st March each year.

BUDGET MONITORING AND CONTROL

Why is this important?

- 3.12 Budget management ensures that once the budget has been approved by the Governing Body, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the Governing Body to review and adjust its budget targets during the financial year.
- 3.13 By continuously identifying and explaining variances against budgetary targets, the Governing Body can identify changes in resource requirements at the earliest opportunity.

Key controls

- 3.14 The key controls for managing and controlling the budget are:
- (a) Governing Body accepts accountability for the School budget and the level of service to be delivered and understand their financial responsibilities
 - (b) Governing Body follows an approved certification process for all expenditure
 - (c) income and expenditure are properly recorded and accounted for
 - (d) 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 Governing Body

- 3.15 To maintain budgetary control and to ensure that all income and expenditure are properly recorded and accounted for.
- 3.16 To ensure that spending remains within the School'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.
- 3.17 To prepare and submit reports to the Chief Corporate Services and Section 151 Officer if problems are identified.
- 3.18 To ensure compliance with the scheme of virement.

Responsibilities of the Chief Corporate Services and Section 151 Officer

- 3.19 To advise the Governing Body on an appropriate framework of budget monitoring and control to ensure:
- (a) the availability of timely information on receipts and payments on each budget
 - (b) expenditure is committed only against an approved budget head
 - (c) those responsible for committing expenditure comply with relevant guidance
 - (d) significant variances from approved budgets are investigated and reported regularly.

VIREMENTS

Why is this important?

- 3.20 The Governing Body has the authority to amend the distribution of the School's delegated budget between budget heads. It may delegate this authority to the Headteacher up to a maximum sum agreed within the School's approved budget. The ability to vire budgets does not apply to earmarked items of expenditure.

Responsibility of the Governing Body

- 3.21 To approve revenue budget virements.
- 3.22 To inform the Chief Corporate Services and Section 151 Officer of the virements agreed.

CENTRAL FUNDS, GRANTS AND EARMARKINGS

Why is this important?

- 3.23 From time to time, Schools receive additional funding allocations from central funds and from grants. These are separate from the School's delegated budget and shall be subject to conditions, which set out the purpose for which the allocation or grant may be used. Schools are expected to maintain separate and appropriate records and vouchers of all transactions made from these sources of funding.

CAPITAL BUDGETING FROM BUDGET SHARES

Why is this Important?

- 3.24 Capital expenditure (including use of capital grants) involves acquiring or enhancing fixed assets with a long term value to the Authority, such as land, buildings, infrastructure 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.
- 3.25 The Governing Body is allowed to use their budget shares to meet the cost of capital expenditure on their school premises.

Responsibilities of the Governing Body

- 3.26 For premises owned by the Council, to seek the prior consent of the Council to proposed building works. Voluntary Aided Schools should follow the procedures laid down in the Welsh Assembly Government's guidelines.
- 3.27 To inform the Chief Corporate Services and Section 151 Officer if the expected capital expenditure from the School's budget share exceeds £15,000.
- 3.28 To ensure that adequate records are maintained for all capital contracts and the preparation of any grant claims in order to be able to demonstrate that funds have been spent in accordance with stipulated requirements.

Responsibilities of the Chief Corporate Services and Section 151 Officer

- 3.29 To issue guidance relating to the strategy and controls for capital schemes.

CHAPTER FOUR - RISK MANAGEMENT AND CONTROL OF RESOURCES

RISK MANAGEMENT

Why is this important?

- 4.1 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.
- 4.2 It is the responsibility of the Governing Body to approve the School's risk management strategy, and to promote a culture of risk management awareness throughout the School.

Key controls

- 4.3 The key controls for risk management are:
- (a) procedures are in place to identify, assess, prevent or contain material known risks, and these procedures are operating effectively throughout the School
 - (b) 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
 - (c) staff know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives
 - (d) provision is made for losses that might result from the risks that remain
 - (e) acceptable levels of risk are determined and insured against where appropriate
 - (f) the Governing Body 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 Governing Body

- 4.4 To notify the Chief Corporate Services and Section 151 Officer immediately of any loss, liability or damage that may lead to a claim against the Council, together with any information or explanation required by the Chief Corporate Services and Section 151 Officer or the Council's insurers, and to inform the Police where necessary.
- 4.5 To take responsibility for risk management, having regard to advice from the Chief Corporate Services and Section 151 Officer and other specialist officers (e.g. crime prevention, fire prevention, health and safety).
- 4.6 To identify, analyse, control and monitor all significant risks to the School. Appropriate records should be maintained to demonstrate that risks are being managed.
- 4.7 To ensure that risk management is brought to the attention of relevant staff in the School.

INSURANCE

Why is this important?

- 4.8 Insurance is a form of risk management in which the insured transfers the cost of potential loss to another entity. The Council has a number of insurance covers for various risks, including public liability, employer's liability, fidelity guarantee, property and motor. The proper control over claims against these insurance policies is important due to the impact that claims can have on the budget of the School / Council.
- 4.9 Insurance policies will detail those risks that are covered under each policy. Claims should be duly made and processed expeditiously.

Key controls

- 4.10 The key controls for insurance are:
- (a) assets of the School / Council are protected from loss
 - (b) procedures are in place to report and investigate claims within required timescales.

Responsibilities of the Governing Body

- 4.11 To take reasonable steps to minimise the insurable risks of the Council.
- 4.12 To arrange for the identification of all appropriate employees of the Authority who should be included in a suitable fidelity guarantee insurance, and shall make arrangements through the Chief Corporate Services and Section 151 Officer for such inclusion.
- 4.13 To notify the Chief Corporate Services and Section 151 Officer promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances. This should include any significant acquisitions or disposals of assets or any alteration to the scope or level of services provided, particularly where the risk of accident, injury, loss or damage is likely to increase.
- 4.14 To provide the Chief Corporate Services and Section 151 Officer with any information that he / she needs and in the timescale that he / she sets to enable him / her to manage the Council's insurances effectively.
- 4.15 To notify the Chief Corporate Services and Section 151 Officer immediately in writing of any loss, liability or damage, or any event likely to lead to a claim by or against the Council.
- 4.16 To follow the procedures and timescales laid down by the Chief Corporate Services and Section 151 Officer for the notification of claims, including notification to the Police (to obtain a crime report and crime reference number) where necessary.
- 4.17 To submit any insurance claims in such a form and within such timescales as are required by the Chief Corporate Services and Section 151 Officer.
- 4.18 To consult the Chief Corporate Services and Section 151 Officer on the terms of any indemnity that the School is requested to give on behalf of the School or Council.
- 4.19 To ensure that employees, or anyone covered by the Council's insurances, do not admit liability or make any offer to pay compensation that may prejudice cover under the Council's insurance policy and the assessment of liability in respect of any insurance claim.

Responsibilities of the Chief Corporate Services and Section 151 Officer

- 4.20 To provide insurance cover for Schools.
- 4.21 To effect corporate insurance cover, through external insurance and internal funding, and to arrange for the negotiation of all claims in consultation with the Chief Education Officer, where necessary.
- 4.22 To hold in safe custody all insurance policies of the Council, arrange for payments of premiums by the due date, and manage the Council's own insurance provision.
- 4.23 To prescribe procedures for dealing with claims on the Council's own Insurance Provision.
- 4.24 To make arrangements to ensure that insurance records relating to liability policies and related correspondence must be retained indefinitely. Documents relating to other policies and internal funding arrangements must be retained for six years. All employees will adhere to the requirements of the Chief Corporate Services and Section 151 Officer as to the retention of any documents of the nature referred to in this rule.

INTERNAL CONTROLS

Why is this important?

- 4.25 The Council and Schools are complex and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives.
- 4.26 The Council has statutory obligations, and, therefore, requires internal controls within Schools to identify, meet and monitor compliance with these obligations.
- 4.27 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 within Schools are necessary to manage these risks.
- 4.28 The system of internal controls is established in order to provide measurable achievement of:
 - (a) objectives
 - (b) efficient and effective operations
 - (c) financial management
 - (d) performance and the reporting of performance management
 - (e) policies are put into practice
 - (f) required and agreed procedures are adhered to
 - (g) compliance with laws and regulations
 - (h) risk management.

Key controls

- 4.29 The key controls and control objectives for internal control systems are:
 - (a) key controls should be reviewed on a regular basis and Governing Body should make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively
 - (b) 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
- (c) financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems

Responsibilities of the Governing Body

- 4.30 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.
- 4.31 To review existing controls in the light of changes affecting the School and to establish and implement new ones in line with guidance from the Chief Corporate Services and Section 151 Officer. The Governing Body should also be responsible for removing controls that are unnecessary or not cost or risk effective, for example, because of duplication.
- 4.32 To ensure staff have a clear understanding of the consequences of lack of control.

Responsibilities of the Chief Corporate Services and Section 151 Officer

- 4.33 To assist the Governing Body 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.

AUDIT REQUIREMENTS

Internal audit

Why is this important?

- 4.34 The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit Regulations 2003 (as amended) more specifically require that a relevant body must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices”. (Regulation 6)
- 4.35 Accordingly, internal audit is an assurance function established by the Council that provides an independent and objective opinion on the control environment. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.
- 4.36 The Internal Audit Section shall undertake a cyclical review of all financial systems throughout the Council under the direction of the Chief Corporate Services and Section 151 Officer, who shall determine the appropriate level of audit coverage.

Key controls

- 4.37 The key controls for internal audit are:
- (a) that it is independent in its planning and operation
 - (b) the Audit and Risk Manager has direct access to the Chief Executive, all levels of management, the Executive and all other elected members

- (c) the internal auditors comply with the Auditing Practices Board's guidance for Internal Auditors, as interpreted by C.I.P.F.A.'s Code of Practice for Internal Audit in Local Government in the United Kingdom
- (d) the internal auditors have access to premises, personnel, documents and assets as considered necessary for the purposes of their work.

Responsibilities of the Governing Body

- 4.38 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.
- 4.39 To ensure that auditors are provided with any information and explanations that they seek in the course of their work.
- 4.40 To consider and respond promptly to recommendations in audit reports.
- 4.41 To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- 4.42 To notify the Chief Corporate Services and Section 151 Officer (in practice represented in this regard by the Audit and Risk Manager) immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Council's property or resources. Pending investigation and reporting, the Governing Body should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.

Responsibilities of the Chief Corporate Services and Section 151 Officer

- 4.43 To ensure that internal auditors have the authority to:
 - (a) access School / Council premises at reasonable times
 - (b) access all assets, records, documents, correspondence and control systems of the School / Council
 - (c) receive any information and explanation considered necessary concerning any matter under consideration
 - (d) require any employee of the Council to account for cash, stores or any other Council asset under his or her control
 - (e) access records belonging to third parties, such as contractors, when required
 - (f) review, appraise and report on the adequacy and application of financial and other controls, and on the protection of the School / Council's property and assets against loss due to fraud or wasteful practices;
 - (g) take such steps as considered necessary by way of investigation whenever a Governing Body/Headteacher reports any matter which involves, or is thought to involve, irregularities concerning cash, stores or other property of the School / Council; or any suspected irregularity in the exercise of the functions of the School / Council.
- 4.44 To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

External Audit

Why is this important?

- 4.45 Under section 13 of the Public Audit (Wales) Act 2004, the Auditor General for Wales is responsible for appointing external auditors to each local authority in Wales. The external auditor has rights of access to all documents and information which in his/her opinion are necessary to carry out his/her statutory functions.
- 4.46 The basic duties of the external auditor are defined in the Public Audit (Wales) Act 2004 and the Local Government Act 1999. In particular, section 16 of the 2004 Act requires the Auditor General for Wales to prepare a code of audit practice, which external auditors follow when carrying out their duties

Responsibilities of the Governing Body

- 4.47 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.
- 4.48 To ensure that all records and systems are up to date and available for inspection.

Responsibilities of the Chief Corporate Services and Section 151 Officer

- 4.49 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.
- 4.50 To ensure there is effective liaison between external and internal audit.

PREVENTING FRAUD, BRIBERY AND CORRUPTION

Why is it this important?

- 4.51 Fraud, bribery and corruption will not be tolerated in the administration of responsibilities, whether from inside or outside the Council.
- 4.52 The Council's expectation of propriety and accountability is that staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices set out in the Constitution.
- 4.53 The Council also expects that individuals and organisations (e.g. suppliers, contractors, service providers) with whom it comes into contact will act towards the Council with integrity and without thought or actions involving fraud, bribery and corruption.
- 4.54 A Governor, Headteacher or other member of staff at the school with a material interest in a personal capacity in any matter within the school should declare that interest to the Governing Body or relevant committee of the Governing Body.

Key controls

- 4.55 The key controls regarding the prevention of financial irregularities are that:
- (a) the Council has an effective Anti-Fraud and Anti-Corruption Strategy and maintains a culture that will not tolerate fraud, bribery or corruption
 - (b) all members and staff act with integrity and lead by example

- (c) Governing Bodies are required to deal swiftly and firmly with those who defraud or attempt to defraud the Council or who are corrupt
- (d) high standards of conduct are promoted amongst governors by the Governing Body
- (e) the maintenance of a register of interests in which any hospitality or gifts accepted must be recorded
- (f) Governors and officers at the school do not make use of contractors employed by the School or Council
- (f) whistle blowing procedures (the Confidential Reporting Policy) are in place and operate effectively
- (g) legislation including the Public Interest Disclosure Act 1998 is adhered to.

Responsibilities of the Governing Body

- 4.56 To ensure that all suspected irregularities are reported to the Chief Corporate Services and Section 151 Officer (in practice represented in this regard by the Audit and Risk Manager).
- 4.57 To instigate the Council's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.
- 4.58 To ensure that where financial impropriety is discovered, the Chief Corporate Services and Section 151 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.
- 4.59 To maintain a School register of business interests and ensure that it is updated annually. A nil return is required where there are no relevant declarations.
- 4.60 To ensure that no governor or member of the school's staff can authorise the purchase of goods or services from themselves, their relatives or any organisation in which they have a significant interest.
- 4.61 To ensure that no governor or member of school's staff authorises vouchers for payment relating to expenditure incurred or services supplied by themselves, their relatives or an organisation in which they have a relevant interest.
- 4.62 To ensure that governors, Headteacher and employees do not avail themselves of the services of contractors employed by the School or Council for acquiring materials, labour or plant at cost, trade or discount prices.
- 4.63 To ensure that officers are aware that any promotional offers given by suppliers are the property of the Council.
- 4.64 To ensure that governors and employees follow any statutory or internal codes of conduct in respect of their duties relating to the acceptance of gifts and hospitality and the declaration of interests.

Responsibilities of the Chief Corporate Services and Section 151 Officer

- 4.65 To develop and maintain an anti-fraud and anti-corruption policy.
- 4.66 To maintain adequate and effective internal control arrangements.
- 4.67 To ensure that all serious irregularities are reported to the Governing Body

ASSETS

Why is this important?

- 4.68 The School holds assets in the form of vehicles, equipment, furniture, stocks/stores and other items worth many pounds. It is important that assets are safeguarded and used efficiently in service delivery, where appropriate inventories are maintained 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 sound asset management.
- 4.69 Where assets are funded from donation and the benefactor does not specify that their ownership should vest in the Governing Body, such assets should be recorded in the official inventory, which should indicate the source of provision. The Governing Body is advised to maintain a separate inventory of equipment owned by them.
- 4.70 Any unofficial funds or personal valuables left in the safe must be kept separate from any Council income or property, and it should be made clear to depositors that the Council is not to be held liable for any loss of personal belongings.

Key controls

- 4.71 The key controls for the security of resources such as fixed plant machinery, equipment, software and information are:
- (a) resources are used only for the purposes of the School and are properly accounted for
 - (b) resources are available for use when required
 - (c) resources no longer required are disposed of in accordance with the law and the regulations of the Council so as to maximise benefits
 - (d) an asset register is maintained for the School, assets are recorded when they are acquired by the School and this record is updated as changes occur with respect to the location and condition of the asset
 - (e) all governors and staff are aware of their responsibilities with regard to safeguarding the assets and information, including the requirements of the Data Protection Act and software copyright legislation
 - (f) all governors and staff are aware of their responsibilities with regard to safeguarding the security of 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 Governing Body

- 4.72 To ensure the proper security of all buildings and other assets under its control, and make contingency plans for continuity of service in the event of disaster or system failure
- 4.73 To ensure the safe custody of vehicles, equipment, stocks and stores and any other property belonging to the School / Council.
- 4.74 To make arrangements to consult the Chief Corporate Services and Section 151 Officer (in practice represented in this regard by the Audit and Risk Manager) in any case where security is thought to need improvement or where it is considered that special security arrangements may be needed.
- 4.75 To ensure that the School maintains a register of moveable assets in accordance with arrangements defined by the Chief Corporate Services and Section 151 Officer in the form of an inventory.

- 4.76 To ensure that assets are identified, their location recorded and that they are appropriately marked and insured.
- 4.77 To ensure that no asset of the Council is subject to personal use by an employee without proper authority.
- 4.78 To ensure that no items of School or Council property are removed otherwise than in accordance with the ordinary course of the School's or Council's business. To ensure that the loan of equipment where equipment is removed from the premises by staff is acknowledged by signature in a suitable record, which should be endorsed when the equipment is returned.
- 4.79 To record all disposal or part exchange of assets and ensure that the disposal of an item of Council furniture, fittings, equipment, plant and machinery (including I.T. equipment) is in accordance with the guidelines issued by the Chief Corporate Services and Section 151 Officer (in practice represented in this regard by the Audit and Risk Manager).
- 4.80 To inform the Chief Corporate Services and Section 151 Officer when assets are disposed of or part exchanged.
- 4.81 To ensure that stocks of consumables are kept securely with access limited to the member of staff responsible for issues.
- 4.82 To ensure cash holdings on premises are kept to a minimum.
- 4.83 To ensure that only nominated members of staff have access to keys to open the safe or other locked receptacles and nominated substitute key holders are available in the absence of the principal holder(s).
- 4.84 To ensure that keys to safes and similar receptacles are carried on the person of those responsible at all times and not left on the premises overnight as any used in a theft of monies will prevent the School claiming on insurance.
- 4.85 To ensure that the loss of keys is reported to the Chief Corporate Services and Section 151 Officer (in practice represented in this regard by the Audit and Risk Manager).
- 4.86 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.

Responsibilities of the Headteacher

- 4.87 To ensure that an asset register is maintained in accordance with good practice for all assets. The function of the asset register is to provide the School with information about assets so that they are:
- (a) safeguarded
 - (b) used efficiently and effectively
 - (c) adequately maintained.
- 4.88 To maintain inventories and record an adequate description of portable and attractive items.

- 4.89 To carry out an annual check of all items on the inventory in order to verify location, review, condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the School.
- 4.90 (When an employee hands over, leaves or ceases to be responsible for the custody of any property included on an inventory) To carry out an independent check of the property and ensure that a certificate is signed by both the incoming and outgoing employee.
- 4.91 To monitor stock orders to ensure that the levels of stock held are not in excess of normal requirements.

Responsibilities of the Chief Corporate Services and Section 151 Officer

- 4.92 To issue guidance to service areas on the maintenance of inventories and the disposal of assets.

INFORMATION AND COMMUNICATION TECHNOLOGY

Why is this important?

- 4.93 Information systems are an essential element in the management of the resources of a school and the development of services. This area is fundamental to the integrity of the School's and Council's financial records. Misuse of computer resources can seriously affect the business interests of the Authority.

Key controls

- 4.94 The key controls for the security of resources such as software and information are:
- (a) 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, Freedom of Information Act and software copyright legislation
 - (b) 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 information security and internet security policies.

Responsibilities of the Governing Body

- 4.95 To ensure that effective contingency arrangements, including back-up procedures, exist for data and computer systems held locally on desktop computers. Wherever possible, back-up information should be securely retained in a fireproof location, preferably off site or at an alternative location within the building.
- 4.96 To ensure that relevant policies, standards and guidelines for computer systems issued by the Council's Head of Information Systems and Technology are observed.
- 4.97 To ensure that the requirements of the Data Protection Act 1984, the Copyright, Designs and Patents Act 1988, the Computer Misuse Act 1990, the Regulation of Investigatory Powers Act 2000 and other relevant legislation or Council policy in relation to the control of and access to financial and personal data are met.
- 4.98 To ensure that adequate arrangements exist for maintaining proper security of information held in the School's budgetary control system through the use and regular changing of

passwords and the regular taking and secure storage of back-up copies and compliance with all requirements of current legislation and European Community Directives.

- 4.99 To ensure that the Council's computer equipment and software are protected from loss and damage through theft, vandalism, etc.
- 4.100 To comply with the copyright, designs and patents legislation and, in particular, to ensure that:
- (a) only software legally acquired and installed by the Council is used on its computers
 - (b) staff are aware of legislative provisions in developing systems and due regard is given to the issue of intellectual property rights.

Responsibilities of the Headteacher

- 4.101 To advise the Governing Body on all matters relating to the corporate information technology policies and strategies of the School and the acquisition or disposal of computer and telecommunications facilities.
- 4.102 To approve and control access to computer installations in the School. User access rights to the School's budgetary control and accounting system should provide adequate separation of duties in accordance with the guidance issued by the Chief Corporate Services and Section 151 Officer.
- 4.103 To ensure the safe custody of all computer hardware under the control of the School and ensure that all equipment purchased from official budgets is included on an official inventory.
- 4.104 To ensure the safe custody of all computer hardware under the control of the School and ensure compliance with software licence agreements, and record all software purchased from official budgets on an official inventory. Where possible, personal or sensitive information should not be stored on removable storage devices (such as CD/DVD or USB pen drives); where this is needed, it should be secured using encryption and any relevant password should not be stored with the media.

Joint Responsibility of the Governing Body and Headteacher

- 4.105 To ensure information systems are registered in accordance with data protection legislation and that staff are aware of their responsibilities under the legislation. One application is required per School.

Responsibilities of the Chief Corporate Services and Section 151 Officer

- 4.106 To ensure that internal auditors have the authority to:
- (a) access School / Council premises at reasonable times
 - (b) access all computer systems and records of the School / Council
 - (c) receive any information and explanation considered necessary concerning any matter under consideration for the purposes of the Data Protection Act 1998, the Copyright, Designs and Patents Act 1988, the Computer Misuse Act 1990 and the Regulation of Investigatory Powers Act 2000.
- 4.107 To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

INTELLECTUAL PROPERTY

Why is this important?

- 4.108 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.
- 4.109 Certain activities undertaken within the School may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property.

Key controls

- 4.110 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 Governing Body

- 4.111 To ensure that controls are in place to ensure that staff do not carry out private work in School time and that staff are aware of an employer's rights with regard to intellectual property.
- 4.112 To ensure that contracts for work commissioned that may result in intellectual property being created stipulate that any such property belongs to the Council.

Responsibilities of the Chief Corporate Services and Section 151 Officer

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

ASSET DISPOSAL

Why is this important?

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

Key controls

- 4.115 The key controls for asset disposal are:
- (a) 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 School, 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.
 - (b) Procedures protect staff involved in the disposal from accusations of personal gain.

Responsibilities of the Governing Body

- 4.116 To seek advice from purchasing advisers on the disposal of surplus or obsolete materials, stores or equipment.
- 4.117 To ensure that income received for the disposal of an asset is properly banked and coded.

Responsibilities of the Chief Corporate Services and Section 151 Officer

- 4.118 To issue guidelines representing best practice for disposal of assets.
- 4.119 To ensure appropriate accounting entries are made to remove the value of disposed assets from the School's records and to include the sale proceeds if appropriate.

STAFFING

Why is this important?

- 4.120 In order to provide the highest level of service, it is crucial that the School recruits and retains high calibre, knowledgeable staff, qualified to an appropriate level. Salaries and wages account for a substantial proportion of expenditure at a school and it is essential that proper controls are in place.

Key controls

- 4.121 The key controls for staffing are:
- (a) an appropriate staffing strategy and policy exists, in which staffing requirements and budget allocation are matched
 - (b) procedures are in place for forecasting staffing requirements and cost
 - (c) controls are implemented that ensure that staff time is used efficiently and to the benefit of the School
 - (d) checks are undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced and trustworthy.

Responsibilities of the Governing Body

- 4.122 To produce an annual staffing budget.
- 4.123 To ensure that the staffing budget is an accurate forecast of staffing levels and is equated to an appropriate budget provision (including on-costs and overheads).
- 4.124 To monitor staff activity to ensure adequate control over conduct, performance, sickness, overtime, training, and temporary staffing.
- 4.125 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.
- 4.126 To ensure that only properly engaged staff, appearing on the School's records, are included on the payroll.
- 4.127 To ensure that all salary payments to employees are made via a payroll system for the correct treatment for tax and National Insurance. "Cash in hand" and other non PAYE payments are not permitted.

- 4.128 To ensure that agreed procedures are complied with and for providing the Chief Corporate Services and Section 151 Officer with such information and within such timetables as he / she may require for the purposes of preparing payments to staff and the HMRC.

Responsibilities of the Headteacher

- 4.129 To advise the Governing Body on the budget necessary in any year to cover estimated staffing levels.
- 4.130 To seek the approval of the Governing Body for any variation to staffing numbers set out within the approved budget to meet changing operational needs.
- 4.131 To ensure the proper use of appointment procedures in accordance with the Schools Standards and Framework Act 1998.

Responsibilities of the Chief Corporate Services and Section 151 Officer

- 4.132 To act as an adviser to Schools on areas such as National Insurance and pension contributions, as appropriate.
- 4.133 To make statutory obligations in respect of income tax, National Insurance and pension contributions.

INVESTMENTS AND BORROWING

Why is this important?

- 4.134 No investments (including those made by cheque book schools in long term fixed rate accounts) should be undertaken without the written permission of the Chief Corporate Services and Section 151 Officer. Schools that have overnight balances to invest under the local chequebook scheme do not have to seek advance approval for normal daily transactions.
- 4.135 Schools do not require advance approval for investments over an official holiday period.
- 4.136 Borrowings include any credit arrangements where the School is operating the local chequebook scheme.
- 4.137 Borrowing includes entering into an agreement for the acquisition of any asset through hire purchase, loan, rental, credit or lease agreement (for operating leases). The taking out of finance leases is not permitted due to the impact on the Council's affordable level of borrowing.

Responsibilities of the Governing Body

- 4.138 To ensure that no borrowing of monies (including entering into an agreement for the acquisition of any asset through hire purchase, loan, rental, credit or lease agreement) is undertaken unless the prior written permission of the Chief Corporate Services and Section 151 Officer (in practice represented in this regard by the Operational Manager (Capital)) has been obtained.
- 4.139 To ensure that all leasing agreements are made between the leasing company and the School as an establishment of the Council. Leasing agreements must not be made against named individuals or in the name of the Governing Body.

- 4.140 To make payments for leasing rentals in accordance with the terms and conditions of the lease. Any costs arising through default, variation or termination of a leasing agreement will be charged to the School's delegated budget.
- 4.141 To report any losses of leased items to the Chief Corporate Services and Section 151 Officer.

DRAFT

CHAPTER FIVE – FINANCIAL SYSTEMS AND PROCEDURES

GENERAL

Why is this important?

- 5.1 Schools 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.

Key controls

- 5.2 The key controls for systems and procedures are:
- (a) basic data exists to enable the School's objectives, targets, budgets and plans to be formulated
 - (b) early warning is provided of deviations from target, plans and budgets that require management attention
 - (c) operating systems and procedures are secure.

Responsibilities of the Governing Body

- 5.3 To ensure that accounting records are properly maintained and held securely to a standard and in a form determined by the Chief Corporate Services and Section 151 Officer. The scope of this responsibility includes all aspects of the financial management of the delegated School budget undertaken by a Governing Body.
- 5.4 To provide the Chief Corporate Services and Section 151 Officer with any information requested for the purpose of maintaining the accounts of the Council.
- 5.5 To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Chief Corporate Services and Section 151 Officer.
- 5.6 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.
- 5.7 To incorporate appropriate controls to ensure that, where relevant:
- (a) all input is genuine, complete, accurate, timely and not previously processed
 - (b) all processing is carried out in an accurate, complete and timely manner
 - (c) output from the system is complete, accurate and timely.
- 5.8 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.
- 5.9 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.
- 5.10 To ensure that systems are documented and staff trained in operations.
- 5.11 To establish a scheme of delegation identifying officers authorised to act upon the Governing Body's behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority.

- 5.12 To supply appropriate lists of authorised officers, with specimen signatures, to the Chief Corporate Services and Section 151 Officer, together with any subsequent variations.
- 5.13 To ensure that officers at the School follow the end of year procedures issued by the Chief Corporate Services and Section 151 Officer.

Additional responsibilities of the Governing Body – cheque book schools

- 5.14 To submit to the Chief Corporate Services and Section 151 Officer additional reports, including cheque reconciliations and VAT reports, in a prescribed form and in accordance with a set timetable.

Responsibilities of the Chief Corporate Services and Section 151 Officer

- 5.15 To make arrangements for the proper administration of the Council's financial affairs, including to:
- (a) issue advice, guidance and procedures for governors and others acting on the School's behalf
 - (b) determine the accounting systems, form of accounts and supporting financial records
 - (c) establish arrangements for audit of the School's financial affairs.
- 5.16 To provide the School with monthly reports detailing its financial position.
- 5.17 To issue end of year procedures to all Schools by 1st March of that financial year.
- 5.18 To provide the School with an end of year Income and Expenditure statement by 30th September.

INCOME AND EXPENDITURE

Income

Why is this important?

- 5.19 Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly. It is preferable to obtain income in advance of supplying goods or services.

Key controls

- 5.20 The key controls for income are:
- (a) all income due to the School is identified and charged correctly, in accordance with an approved charging policy, which is regularly reviewed
 - (b) all income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery
 - (c) all money received by an employee on behalf of the School is paid without delay into the appropriate bank account, and properly recorded. The responsibility for cash collection should be separated from that:
 - (i) for identifying the amount due
 - (ii) for reconciling the amount due to the amount received
 - (d) effective action is taken to pursue non-payment within defined timescales

- (e) formal approval for debt write-off is obtained
 - (f) appropriate write-off action is taken within defined timescales
 - (g) appropriate accounting adjustments are made following write-off action
 - (h) all appropriate income documents are retained and stored for the defined period in accordance with the document retention schedule
 - (i) money collected and deposited is reconciled to the bank account.
- 5.21 Schools should not pay any income forming part of the delegated budget into any voluntary or private funds held on behalf of the school. Where there is concern that Council income is being paid into voluntary or private funds, Internal Audit reserve the right to access records of these funds to ensure that all income due to the Council is properly accounted for.

Responsibilities of the Governing Body

- 5.22 To establish a charging policy having regard to the LEA policy, including the appropriate charging of VAT, and to review it on, at least, an annual basis
- 5.23 To separate the responsibility for identifying amounts due and the responsibility for collection, as is practicable.
- 5.24 To ensure that all income due is promptly collected, correctly receipted, reconciled, accounted for and promptly banked.
- 5.25 To obtain all official receipt books from the Audit and Risk Manager and to be responsible for the safe custody of official stationery issued to, or used by, the School.
- 5.26 To issue official receipts or to maintain other documentation for income collection. Where it is considered impractical to issue a receipt (e.g. for weekly dinner money, sales to pupils), to ensure that alternative arrangements are followed to ensure accountability and a clear audit trail for income collected.
- 5.27 To ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded.
- 5.28 To hold securely receipts, tickets and other records of income for the appropriate period.
- 5.29 To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling from the time it is received to the time it is banked.
- 5.30 To ensure that all one-off receipts of 15,000 euros (£10,000) or more or several receipts from an organisation that exceed this threshold are reported to the Audit and Risk Manager.
- 5.31 To ensure that income is paid intact and promptly into the appropriate School bank account in the form in which it is received. No deduction may be made from any money held. Appropriate details should be recorded on to paying-in slips to provide an audit trail. In the case of schools who have been authorised to operate their own cheque book account, this income should be paid into the cheque book account (with the exception of school trip insurance income and school meals income (where applicable) and any Council income not included in the School's delegated budget which should be paid into the Council's bank account).
- 5.32 To ensure that any income generated for the sale of assets which were purchased from the School's delegated budget is paid into the School's budget. Income generated from those assets which were purchased from the Council's central funds shall be paid into the

Council's bank account. Any income generated for voluntary or private fund purposes shall be paid into such funds.

- 5.33 To ensure that money collected and deposited is reconciled to the bank account on a regular basis.
- 5.34 To ensure income is not used to cash personal cheques or other payments.
- 5.35 To ensure only up to approved levels of cash can be held on the premises.
- 5.36 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.
- 5.37 To ensure that all credit income is claimed on official invoices approved by the Chief Corporate Services and Section 151 Officer.
- 5.38 To inform the Chief Corporate Services and Section 151 Officer of all debts which have remained unpaid for more than 60 days. Once raised, no bona fide debt may be cancelled, except by full payment or by its formal writing off.
- 5.39 To ensure that the correct procedures for writing off debts, as prescribed by the Chief Corporate Services and Section 151 Officer, have been adhered to and that adequate documentation exists for each case.

Responsibilities of the Headteacher

- 5.40 To maintain adequate records of work undertaken, goods supplied or services rendered and of all other amounts due to the Council and to ensure prompt rendering of accounts for the recovery of income due.
- 5.41 To ensure that invoices are raised in accordance with VAT regulations and issued within 30 days and show a description of the goods or services supplied, charge amount, VAT rate, amount of VAT and date raised.

Responsibilities of the Chief Corporate Services and Section 151 Officer

- 5.42 To decide if recovery action is appropriate for unpaid debts, in which case he / she may advise the Head of Legal Services with a view to the instigation of legal proceedings.
- 5.43 To write off any debts considered irrecoverable.

Ordering and Paying for Work, Goods and Services

Why is this important?

- 5.44 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 School's procedures should help to ensure that value for money is obtained from the purchasing arrangements. These procedures should be read in conjunction with the School's Financial Regulations. All ordering and payment for works, goods and services must comply with the School's Financial Regulations.

General

- 5.45 Every governor and member of staff has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are

engaged in contractual or purchasing decisions on behalf of the School in accordance with appropriate codes of conduct. Any governor or member of staff declaring such an interest or having such an interest should not participate in (or act so as to influence or appear to influence) any decisions relating to the matter in which they have such an interest.

- 5.46 Official orders must be issued for all work, goods or services to be supplied to the School, except for supplies of utilities, periodic payments and petty cash purchase.
- 5.47 Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of Council contracts (by governors or members of staff). This does not preclude any governor or member of staff from taking advantage of Council-wide schemes which have been approved by the Chief Corporate Services and Section 151 Officer.

Key controls

- 5.48 The key controls for ordering and paying for work, goods and services are:
- (a) all goods and services are ordered only by appropriate persons and are correctly recorded
 - (b) all goods and services shall be ordered in accordance with the School's Financial Regulations unless they are purchased from sources within the Council
 - (c) goods and services received are checked to ensure they are in accordance with the order. Goods should not be received by the person who placed the order
 - (d) payments are not made unless goods have been received by the School to the correct price, quantity and quality standards
 - (e) all payments are made to the correct person, for the correct amount and are properly recorded
 - (f) all appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the document retention schedule
 - (g) all expenditure, including VAT, is accurately recorded against the right budget and any exceptions are corrected
 - (h) in addition, the effect of e-business/e-commerce and electronic purchasing requires that processes are in place to maintain the security and integrity of data.

Responsibilities of the Governing Body

(i) Contracts

- 5.49 To ensure that processes in relation to tendering and contracting are equitable, fair, transparent and demonstrate competition with clear accountability for decisions and actions taken by nominated staff.
- 5.50 To ensure that all procurement is in line with the School's Improvement Plan.
- 5.51 To ensure compliance with any EU Procurement Directives and any statutory provision when entering into contractual arrangements.
- 5.52 To obtain the countersignature of an officer of the Council for any contracts for a value above £60,000 in any one year.
- 5.53 To set appropriate levels for tendering or quotations in respect of any contract as set out in the School's own Financial Regulations.
- 5.54 To action all procurements over £60,000 in value or amount in consultation with the

Council's Procurement and Supplies Manager.

- 5.55 To ensure that an external contractor engaged for the repair and maintenance of property is insured in accordance with the requirements of the Chief Corporate Services and Section 151 Officer and that any relevant tax deductions are made in accordance with the requirements of HM Revenue and Customs for the construction industry.
- 5.56 To ensure that no work or contract is artificially split with the intention of avoiding the application of the appropriate part of the Rules.
- 5.57 To ensure that, in the case of contracts involving funding from the European Union, the retention period is in accordance with grant conditions.

(ii) Ordering and Payments

- 5.58 To nominate staff to place orders for works, goods and services and to ensure that best value is obtained for the supply of works, goods and services.
- 5.59 To ensure that unique pre-numbered official orders are used for all goods and services except for supplies of utility services, for periodical payments such as rent, rates or affiliation fees, for petty cash purchases or such other exceptions as the Chief Corporate Services and Section 151 Officer may approve.
- 5.60 To ensure that oral orders are only used in cases of urgency. Such orders may be only placed by a member of staff authorised to sign official orders in which case an official confirmation orders should be raised.
- 5.61 To ensure that orders placed on behalf of the school via the internet are evidenced, particularly that appropriate approval has been obtained before the order is placed. All VAT recovery issues must also be addressed.
- 5.62 To ensure that orders are only used for goods and services provided to the School. Individuals must not use official orders to obtain goods or services for their private use.
- 5.63 To ensure that only those staff authorised by Governing Body 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 School's approach to procurement. Value for money should always be achieved.
- 5.64 To ensure that all purchases comply with any legal or health and safety requirements.
- 5.65 To ensure that debit cards are only used in accordance with arrangements approved by the Chief Corporate Services and Section 151 Officer and in accordance with the guidance issued by the Audit and Risk Manager. The cards are only used to purchase goods and services provided to the School. Individuals must not use the card to obtain goods or services for their private use. The statement of transactions must be reconciled immediately upon receipt and authorised for payment by another member of staff.
- 5.66 To ensure that store cards are only used in accordance with the guidance issued by the Chief Corporate Services and Section 151 Officer (in practice represented in this regard by the Audit and Risk Manager).
- 5.67 To ensure that it is only in exceptional circumstances that nominated staff purchase items

for the school and reclaim the amount from the School's bank / imprest account. Where this is done it must be in accordance with guidance issued by the Chief Corporate Services and Section 151 Officer (in practice represented in this regard by the Audit and Risk Manager).

- 5.68 To ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the Chief Corporate Services and Section 151 Officer. This is because of the potential impact on the Council's borrowing powers, to protect the Council against entering into unapproved credit arrangements and to ensure that value for money is being obtained.
- 5.69 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.
- 5.70 To ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment, confirming:
- (a) receipt of goods or services
 - (b) that the invoice has not previously been paid and is a legitimate liability of the school
 - (c) that expenditure has been properly incurred and is within budget provision
 - (d) that prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices. This shall be evidenced by the signature of a further employee wherever possible
 - (e) the payment has been entered on the copy order and that no part of the account has been included in any other account previously authorised for payment
 - (f) correct accounting treatment of tax
 - (g) that the invoice is correctly coded
 - (h) that discounts have been taken where available
 - (i) that appropriate entries will be made in accounting records, inventories, stores records and stock books as appropriate.
- 5.71 To ensure that two authorised members of staff are involved in the ordering, receiving and payment process. If possible, a different officer from the person who signed the order, and in every case, a different officer from the person checking a written invoice, should authorise the payment.
- 5.72 To ensure that facsimile signatures / rubber stamps are not used.
- 5.73 To ensure that the School maintains and reviews periodically a list of staff approved to authorise payments.
- 5.74 To ensure that payments are not made on a photocopied or faxed invoice, statement or other document other than the formal invoice. Any instances of these being rendered should be reported to the Chief Corporate Services and Section 151 Officer (in practice represented in this regard by the Audit and Risk Manager).
- 5.75 To ensure that the School obtains best value from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality, in line with best value principles.
- 5.76 To ensure that only invoices in the name of the School are paid from an official budget and made against suppliers' original, unaltered invoices. Copy invoices may only be processed provided that the responsible officer is satisfied that the original invoice has not previously

been passed for payment. The authorising officer should make a note to this effect on the copy invoice.

- 5.77 To ensure that all invoices entered on the Council's computerised creditor system or paid directly by the school is filed and stored securely in the manner prescribed by the Chief Corporate Services and Section 151 Officer and is available for periodic inspection by officers designated by the Chief Corporate Services and Section 151 Officer.
- 5.78 To use procedures established by School's Standing Orders on Procurement and Contracts in putting purchases, where appropriate, out to competitive quotation or tender.
- 5.79 To ensure that employees are aware of the Guidance on Propriety and Official Conduct for Officers (in the School's Human Resources Manual).
- 5.80 With regard to contracts for construction and alterations to buildings and for civil engineering works, to document and agree 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.
- 5.81 To ensure that all appropriate payment records are retained and stored for the defined period in accordance with the document retention schedule.
- 5.82 To ensure that payments in advance of the receipt of goods or services is made only where it is essential in order to secure the particular supply or where a beneficial discount would otherwise be lost.
- 5.83 To ensure that payment for goods and services in respect of the School's voluntary and private fund is not made from the School's delegated budget.
- 5.84 To ensure that all cheques are despatched direct to the recipient and not returned to the initiating officer authorising the payment.

Additional responsibilities of the Governing Body – non cheque book schools

- 5.85 To send an up-to-date list of the names of officers involved in the direct inputting and authorising on the creditors system to the Chief Corporate Services and Section 151 Officer and any amendments on the occasion of any change. Each officer should have a password that must be confidential and not divulged to any other person.
- 5.86 To ensure that duly certified invoices are passed without delay to the Chief Corporate Services and Section 151 Officer.
- 5.87 To ensure that all payments made to sub-contractors are made in accordance with the guidelines issued by the Chief Corporate Services and Section 151 Officer.

Additional responsibilities of the Governing Body – cheque book schools

- 5.88 To ensure that the names of those officers authorised to certify invoices is retained at the School.
- 5.89 To ensure that payment terms are in accordance with guidelines issued by the Chief Corporate Services and Section 151 Officer (in practice represented in this regard by the Exchequer and Development Manager). The School will be responsible if interest is payable to the supplier under the terms of the Late Payment of Commercial Debt (Interest) Act 1998 unless it can be proved that another party is at fault.

Responsibilities of the Headteacher

- 5.90 To ensure the control and safe custody of all official orders and ensure that they are only used for goods and services provided to the school.

Responsibilities of the Budget Holder

- 5.91 To ensure that, where practical, requisitions for goods, detailing full descriptions of items required and prices quoted by suppliers, are completed as a basis for an order to be placed.
- 5.92 To ensure that there is adequate provision in the budget and that the items ordered are appropriate for the purpose intended.
- 5.93 To authorise requisitions.

PAYMENTS TO EMPLOYEES

Why is this important?

- 5.94 Staff costs are the largest item of expenditure for most Schools. It is therefore important that payments are accurate, timely, made only where they are due for services to the School and that payments accord with individuals' conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for.
- 5.95 All claims should be submitted promptly and in accordance with the approved rates and timescales set by the Council or Governing Body.

Key controls

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

Responsibilities of the Governing Body

- 5.97 To ensure appointments are made in accordance with the regulations of the County Council and approved establishments, grades and scale of pay and that adequate budget provision is available.
- 5.98 To notify the Chief Corporate Services and Section 151 Officer of all appointments, terminations or variations which may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Chief Corporate Services and

Section 151 Officer.

- 5.99 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.
- 5.100 To send an up-to-date list of the names of officers authorised to sign timesheets and claims to the Chief Corporate Services and Section 151 Officer (in practice represented in this regard by the Payroll Manager), together with specimen signatures.
- 5.101 To ensure that payroll transactions are processed only through the payroll system. Governing Body should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis using the published guidance available from the Chief Corporate Services and Section 151 Officer (in practice represented in this regard by the Payroll Manager). HM Revenue and Customs applies a tight definition for employee status, and advice should be sought from the Chief Corporate Services and Section 151 Officer (in practice represented in this regard by the Payroll Manager) in cases of any doubt and in all cases of former employees.
- 5.102 To ensure claims for travel and subsistence and other allowances are certified by an authorised employee senior to the claimant, unless this is not possible, in which case the Governing Body will approve an alternative arrangement. Certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred, and that allowances are properly payable by the School, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and that the Chief Corporate Services and Section 151 Officer is informed where appropriate.
- 5.103 To ensure that claims for travelling and subsistence from employees are paid through the payroll system to ensure the correct treatment for tax and National Insurance. Any deviation from this must be approved by the Chief Corporate Services and Section 151 Officer.
- 5.104 To ensure that the Chief Corporate Services and Section 151 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.
- 5.105 To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule.

Responsibilities of the Chief Corporate Services and Section 151 Officer

- 5.106 To arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees, in accordance with procedures prescribed by him or her, on the due date.
- 5.107 To record and make arrangements for the accurate and timely payment of tax, pension and other deductions.
- 5.108 To make arrangements for payment of all travel and subsistence claims.
- 5.109 To ensure that there are adequate arrangements for administering pension matters on a day-to-day basis.

TAXATION

Why is this important?

- 5.110 Like all organisations, Cardiff Council is responsible for ensuring that 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.
- 5.111 Value Added Tax (VAT) is a tax levied on the supply of goods and services in the course of business transactions. The rules governing VAT have always been applied stringently by HM Revenue and Customs (HMRC). A School's Governing Body has the responsibility for accounting for VAT properly and therefore the School will be liable to pay any amounts owing to HMRC if the rules are not adhered to.
- 5.112 Since April 2009, HMRC has been able to impose a penalty of up to 30% of the value of an error made simply due to a lack of reasonable care. Higher penalties may be imposed in respect of deliberate errors and concealment.
- 5.113 Most of a School's activities involve the statutory education of children. Income relating to this is unlikely to be subject to VAT, but there can be exceptions. Reference should be made to the VAT website for details.
- 5.114 VAT incurred by a School can be recovered subject to a VAT invoice or receipt being held. Reference should again be made to the VAT website for details. VAT cannot be recovered in respect of a payment made on behalf of someone else.
- 5.115 All Cardiff Council maintained Schools are covered by the Council's VAT registration (No. 666 5833 93). This applies to the School itself and not to entities such as the Parent Teachers Association and the School fund.
- 5.116 For any given activity, both income and expenditure must be accounted for by the same entity. For example, payments relating to a School concert must not be made out of the School budget if the income is paid into the School fund.

Key controls

- 5.117 The key controls for taxation are:
- (a) Schools are provided with relevant information and kept up to date on tax issues
 - (b) Schools are instructed on required record keeping
 - (c) all taxable transactions are identified, properly carried out and accounted for within stipulated timescales
 - (d) records are maintained in accordance with instructions
 - (e) returns are made to the appropriate authorities within the stipulated timescale.

Responsibilities of the Governing Body

- 5.118 To ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HMRC regulations.
- 5.119 To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.

- 5.120 To ensure that all persons employed by the School are added to the Council's payroll so that tax is properly deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency.
- 5.121 To follow the guidance on taxation issued by the Chief Corporate Services and Section 151 Officer in the Council's VAT manual.

Additional responsibilities of the Governing Body – Voluntary Aided schools

- 5.122 To ensure that payments related to School buildings are accounted for correctly as some payments are the legal responsibility of the Governing Body rather than the LEA (which makes VAT arising from such payments irrecoverable).

Additional responsibilities of the Governing Body – cheque book schools

- 5.123 To send monthly VAT submittal reports to the Chief Corporate Services and Section 151 Officer in accordance with the deadlines set by the Council so that VAT relating to their activities is included in the Council's monthly returns to the HMRC.

Responsibilities of the Chief Corporate Services and Section 151 Officer

- 5.124 To complete all HMRC returns regarding PAYE.
- 5.125 To complete a monthly return of VAT inputs and outputs to HM Revenue and Customs.
- 5.126 To provide details to the HM Revenue and Customs regarding the construction industry tax deduction scheme.
- 5.127 To maintain up to date guidance for employees on taxation issues.

IMPREST ACCOUNTS

Why is this Important?

- 5.128 Imprest Accounts are used for minor items of expenditure. It is important that such accounts are properly managed, and that all expenditure is valid and correctly incurred.

Key Controls

- 5.129 The key controls for the operation of Imprest Accounts are:
- (a) all Imprest Accounts should be operated in accordance with guidance issued by the Chief Corporate Services and Section 151 Officer
 - (b) regular reconciliations between the imprest sum advanced and imprest records are undertaken.

Responsibilities of Governing Bodies

- 5.130 To ensure that all imprest accounts are maintained in accordance with the Council's procedures.
- 5.131 To notify the Chief Corporate Services and Section 151 Officer when an imprest holder leaves the employment of the Council or otherwise ceases to be entitled to hold an imprest advance and ensure that the imprest advanced is accounted for to the Chief Corporate Services and Section 151 Officer, unless responsibility for the imprest is transferred to a

different officer, in which case the Chief Corporate Services and Section 151 Officer should be notified of the new account holder.

- 5.132 To ensure that all cheques drawn on an imprest account are endorsed by two authorised signatories, where possible not to include the School Administrator or Bursar.
- 5.133 To ensure that income received on behalf of the Council is not paid into an imprest account, but banked as provided elsewhere in these Procedure Rules.
- 5.134 To agree with the Chief Corporate Services and Section 151 Officer the procedure for reimbursing expenditure imprest accounts.
- 5.135 To ensure that officers:
- (a) do not, under any circumstances, allow personal cheques to be cashed, or personal loans to be made, from monies held in an imprest account. In addition, no private or personal monies should be used to supplement an imprest account
 - (b) obtain and retain a receipt to substantiate each payment from the imprest, which should be attached to a voucher and authorised. Particular care shall be taken by the employee to obtain a VAT invoice when this tax is charged
 - (c) restrict the amount of each separate payment to such limit as may be prescribed from time to time by the Chief Corporate Services and Section 151 Officer
 - (d) maintain records and operate the account in accordance with the Chief Corporate Services and Section 151 Officer's instructions
 - (e) maintain the safe custody of imprest cash by keeping it securely locked away, preferably in a safe
 - (f) produce, upon demand, to the Chief Corporate Services and Section 151 Officer or his/her representative cash and/or vouchers to the total of the imprest
 - (g) record all transactions promptly
 - (h) do not allow the account to become overdrawn
 - (i) when requested, the Chief Corporate Services and Section 151 Officer is provided with a certificate as to the state of the imprest advance
 - (j) do not make salaries or wages payments to employees from an imprest account
 - (k) do not make payments to people who are self-employed or to sub-contractors who are undertaking any building work
 - (l) reconcile and balance the account to the total of the sum advanced, at least termly, with a copy of the reconciliation sheet signed and retained by the imprest holder. Periodic checks shall be made by a senior officer to ensure that this is being properly carried out.

Responsibilities of the Chief Corporate Services and Section 151 Officer

- 5.136 To provide advances he / she considers appropriate for the purpose of defraying petty cash and other incidental expenses. Such accounts shall be maintained on an imprest system.
- 5.137 To open an account with the Council's bankers for use by the imprest holder. It shall be a standing instruction to the Council's bankers that the amount of any overdrawn balance shall be reported forthwith to the Chief Corporate Services and Section 151 Officer.
- 5.138 To periodically review the arrangements for the safe custody and control of Imprest accounts.
- 5.139 To reimburse imprest holders as often as necessary to restore the imprests and to keep a record of such advances.

5.140 To provide guidance on how imprest accounts are to be operated and how records are to be kept of payments and reimbursements.

VOLUNTARY AND PRIVATE FUNDS

Why is this Important?

5.141 Most schools have funds at their disposal which come from private donations from parents / individuals and companies and fund raising activities. These school funds, though not strictly public money, nevertheless need accounting for with the same care, probity and efficiency. Individuals or organisations who have given money to schools are entitled to know that the money has been properly accounted for.

Key Controls

5.142 The key controls for the operation of voluntary and private funds are:

- (a) all such accounts should be operated in accordance with guidance issued by the Chief Corporate Services and Section 151 Officer
- (b) the money raised is for the use and benefit of the school and pupils involved, and must not be used for any other purpose.

Responsibilities of Governing Bodies

5.143 To ensure sound financial management and annual audit of all voluntary and private funds held on behalf of the School.

5.144 To inform the Chief Corporate Services and Section 151 Officer of all voluntary and private funds held on behalf of the School, including banking details and authorised officers on an annual basis by 30th September each year.

5.145 To ensure that the accounts and balance sheet of the voluntary and private funds are prepared each year.

5.146 To provide the Council with an annual audit certificate(s), completed by a suitable independent person in respect of all voluntary and private funds held on behalf of the School and the accounts of any trading organisations controlled by the school, within 6 months of the relevant accounting year end.

5.147 To ensure that all relevant registrations are made with the Charity Commission where applicable (that is, if the funds were established for charitable purposes and the annual income exceeds £5,000).

5.148 To ensure that staff do not mix their own finances with the voluntary funds they are authorised to administer.

5.149 To ensure that staff do not cash personal cheques using voluntary funds, or borrow / use voluntary funds for their own purposes / purchases.

5.150 To ensure that any suspected irregularities are reported to the Chief Corporate Services and Section 151 Officer (in practice represented in this regard by the Audit and Risk Manager).

GLOSSARY OF TERMS

TERM	EXPLANATION
School Accounting Records	The School systems for processing, recording and providing management information on financial and finance related transactions. Examples include purchasing, payroll and income collection.
<i>Advances of Budget Share Instalments</i>	These are instalments of the School budget share payable monthly to those Schools who have their own bank accounts.
Budget	The amount of money that is planned to be spent by the School over a period of time, normally a financial year.
Budget Manager	Person responsible for financial control or having responsibility for the use of part or whole of the budget.
Budgetary Control	The control of income and expenditure against budget during the financial year.
Capital Expenditure	<p>Expenditure of a capital nature is expenditure on, or in connection with :-</p> <ul style="list-style-type: none"> (a) the acquisition, reclamation, improvement or laying out of any land; (b) the acquisition, construction, enlargement, improvement, repair or demolition of any building, wall, fence or other structure, or any playground or other hardstanding; (c) the laying out of playing fields and other facilities for social activities and physical recreation; or (d) the acquisition, installation or replacement of any furniture, plant, apparatus, vehicles, vessels and equipment, <p>used or intended to be used for the purposes of the school.</p> <p>“Building” include any fixtures and fittings affixed to a building.</p>
Chief Corporate Services and Section 151 Officer	<p>Person responsible for the proper administration of the Council’s financial affairs under Section 151 of the Local Government Act 1972 and Section 114 of the Local Government Finance Act 1988.</p> <p>The responsibility of the Chief Corporate Services and Section 151 Officer, under these Acts, shall include all aspects of the financial management undertaken by a Governing Body and all powers delegated to Governing Bodies by the SSAF Act 1998.</p>
Contract	A single contract may consist of a series of transactions for the provision of supplies or services or the execution of works, which are of the same nature and are awarded at the same time. In such circumstances the total estimated value or amount of the series of transactions should be taken as the estimated value or amount for the purposes of Contract Procedure Rules.

Contract Procedure Rules	They govern the supply of goods and services and the execution of works. Every Local Authority is required, by law, to have Contract Procedure Rules.
Controlled Stationery	Documentation, to be used in a variety of financial transactions that requires complete security of ordering, storage and use with consecutive numbering providing a management/audit trail evidencing its usage. Examples are order books, receipt books and tickets. The loss or abuse of such items could have financial consequences for the School or Council.
Delegated Budget	Maintained Schools have a budget share calculated on the basis of a formula, and the right to spend this budget share is normally delegated to the School's Governing Body, to be spent for any purpose of the School or carried forward into subsequent financial years.
Earmarked Funding	Funding that can only be spent on the purpose for which it was allocated and cannot be allocated elsewhere using virement or subsumed into the delegated budget.
Expenditure	The amounts paid for goods and services received.
Fidelity Guarantee Insurance	Security taken out against loss due to fraud and dishonesty attributable to any failure of an employee to perform his/her duties faithfully or by other persons likely to be entrusted with the custody or control of School money or property. If this insurance is taken out through the Council, employees of all schools (including VA schools) are covered.
Financial Regulations	Regulations approved by the designated committee of the School or Council, governing the running of the School's financial affairs.
Financial Year	1 st April to 31 st March.
Formal Tender	A written offer submitted in response to an Invitation to Tender. The process must be confidential and the tender documents submitted should be opened (after the return-by time/date), witnessed and recorded by authorised officers.
Grant	A grant towards the cost of specified goods or services, e.g. Education Support Grants. Specific Grants are mandatory exceptions to a School's budget share, i.e. they are not included in the budget share.
Income	Amounts of money received by, or due to, a School.
Insurance Risks	Identifying risks by gathering information as to the nature and value of property at risk, the perils which may result in loss and the nature of activities that may give rise to liability for injury or loss to employees or third parties.
Intellectual Property	A product of the intellect that has commercial value, including copyrighted property such as literary or artistic works, and ideational property, such as

	<p>patents, appellations of origin, business methods, and industrial processes.</p>
Internal Control	<p>An internal control system encompasses the policies, processes, tasks, behaviours and other aspects of an organisation that, taken together:</p> <ul style="list-style-type: none"> • facilitate its effective and efficient operation by enabling it to respond appropriately to significant operational, financial, compliance and other risks to achieving its objectives. This includes the safeguarding of assets from inappropriate use or from loss and fraud, and ensuring that liabilities are identified and managed; • help ensure the quality of internal and external reporting. This requires the maintenance of proper records and processes that generate a flow of timely, relevant and reliable information from within and outside the organisation; • help ensure compliance with applicable laws and regulations, and also with internal policies with respect to the conduct of business. <p>An organisation's system of internal control will reflect its control environment which encompasses its organisational structure. The system will include:</p> <ul style="list-style-type: none"> • control activities; • information and communications processes; and • processes for monitoring the continuing effectiveness of the system of internal control. <p>The system of internal control should:</p> <ul style="list-style-type: none"> • be embedded in the operations of the organisation and form part of its culture; • be capable of responding quickly to evolving risks to the business arising from factors within the organisation and to changes in the operational environment; and • include procedures for reporting immediately to appropriate levels of management any significant control failings or weaknesses that are identified together with details of corrective action being undertaken.
Leasing Arrangements	<p>A leasing arrangement is a contract, extending beyond the period of one financial year, purely for the finance of an asset; it involves no other facets such as maintenance or servicing. The asset cannot, by whatever means, become the property of the Council or School (the Lessee). The instalment payments made under these arrangements are known as Rental Payments.</p>
Official Orders	<p>Controlled stationery providing Suppliers with an authorised request specifying the nature and quality of the work, goods or services required and any relevant contract or agreed prices. The duplicate copy is used, subsequently, to check the related invoice when received.</p>
Procedure Rules	<p>The Financial and Procedure Rules and Contract Standing Orders and Procurement Rules are formal rules that the Authority has drawn up to regulate its proceedings and the conduct of its business.</p>

	There are separate Procedure Rules that relate specifically to Schools.
Quotation	A formal offer from a third party to provide supplies or services or to execute works at a stated price or in accordance with a specific price structure.
Relevant Interest	Interest with other parties which could bring about potential or perceived conflict (such as with suppliers, contractors or other staff).
Risk Management	The process whereby organisations methodically address the risks attached to their activities with the goal of achieving sustained benefit within each activity and across the portfolio of activities.
School Funds	Often referred to as Voluntary Funds or Private Funds. This is not official public money but is funds usually raised by parents and other benefactors often providing Schools with a substantial additional source of finance.
Tender	A written offer, on the Authority's terms, from a third party, to undertake works or provide goods or services.
Value Added Tax (VAT)	A tax levied on the supply of goods and services in the course of business transactions. A School's Governing Body has the responsibility for accounting for VAT properly and therefore the School will be liable to pay any amounts owing to HMRC if the rules are not adhered to.
Virement	A transfer of monies between budget headings.