

**FINANCIAL PROCEDURE RULES - INDEX**

		Pages(s)
<b>SECTION 1</b>	<b><u>STATUS</u></b>	1
<b>SECTION 2</b>	<b><u>FINANCIAL MANAGEMENT:-</u></b>	
	• General	3
	• Managing Expenditure	5
	• Treatment of Year End Balances	7
	• Accounting Policies	7
	• Accounting Records and Returns	8
	• Annual Statement of Accounts	10
<b>SECTION 3</b>	<b><u>FINANCIAL PLANNING:-</u></b>	
	• Performance Plans	11
	• Revenue Budgeting and Monitoring	12
	• Capital Budgeting and Monitoring	16
	• Maintenance of Reserves	18
<b>SECTION 4</b>	<b><u>RISK MANAGEMENT &amp; CONTROL OF RESOURCES:-</u></b>	
	• Risk Management	20
	• Internal Controls	21
	• Internal and External Audit	23
	• Preventing Fraud and Corruption	25
	• Security of Assets:-	26
	➤ Land and Building	27
	➤ Vehicles, Furniture and Equipment	28
	➤ Stocks and Stores	29
	➤ Cash	30
	➤ Information and Communication Technology	31
	➤ Intellectual Property	31
	➤ Clients Private Property	32
	• Treasury Management and Trust Funds	32
	• Insurance	33
<b>SECTION 5</b>	<b><u>FINANCIAL SYSTEMS &amp; PROCEDURES:-</u></b>	
	• General	35
	• Income	36
	• Banking	40
	• Ordering and Payment of Goods and Services	41
	• Imprest Accounts	47
	• Payments To Employees and Members	49
	• Internal Charges	52
	• Taxation	53
<b>SECTION 6</b>	<b><u>EXTERNAL ARRANGEMENTS:-</u></b>	
	• Partnerships	55
	• External Funding	57
	• Work for Third Parties	58

## SECTION 1 – STATUS

- 1.1 The Local Government Act 1972 (Section 151) requires that an employee of the Council is recognised as the responsible financial officer. In Cardiff Council, that officer is the Corporate Director, Resources.
- 1.2 The Accounts and Audit Regulations place a duty on the Responsible Financial Officer to determine the:
  - (a) Appropriate financial records, including the form of accounts and supporting financial records; and
  - (b) Systems of financial control.
- 1.3 The Corporate Director, Resources has developed the following Financial Procedure Rules as part of the system of financial control. These provide the framework for managing the Council's financial affairs, and are part of Cardiff Council's constitution. They apply to every Member and Officer of the Council, and anyone acting on its behalf.
- 1.4 The purpose of the Financial Procedure Rules is to ensure that public accountability and high standards of financial integrity are exercised in the control of public funds that pass through the Council. The Financial Procedure Rules govern the day to day operation of the Council's financial administration. They are introduced both to protect the interests of the Council, and all those who are involved with financial administration.
- 1.5 The Corporate Director, Resources is responsible for maintaining a continuous review of the Financial Procedure Rules, and for submitting any additions or changes necessary to the Constitution Committee for approval. The Corporate Director, Resources is also responsible for reporting, where appropriate, any breaches of Financial Procedure Rules. In the event of dispute as to the meaning of any of the provisions of the Financial Procedure Rules the matter shall be determined by the Corporate Director, Resources whose decision shall be final.
- 1.6 Where in the Financial Procedure Rules, an officer is designated by reference to his /her job title, the responsibilities shall relate to the post holder. Such an officer may arrange for officers under his/her supervision or management to carry out any of the obligations, duties or activities required to be performed by him/her under the Financial Procedure Rules, or to act in his/her absence, provided that the named post holder shall retain responsibility to the Council.

### **Who do the Financial Procedure Rules apply to?**

- 1.7 Financial Procedure Rules apply to everyone involved in financial transactions on behalf of the Council. Directors are responsible for ensuring that all staff in their service areas are aware of the existence and content of the Council's Financial Procedure Rules, and guidance documents issued by the Corporate Director, Resources, and that they comply with them.
- 1.8 All Members and Officers have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, properly authorised, provides value for money and achieves best value.
- 1.9 Failure to comply with the Financial Procedure Rules, or the instructions issued under them, or any arrangements made for the purposes of them, will constitute misconduct.
- 1.10 Other related documents approved by the Council include the Constitution, Delegations, Contract Standing Orders & Procurement Rules and Codes of Conduct.
- 1.11 For the purpose of these Financial Procedure Rules, Heads of Service have the same responsibilities as Directors.

## Why are they important?

- 1.12 To conduct the Council's business effectively, it needs to be ensured that sound financial management arrangements are in place and that they are complied with in practice. Part of this process is the establishment of Financial Procedure Rules which set out the financial responsibilities of the Council. These procedures have been devised as a control to help the Council manage its financial affairs properly in compliance with all necessary requirements.
- 1.13 In order to continually meet the Council's corporate values, it is vital that good, sound financial management is maintained, which helps to ensure that the Council is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
- 1.14 Adherence to these Financial Procedure Rules will help the Council to control spending, ensure due probity of transactions and allow decisions to be informed by accurate accounting information. They also protect colleagues, in that if they are complying with these Rules, they cannot be subject to criticism.
- 1.15 Good financial management requires secure and reliable records and systems to process transactions and information and substantiate the effective use of public money.
- 1.16 Financial Procedure Rules should not be seen in isolation, but rather as part of the overall regulatory framework of the Council as set out in the Constitution. They will underpin and complement the directorate procedures.

## Who is responsible for ensuring that the Financial Procedure Rules are applied?

- 1.17 The regulations often refer to Directors as being responsible and, whilst Directors are ultimately responsible for ensuring that Financial Procedure Rules are applied and observed by their staff and for reporting to the Corporate Director, Resources any known or suspected breaches of the regulations, it is important that all colleagues involved in financial transactions are aware of their personal responsibility.
- 1.18 The Corporate Director, Resources is responsible for maintaining a continuous review of the Financial Procedure Rules.
- 1.19 The Corporate Director, Resources is responsible for issuing advice and guidance to underpin the Financial Procedure Rules that members, officers and others acting on behalf of the Council are required to follow.

## SECTION 2 – FINANCIAL MANAGEMENT

- General
- [Managing Expenditure](#)
- [Accounting Policies](#)
- [Accounting Records and Returns](#)
- [Annual Statement of Accounts](#)

### GENERAL

#### Why is this important?

- 2.1 Financial management covers all financial accountabilities in relation to the running of the Council, including the budget and policy framework. All staff and members have a duty to abide by the highest standards of probity in dealing with financial issues. This is facilitated by ensuring everyone is clear about the standards to which they are working and the controls that are in place to ensure that these standards are met.

#### Key Controls

- 2.2 The systems of financial control must include measures:
- (a) To ensure that the financial transactions of the Council are recorded as soon as, and as accurately as, reasonably practicable;
  - (b) To enable the prevention and detection of inaccuracies and fraud; and
  - (c) To ensure that risk is appropriately managed.

#### Responsibilities of the Corporate Director, Resources

- 2.3 To be responsible, for the purposes of Section 151 of the Local Government Act, 1972 and Section 114 of the Local Government Finance Act, 1988, for the proper administration of the Council's financial affairs.
- 2.4 As the Council's financial adviser, to:
- report to the Cabinet and the Council on resource availability and resources allocation.
  - advise the Cabinet and the Council of the financial implications of proposals submitted to them.
  - keep the Cabinet and the Council informed with respect to the Council's finances and financial performance and other committees informed with respect to financial implications of their activities.
  - advise on financial systems and procedures for all service areas of the Council including advice to the Cabinet and the Council if inadequate systems exist.
  - advise and participate in all aspects of Value For Money projects.
  - advise the Cabinet and the Council on the financial aspects of all policy matters.
- 2.5 To set the financial management standards and to monitor compliance with them.
- 2.6 To ensure proper professional practices are adhered to and to act as head of profession in relation to the standards of finance staff throughout the Council.
- 2.7 To act, under the Trustee Investment Act, as adviser to the Council in respect of its Pension Fund responsibilities.

## Responsibilities of Corporate Directors and Directors

- 2.8 To ensure that that the Financial Procedure Rules are followed and brought to the attention of all employees in their service areas.
- 2.9 To be responsible, in consultation with the Corporate Director, Resources for:
- the financial administration of their service areas, including trading units, in compliance with the Financial Procedure Rules.
  - the monitoring and control of expenditure against their service area capital and revenue budgets.
  - the design and operation of systems of internal control capable of:
    - carrying out the activities of the Council in an effective and efficient manner;
    - ensuring adherence to the Council Policy Framework and Budget;
    - safeguarding assets;
    - securing, as far as possible the completeness and accuracy of records;
    - ensuring value for money and preventing waste.
- 2.10 To agree with the Corporate Director, Resources any amendment to financial systems or introduction of new financial systems.
- 2.11 To provide all information required by the Corporate Director, Resources for finance purposes on a timely basis, and to allow him/her or an authorised representative access to all information, records, documents and explanations that he/she requires.
- 2.12 To maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements.
- 2.13 To establish and maintain sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.
- 2.14 To allow the Corporate Director, Resources adequate opportunity to provide written comments for inclusion in all reports for decision by the Council or the Cabinet or for the purpose of exercising delegated powers.
- 2.15 To consult with the Corporate Director, Resources with respect to any matter within his/her purview which is liable to materially affect the finances of the Council, before any provisional or other commitment is incurred or before reporting thereon to the Cabinet or the Council.
- 2.16 To inform the Corporate Director, Resources when officers intend to meet with representatives of Government Service areas or outside bodies on matters which may involve current or future financial or economic proposals and be given the opportunity of being represented or advised of the proposals as the Corporate Director, Resources considers necessary.
- 2.17 To 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.
- 2.18 To ensure that all employees who are responsible for financial administration are issued with appropriate instructions.
- 2.19 To ensure that there is a clear separation of duties within the administration of all systems to ensure adequate controls are in place.

- 2.20 To 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.
- 2.21 To immediately notify the Audit 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 Council, or any suspected irregularity in the exercise of the functions of the Council.
- 2.22 To liaise with the Audit Manager in relation to the investigation of any suspected irregularities within their service area, in line with the Council’s Anti-Fraud, Anti-Corruption & Bribery Policy and Procedure.
- 2.23 To ensure that all employees comply with the Financial Procedure Rules and any instructions issued under them or any arrangements made for the purposes of them.
- 2.24 To ensure that any arrangements made under or for the purposes of the Financial Procedure Rules should be in writing and where necessary conveyed in writing to relevant employees.
- 2.25 To promote the financial management standards set by the Corporate Director, Resources in their service areas, and to monitor adherence to the standards and practices, liaising as necessary with the Corporate Director, Resources.
- 2.26 To promote sound financial practices in relation to the standards, performance and development of staff in their departments.
- 2.27 To ensure that there is compliance with the Council’s Charging and Trading Policy.

## MANAGING EXPENDITURE

### *Virement and in-year changes to the budget*

#### **Why is this important?**

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

#### **Key Controls**

- 2.29 Key controls for the scheme of virement are:
  - the overall revenue budget is drawn up by the Cabinet and approved by the full Council. Directors and budget managers are, therefore, authorised to incur expenditure in accordance with the estimates that make up the budget as set out in the budget book. The rules below cover virement - that is, switching resources between approved budget headings:
  - virement does not create additional overall budget liability. Directors are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they should not support recurring revenue 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. Directors must plan to fund such commitments from within their own budgets;
  - the capital programme is drawn up by the Cabinet and approved by the full Council and contains details of approved expenditure on capital schemes.

## Responsibility of the Cabinet

- 2.30 To approve revenue and capital budget virements or any inter-service virements where the purpose of the budget has been amended or in any case where arrangements have not been made for discharge of the function by an officer of the Council and within the Policy and Budgetary Framework.

## Responsibility of Officers - Capital Expenditure

### Directors

- 2.31 In consultation with the Corporate Director, Resources, to vary within service areas the approved programme of capital expenditure by an addition or deletion or material modification of an existing project by a virement not exceeding £250,000 to or from another project but subject to the Policy and Budgetary Framework.
- 2.32 To refer to the Cabinet for approval, virements in excess of £250,000 provided under the specific published budget heads. A report will be prepared by the appropriate Director, in consultation with the Corporate Director, Resources.

### Corporate Director, Resources

- 2.33 To consult with the appropriate Director, to vary within their service areas, the approved programme of capital expenditure, within the limits as outlined in these Financial Procedure Rules.
- 2.34 To refer to the Cabinet for approval, virements in excess of £250,000 provided under the specific published budget heads. A report will be prepared by the appropriate Director, in consultation with the Corporate Director, Resources.
- 2.35 To approve the use of reserves and to commit expenditure in future years up to a total in the year of up to £1m and to ensure that the appropriate records are kept and maintained.
- 2.36 The Council sets a multi year capital programme, with the latter years indicative only. In order to ensure an effective capital programme, expenditure can be brought forward only with the approval of the Corporate Director, Resources. The possibility of delaying spend into future years may be required in some cases and should be observed following any request from the Corporate Director, Resources.

## Responsibility of Officers - Revenue Expenditure

### Corporate Directors

- 2.37 In consultation with the Corporate Director, Resources to vire, within service areas, sums not exceeding £250,000 provided under specific published revenue budget heads to other purposes (revenue only).
- 2.38 To refer to the Cabinet for approval, virements in excess of £250,000 provided under the specific published budget heads. A report will be prepared by the appropriate Corporate Director, in consultation with the Corporate Director, Resources.
- 2.39 No virement may be approved if the total cash limited budget of the Council or service area is likely to be overspent.

### Directors

- 2.40 In consultation with the Corporate Director, Resources to vire, within service areas, sums not exceeding £50,000, provided under specific published revenue budget heads to other purposes (revenue only).

## Corporate Director, Resources

- 2.41 To consult with the appropriate Corporate Director or other Chief Officer, to vire sums, within their service area and within the limits as outlined in these Financial Procedure Rules.
- 2.42 To refer to the Cabinet for approval, virements in excess of £250,000 provided under the specific published budget heads. A report will be prepared by the appropriate Director, in consultation with the Corporate Director, Resources.
- 2.43 To approve the use of reserves and to commit expenditure in future years up to a total in the year of up to £1m and to ensure that the appropriate records are kept and maintained.
- 2.44 No virement may be approved if the total cash limited budget of the Council or service area is likely to be overspent.

## TREATMENT OF YEAR END BALANCES

### Why is this important?

- 2.45 It is important to have a set of rules for the proper treatment of year end balances.

### Key Controls

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

## Responsibilities of the Corporate Director, Resources

- 2.47 To transfer to reserves and provisions any appropriate under-spending arising from the out-turn at financial year ends.
- 2.48 To report to the Cabinet and Council as part of the budget process on the Council's financial standing.
- 2.49 In consultation with Directors to approve carry forward of surpluses from internal trading units.

## Responsibilities of Directors

- 2.50 Internal trading unit surpluses may be carried forward to the following year subject to approval by the Corporate Director, Resources.

## ACCOUNTING POLICIES

### Why is this Important?

- 2.51 The Corporate Director, Resources is responsible for the preparation of the Council's statement of accounts, in accordance with proper practices as set out in the format required by the relevant codes of practice on local authority accounting in the United Kingdom, for each financial year ending 31st March.

### Key Controls

- 2.52 The key controls for accounting policies are:
- systems of internal control are in place that ensure that financial transactions are lawful;
  - suitable accounting policies are selected and applied consistently;
  - proper accounting records are maintained;

1.CM.139	Issue X	XXX 2018	Process Owner: Audit Manager	Authorised: Ian Allwood	7 of 58
----------	---------	----------	------------------------------	-------------------------	---------



- financial statements are prepared which present fairly the financial position of the Council and its expenditure and income.

### **Responsibilities of the Corporate Director, Resources**

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

- separate accounts for capital and revenue transactions;
- the basis on which debtors and creditors at year end are included in the accounts;
- details on substantial provisions and reserves;
- fixed assets;
- depreciation;
- financial instruments;
- work in progress;
- stocks and stores;
- deferred charges;
- accounting for value added tax;
- government grants;
- leasing

### **Responsibilities of Directors**

2.54 To adhere to the accounting policies and guidelines approved by the Corporate Director, Resources.

## **ACCOUNTING RECORDS AND RETURNS**

### **Why is this important?**

2.55 Maintaining proper accounting records is one of the ways in which the Council discharges its responsibility for stewardship of public resources. The Council has a statutory responsibility to prepare its annual accounts to present fairly its operations during the year. These are subject to external audit. This audit provides assurance that the accounts are prepared properly, that proper accounting practices have been followed and that quality arrangements have been made for securing economy, efficiency and effectiveness in the use of the Council's resources.

### **Key Controls**

2.56 The key controls for accounting records and returns are:

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

### **Responsibilities of the Corporate Director, Resources**

2.57 To determine the accounting procedures and records for the Council.

1.CM.139	Issue X	XXX 2018	Process Owner: Audit Manager	Authorised: Ian Allwood	8 of 58
----------	---------	----------	------------------------------	-------------------------	---------

- 2.58 To arrange for the compilation of all accounts and accounting records under his or her direction.
- 2.59 To comply with the following principles when allocating accounting duties:
- separating the duties of providing information about sums due to or from the Council and calculating, checking and recording these sums from the duty of collecting or disbursing them;
  - officers with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
- 2.60 To make proper arrangements for the audit of the Council's accounts in accordance with the current Accounts and Audit Regulations.
- 2.61 To certify and ensure that all claims for grants and other financial returns required by Government Service areas and other bodies are made by the due date.
- 2.62 To prepare and publish the audited accounts of the Council for each financial year, in accordance with the statutory timetable and with the requirement.
- 2.63 To determine the retention period of financial records where there are no requirements prescribed by statutory or other external regulations.

### **Responsibilities of Directors**

- 2.64 To consult and obtain the approval of the Corporate Director, Resources before making any changes to accounting records and procedures.
- 2.65 To comply with the following principles when allocating accounting duties:
- separating the duties of providing information about sums due to or from the Council and calculating, checking and recording these sums from the duty of collecting or disbursing them;
  - employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
- 2.66 To maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements.
- 2.67 To ensure that the retention periods of financial records, as determined by the Corporate Director, Resources, are complied with. Where retention periods are prescribed by statutory or other external regulations, the Chief Officer should ensure that these are complied with.
- 2.68 To ensure that financial records are not disposed of other than in accordance with prescribed statutory requirements (as advised by the Council's Information Manager) and as approved by the Corporate Director, Resources.
- 2.69 To supply information required to enable the statement of accounts to be completed in accordance with guidelines issued by the Corporate Director, Resources.

## **ANNUAL STATEMENT OF ACCOUNTS**

### **Why is this important?**

1.CM.139	Issue X	XXX 2018	Process Owner: Audit Manager	Authorised: Ian Allwood	9 of 58
----------	---------	----------	------------------------------	-------------------------	---------

2.70 The Council has a statutory responsibility to prepare its own accounts to present fairly its operations during the year.

### **Key Controls**

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

- the Council is required to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of these affairs. In this Council, that officer is the Corporate Director, Resources;
- the Council's statement of accounts must be prepared in accordance with proper practices as set out in the relevant codes of practice on local authority accounting in the United Kingdom.

### **Responsibilities of Corporate Director, Resources**

2.72 To select suitable accounting policies and to apply them consistently.

2.73 To make judgements and estimates that are reasonable and prudent.

2.74 To comply with the Statement of Recommended Practice.

2.75 To sign and date the statement of accounts, stating that it presents fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31st March.

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

### **Responsibilities of Directors**

2.77 To comply with accounting guidance provided by the Corporate Director, Resources, and to supply the Corporate Director, Resources with information in the format, and by the date, requested.

## SECTION 3 – FINANCIAL PLANNING

- [Performance Plans](#)
- [Revenue Budgeting and Monitoring](#)
- [Capital Budgeting and Monitoring](#)
- [Maintenance of Reserves](#)

### PERFORMANCE PLANS

#### Why is this important?

3.1 The Council has a statutory responsibility to publish various performance plans, including Wales Programme for Improvement. The purpose of performance plans is to explain overall priorities and objectives, current performance, and proposals for further improvement. External audit is required to report on whether the Council has complied with statutory requirements in respect of the preparation and publication of the Programme for Improvement.

#### Key Controls

3.2 The Key controls for performance plans are:

- to ensure that all relevant plans are produced and that they are consistent
- to produce plans in accordance with statutory requirements
- to meet the timetables set
- to ensure that all performance information is accurate, complete and up to date
- to provide improvement targets which are meaningful, realistic and challenging.

#### Responsibilities of the Corporate Director, Resources

- 3.3 To advise and supply, as appropriate and in conjunction with Directors, the financial information that needs to be included in performance plans in accordance with statutory requirements and agreed timetables.
- 3.4 To contribute to the development of corporate and service targets and objectives and performance information.
- 3.5 To ensure that systems are in place to measure activity and collect the accurate financial information required and to provide said financial information to Service Areas to calculate their respective performance indicators.

#### Responsibilities of Directors

- 3.6 To contribute to the development of performance plans in line with statutory requirements.
- 3.7 To contribute to the development of corporate and service targets and objectives and performance information.
- 3.8 To indicate to the Corporate Director, Resources the financial information required and to agree the methodology for calculation.

- 3.9 To ensure that adequate systems are in place to measure activity and collect accurate and timely non-financial information for use as performance indicators.
- 3.10 To advise and supply, as appropriate and in conjunction with the Corporate Director, Resources, the financial information that needs to be included in performance plans in accordance with statutory requirements and agreed timetables.

## **REVENUE BUDGETING AND MONITORING**

### **Budget Format**

#### **Why is this important?**

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

#### **Key Controls**

- 3.12 The key controls are that the format:
- complies with all legal requirements;
  - complies with proper accounting and professional standards;
  - reflects the accountabilities of service delivery.

#### **Responsibilities of the Corporate Director, Resources**

- 3.13 To advise the Cabinet on the format of the budget that is approved by the full Council.

#### **Responsibilities of Directors**

- 3.14 To comply with accounting guidance provided by the Corporate Director, Resources.

### **Revenue Budget Preparation and Medium-Term Planning**

#### **Why is this important?**

- 3.15 The Council is a large and complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with carefully weighed priorities. The budget is the financial expression of the Council's plans and policies.
- 3.16 The revenue budget must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of the full Council. Budgets (spending plans) are needed so that the Council can plan, authorise, monitor and control the way money is allocated and spent. It is unlawful for a local authority to budget for a deficit.
- 3.17 In considering the affordability of its capital plans, the Council is required to consider all the resource currently available and for the future, together with an estimate of its requirements for the following year and each of the following two years. The Council is also required to consider known significant changes beyond this timeframe. This needs to consider a Medium Term Financial Plan, considering three years plus one.

## Key Controls

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

## Responsibilities of the Corporate Director, Resources

- 3.19 To prepare a report annually on a budget strategy for the following financial year for consideration by the Cabinet. This will take account of the Policy Framework, commitments, resource constraints and shall include medium term prospects. It will cover all the services of the Council. The report shall be made in accordance with the Budget and Policy Framework Rules. The Cabinet having considered the report of the Corporate Director, Resources and having consulted upon any proposals in accordance with the Budget and Policy Framework Procedure Rules the Cabinet will then agree a budget strategy.
- 3.20 To prepare, after the budget strategy has been agreed by the Cabinet, in conjunction with the Corporate Directors and Directors, estimates of the income and expenditure of the various service areas and submit them to the Cabinet. The Cabinet shall consider the aggregate effect of these estimates upon the Council's financial resources and, subject to any other considerations of policy and to any amendments which it proposes to make, shall draw up proposals for the Budget and the amount of Council Tax and Housing Rents to be levied for the ensuing financial year to be referred to the Council. The inclusion of items in approved revenue estimates shall constitute authority to incur such expenditure save to the extent of which the Council shall have placed a reservation on any such items. Expenditure on any such reserved items may be incurred only when and to the extent that such reservations have been removed.
- 3.21 To prescribe the budget format required.
- 3.22 To advise on the medium term implications of spending decisions and prepare medium term plans.
- 3.23 To encourage the best use of resources and value for money by working with Directors to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.
- 3.24 To advise the full Council on Cabinet proposals in accordance with his or her responsibilities under section 151 of the Local Government Act 1972.
- 3.25 To ensure all matters required to be taken into account are reported to the Cabinet and Council when setting and reviewing prudential indicators.

## Responsibilities of Directors

- 3.26 To provide the Corporate Director, Resources with information to complete the medium term plan.
- 3.27 To prepare, in conjunction with the Corporate Director, Resources, estimates of income and expenditure.

- 3.28 To prepare budgets consistent with any relevant cash limits, with the Council's annual budget cycle and with guidelines issued by the Cabinet. The budget format will be prescribed by the Corporate Director, Resources.
- 3.29 To integrate financial and budget plans into service planning and for them to link in with the Corporate Plan.
- 3.30 When drawing up draft budget requirements, to have regard to:
- (a) spending / income patterns and pressures revealed through the budget monitoring process;
  - (b) legal requirements;
  - (c) policy requirements as defined by the full Council in the approved policy framework;
  - (d) initiatives already under way;
  - (e) areas where savings/efficiencies can be made; and
  - (f) implications of financial performance in the current year.

### **Resource Allocation**

#### **Why is this important?**

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

#### **Key Controls**

- 3.32 The key controls for resource allocation are:
- (a) resources are acquired in accordance with the law and using an approved authorisation process;
  - (b) resources are used only for the purpose intended, to achieve the approved policies and objectives, and are properly accounted for;
  - (c) resources are used with the minimum level of waste, inefficiency or loss for other reasons.

#### **Responsibilities of the Corporate Director, Resources**

- 3.33 To advise on resources such as grants or the affordability of borrowing.
- 3.34 To advise on the suitability of proposals to introduce/modify financial procedures to control resources (e.g. stock control systems).
- 3.35 To assist in the allocation of resources to budget managers.

#### **Responsibilities of Directors**

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

## **Revenue Budget Monitoring and Control**

### **Why is this important?**

- 3.38 Proper budget management ensures that, once the budget has been approved by the full Council, resources are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the Council to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.
- 3.39 By continuously identifying and explaining variances against budgetary targets, the Council can identify changes in trends and resource requirements at the earliest opportunity. The Council itself operates within an annual cash limit, approved when setting the overall budget. To ensure that the Council, in total does not overspend, each service area is required to manage its own expenditure within the cash limited budget allocated to it.
- 3.40 Directors are expected to exercise their discretion in managing their budgets responsibly and prudently. For example:
- (a) not support recurring revenue expenditure from one-off sources of savings or additional income, or creating future commitments;
  - (b) include full-year effects of decisions made part way through a year, for which they have not identified future resources;
  - (c) plan to fund such commitments from within their own budgets.
- 3.41 For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure for a service area or profit centre. However, budgetary control may take place at a more detailed level if this is required.

### **Key Controls**

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

### **Responsibilities of the Corporate Director, Resources**

- 3.43 To establish an appropriate framework of budgetary management and control that ensures that:
- (a) budget management is exercised within annual cash limits unless the full Council agrees otherwise;
  - (b) all Corporate Directors and Directors are furnished with periodical statements of receipts and payments and such other relevant information as he/she has which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities;
  - (c) in consultation with Corporate Directors and Directors, reports are submitted, as determined by the Corporate Director, Resources, to the Cabinet, monitoring expenditure and comparing anticipated outturn with estimates;



- (d) each profit centre has a single named manager, determined by the relevant Director. As a general principle, budget responsibility will be aligned as closely as possible to the decision making processes that commits expenditure; and
- (e) significant variances from approved budgets are investigated and reported by budget managers regularly.

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

3.45 To establish procedures for the monitoring of prudential indicators.

### **Responsibilities of Corporate Directors and Directors**

3.46 To be responsible for keeping strict supervision of the expenditure of their respective service areas and for drawing the attention of the Corporate Director, Resources and the Cabinet and the Council to any contemplated expenditure not provided for in the estimates or which, if incurred, would exceed the amount allocated for the purpose in the estimates or not be in line with the Budget or the Policy Framework.

3.47 To maintain budgetary control within their service areas, in adherence to the principles above, and to ensure that all income and expenditure is properly recorded and accounted for.

3.48 To ensure that budgetary provision is identified for all expenditure incurred.

3.49 To ensure that officers responsible for committing expenditure comply with relevant guidance and financial regulations.

3.50 To ensure, after consultation with the Corporate Director, Resources that there is prior approval by the full Council or Cabinet (as appropriate) for new proposals, of whatever amount, that:

- (a) create financial commitments in future years; or
- (b) change existing policies, initiate new policies or cease existing policies; or
- (c) materially extend or reduce the Council's services.

3.51 To ensure compliance with procedures regarding budgets and virement.

### **CAPITAL BUDGETING AND MONITORING**

#### **Why is this important?**

3.52 Capital expenditure (including use of capital grants and PFI/PPP projects) involves acquiring or enhancing fixed assets with a long term value to the Council, 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.

3.53 The financing capacity of the Council is restricted by the affordability, prudence and sustainability of the Capital Programme. This means that capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources.

## Key Controls

- 3.54 The key controls for capital programmes are:
- (a) specific approval by the full Council for the programme of capital expenditure;
  - (b) a scheme and estimate, including project plan, options, progress targets and associated revenue expenditure (both one-off and on-going) is prepared for each capital project, for appraising by the Corporate Director, Resources;
  - (c) proposals for improvements and alterations to buildings must be approved by the appropriate Director in accordance with the Asset Management Plan;
  - (d) schedules for individual projects within the overall budget approved by the Council must be approved by the appropriate Director;
  - (e) accountability for each proposal is accepted by a named project manager; and
  - (f) progress and expenditure should be monitored and compared to the approved budget.

## Responsibilities of the Corporate Director, Resources

- 3.55 To issue guidance relating to the strategy and controls for capital schemes. The definition of 'capital' will be determined by the Corporate Director, Resources, having regard to Government regulations and accounting requirements.
- 3.56 To advise the Cabinet and Council on the affordability, prudence and sustainability of the Capital Programme by the preparation of prudential indicators as required by the prudential code for capital finance in Local Authorities.
- 3.57 To ensure all matters required to be taken into account are reported to the Cabinet and Council when setting and revising prudential indicators.
- 3.58 To establish procedures for the monitoring of prudential indicators.
- 3.59 To prepare a report on the Capital Programme on the service area proposals, taking into account the Prudential Code of Borrowing, Policy Framework, commitments, resource constraints and Capital Receipts. This report shall compare the estimates with the finance available and propose the level of annual expenditure of each service area. The report will identify those schemes where expenditure may only be incurred after further work has been undertaken.
- 3.60 To furnish all Corporate Directors and Directors with periodic statements of expenditure and progress on individual schemes. It shall be the responsibility of the Corporate Director, Resources in consultation with each Corporate Director and Chief Officer to submit reports, as determined by the Corporate Director, Resources, to the Cabinet and the Council, monitoring expenditure and comparing with approved programme. The inclusion of items in the approved capital programme shall constitute authority to incur such expenditure save to the extent of which the Council shall have placed a reservation on any such items. Expenditure on any such reserved items may be incurred only when and to the extent that such reservations have been removed.

## Responsibilities of Directors

- 3.61 To comply with guidance concerning capital projects and controls issued by the Corporate Director, Resources.
- 3.62 To carry out an option appraisal before bidding / incurring capital expenditure to determine alternative methods of need.

- 3.63 To consider the revenue implications of capital projects over the whole life of projects and notify the Corporate Director, Resources when planning to undertake such schemes which do commit the authority to additional Revenue expenditure.
- 3.64 To submit a prioritised list of bids as part of the Medium Term capital budgeting process representing the schemes required to deliver Service and Corporate strategy.
- 3.65 To ensure that approvals for all capital expenditure proposals are obtained from the Corporate Director, Resources prior to a scheme's commencement.
- 3.66 To prepare returns of projected estimated final costs of schemes, in the approved capital programme profiled annually, for submission to the Corporate Director, Resources.
- 3.67 To ensure that adequate records are maintained for all capital contracts and the preparation of grant claims.
- 3.68 To ensure compliance with the Council's scheme of virement.
- 3.69 To report to the Corporate Director, Resources (where variations are made to approved contracts in excess of the initial contract amount) the reasons for any additional costs, an analysis of options considered to reduce cost to budget and the funding options considered to meet any budget shortfall, together with an indication of how any additional costs will be paid for. This should be done at the point of approving any variation.
- 3.70 To ensure that variations are agreed in accordance with the Council's Contract Standing Orders & Procurement Rules, including seeking financial advice for any decision reports. The Corporate Director, Resources should be made aware as soon as it become apparent that the total cost of a scheme, including variations, will or is likely to exceed £50,000 above the capital budget available.
- 3.71 To ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the Corporate Director, Resources and, if applicable, approval of the scheme through the capital programme.
- 3.72 To consult with the Corporate Director, Resources where the Director proposes to bid for Capital Funding to be issued by Government departments or others to support expenditure that has not been included in the current year's capital programme.
- 3.73 To ensure all expenditure charged against capital budgets meets the definition of capital expenditure in accordance with the Local Government Act 2003 and recommended accounting practice.

## **MAINTENANCE OF RESERVES**

### **Why is this important?**

- 3.74 Reserves can be provided as a working balance, a contingency for unexpected events or emergencies or to meet known or predicted liabilities.

### **Key Controls**

- 3.75 To maintain reserves in accordance with the relevant codes of practice on local authority accounting in the United Kingdom and agreed accounting policies.
- 3.76 For each reserve established, the purpose, usage and basis of transactions should be clearly identified.

3.77 The establishment of reserves and incurring of expenditure from reserves should be authorised by the Corporate Director, Resources.

**Responsibilities of the Corporate Director, Resources**

3.78 To advise the Cabinet and/or the full Council on prudent levels of Reserves for the Council.

**Responsibilities of Directors**

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

## SECTION 4 - RISK MANAGEMENT AND CONTROL OF RESOURCES

- [Risk Management](#)
- [Internal Controls](#)
- [Internal and External Audit](#)
- [Preventing Fraud and Corruption](#)
- [Security of Assets:-](#)
  - [Land and Buildings](#)
  - [Vehicles, Furniture and Equipment](#)
  - [Stocks and Stores](#)
  - [Cash](#)
  - [Information and Communication Technology](#)
  - [Intellectual Property](#)
  - [Clients' Private Property](#)
- [Treasury Management and Trust Funds](#)
- [Insurance](#)

### **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 process followed to control the level of risk in business and service activities which could impact on the achievement of our objectives and the delivery of our key priorities and opportunities.

#### **Key Controls**

- 4.2 The key controls for risk management are:
- procedures are in place to identify, assess, prevent or contain material known risks throughout the Council
  - each Directorate maintains registers of the key risks that they need to monitor and manage in order to effectively deliver their functions and discharge their responsibilities;
  - a monitoring process reviews the effectiveness of risk reduction strategies and the operation of these controls;
  - risk owners are held responsible for managing relevant risks;
  - provision is made for losses that might result from the risks that remain;
  - procedures are in place to investigate claims within required timescales;
  - acceptable levels of risk are determined and insured against where appropriate;
  - the Council has business continuity plans for implementation in the event of an incident / disaster; and
  - the Corporate Risk Register of the main risks to the delivery of corporate objectives and priorities is reviewed on a quarterly basis.

## Responsibilities of the Corporate Director, Resources

- 4.3 To raise the profile of Risk Management and promote the accountability and responsibility of all Members and Officers within the Council.

## Responsibilities of Directors

- 4.4 The key responsibilities of each Director are to:
- (a) Work with their risk champion(s) and management team each quarter to identify risks relevant to their functions and areas of responsibility
  - (b) Promptly escalate risks to the Senior Management Team in accordance with the risk escalation requirements.
  - (c) Take ownership for the management of corporate risks within the organisation's risk appetite.
  - (d) Review the content of the Corporate Risk Register at least quarterly and provide assurance to stakeholders that the risks are being effectively mitigated.
  - (e) Allocate sufficient resources to address strategic risks.
  - (f) Create and support an environment and culture where risk management is promoted, facilitated and appropriately undertaken within the Council.
  - (g) Integrate risk management into performance management, business planning, business change projects, partnership and collaborative activities.
- 4.5 To take responsibility for risk management, having regard to advice from the Corporate Director, Resources, and other specialist officers (e.g. risk management champions, crime prevention, fire prevention, health and safety).
- 4.6 To ensure that there are reviews of risk within their service areas on a quarterly basis through the production and reviewing of risk registers.
- 4.7 To ensure that risk management is brought to the attention of relevant staff in their service areas.

## INTERNAL CONTROLS

### Why is this important?

- 4.8 The Council is a large, complex organisation that requires internal controls to manage and monitor progress towards strategic objectives. The Council also needs to consider the impact of regional working and sharing services in order to satisfy itself that a system of internal control exists in order to provide measurable achievement.
- 4.9 The Council has statutory obligations and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations.
- 4.10 The Council faces a wide range of financial, administrative, commercial and service delivery risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to manage these risks.
- 4.11 The system of internal controls is established in order to provide measurable achievement of:
- efficient and effective operations;
  - reliable financial information and reporting;
  - regional working and shared services;
  - compliance with laws and regulations;
  - risk management.

## Key Controls

4.12 The key controls are:

- key controls should be reviewed on a regular basis (via the Senior Management Assurance Statement) and the Council should make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively;
- managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities;
- financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems;
- an effective internal audit function that has an appropriate scope of audit coverage. It should operate in accordance with the principles contained in the Public Sector Internal Audit Standards (PSIAS) and with any other statutory obligations and regulations;
- an effective Audit Committee which meets on a regular basis to consider internal control and auditing matters.

## Responsibilities of the Corporate Director, Resources

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

## Responsibilities of Directors

4.14 To establish sound arrangements, consistent with guidance given by the Corporate Director, Resources, or the Audit Manager, for planning, appraising, authorising, and controlling their operations, in order to achieve:

- continuous improvement;
- economy;
- efficiency;
- effectiveness;
- the proper use of resources;
- the achievement of objectives;
- the management of risks.

4.15 To review existing controls in the light of changes affecting the Council and to establish and implement new ones in line with guidance from the Audit Manager. Directors should also be responsible for removing controls that are unnecessary or not cost or risk effective, for example, because of duplication.

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

## INTERNAL AND EXTERNAL AUDIT

### Internal Audit

#### Why is this important?

- 4.17 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 (Wales) 2014 require relevant bodies to ensure that there is a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk and adequate and effective financial management. The body must conduct a review at least once a year of the effectiveness of the system of internal control.
- 4.18 Internal audit is an independent and objective appraisal function established by the Council for reviewing the system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

#### Key Controls

- 4.19 The key controls for internal audit are that:
- (a) it is independent in its planning and operation;
  - (b) the Audit Manager has direct access to the Chief Executive, all levels of management and directly to elected members;
  - (c) internal auditors comply with the Public Sector Internal Audit Standards; and
  - (d) it reports to an Audit Committee.

#### Responsibilities of the Corporate Director, Resources

- 4.20 To maintain a continuous and independent internal audit of the Council's accounting, financial and other operations of the Council.
- 4.21 To ensure that all employees carrying out auditing duties comply with the current Public Sector Internal Audit Standards.
- 4.22 To make arrangements for there to be undertaken a cyclical review of all financial systems throughout the Council and to determine the appropriate level of audit coverage.
- 4.23 To ensure that internal auditors have the authority to:
- (a) access Council premises at reasonable times, subject to the Audit Manager being satisfied as to any risk to health and safety;
  - (b) access all assets, records, documents, correspondence and control systems;
  - (c) receive any information and explanation considered necessary concerning any matter under consideration;
  - (d) require any employee of the 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 and shared services, when required; and
  - (f) review, appraise and report on the adequacy and application of financial and other controls, and on the protection of the Council's property and assets against loss due to fraud or wasteful practices.
- 4.24 To approve the strategic and annual audit plans prepared by the Audit Manager, which take account of the characteristics and relative risks of the activities involved.

1.CM.139	Issue X	XXX 2018	Process Owner: Audit Manager	Authorised: Ian Allwood	23 of 58
----------	---------	----------	------------------------------	-------------------------	----------



- 4.25 To ensure that the Audit Manager has the right to report independently to the Council, the Audit Committee or an appropriate committee, in his/her own name.
- 4.26 To ensure that the Audit Manager provides an annual opinion on the Council's internal control environment as part of his annual report.

**Responsibilities of Directors**

- 4.27 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.
- 4.28 To ensure that auditors are provided with any information and explanations that they seek in the course of their work.
- 4.29 To consider and respond promptly to recommendations in audit reports.
- 4.30 To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- 4.31 To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Audit Manager prior to implementation.

**External Audit**

**Why is this important?**

- 4.32 Under the Public Audit (Wales) Act 2004 (and subsequent legislation), 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.
- 4.33 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. The code of audit practice sets out the auditor's objectives to review and report upon the audited body's:
  - (a) arrangements to secure economy efficiency and effectiveness in its use of resources;
  - (b) financial statements; and
  - (c) compliance with statutory requirements in respect of the preparation and publication of its Improvement Plan.
- 4.34 The Council's accounts are scrutinised by the external auditors, who must be satisfied that the statement of accounts 'presents fairly' the financial position of the Council and its income and expenditure for the year in question and complies with the legal requirements.

**Key Controls**

- 4.35 External auditors are appointed by the Auditor General for Wales, normally for a minimum period of five years. The Auditor General for Wales has prepared a code of audit and inspection practice, which external auditors follow when carrying out their audits.
- 4.36 The external auditor attends all the meetings of the Audit Committee.

1.CM.139	Issue X	XXX 2018	Process Owner: Audit Manager	Authorised: Ian Allwood	24 of 58
----------	---------	----------	------------------------------	-------------------------	----------

## **Responsibilities of the Corporate Director, Resources**

- 4.37 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.
- 4.38 To ensure there is effective liaison between external and internal audit.
- 4.39 To work with the external auditor and advise the full Council, Cabinet and Directors on their responsibilities in relation to external audit.

## **Responsibilities of Directors**

- 4.40 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.
- 4.41 To ensure that all records and systems are up to date and available for inspection.
- 4.42 To ensure that all employees have proper regard to the guidance issued by the Corporate Director, Resources in connection with any external audits, and any reports of the external auditor.

## **PREVENTING FRAUD AND CORRUPTION**

### **Why is it this important?**

- 4.43 The Council will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Council. The Council will commit to, and promote, a counter fraud and bribery culture within the Council and zero tolerance against fraudulent activity.
- 4.44 The Council's expectation of propriety and accountability is that members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.
- 4.45 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 and corruption.

### **Key Controls**

- 4.46 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 or corruption;
  - (b) all members and staff act with integrity and lead by example;
  - (c) senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the Council or who are corrupt;
  - (d) high standards of conduct are promoted;
  - (e) the maintenance of a register of interests in which any hospitality or gifts accepted must be recorded;
  - (f) whistle blowing procedures are in place and operate effectively;
  - (g) legislation, including the Public Interest Disclosure Act 1998, is adhered to;
  - (h) Council procedures (such as Contract Standing Orders & Procurement Rules and these Financial Procedure Rules) are adhered to; and
  - (i) matters relating to fraud and corruption are reported to an Audit Committee.

## **Responsibilities of the Corporate Director, Resources**

- 4.47 To develop and maintain an anti-fraud, anti-corruption & bribery policy and procedure.
- 4.48 To assist the Council to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.
- 4.49 To ensure that all suspected financial irregularities are reported to the Audit Manager. The Audit Manager shall take steps as he/she considers necessary by way of investigation, in liaison with service area management where appropriate, and in line with the Council's Anti-Fraud, Anti-Corruption & Bribery Policy and Procedure. Where sufficient evidence exists to believe that a criminal offence may have been committed by an external party, the matter will be referred in conjunction with the Audit Manager to the Police.

## **Responsibilities of Directors**

- 4.50 To review existing controls in the light of changes affecting the Council and to establish and maintain new controls where appropriate.
- 4.51 To immediately notify the Audit 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 Council (including data), or any suspected irregularity in the exercise of the functions of the Council.
- 4.52 To liaise with the Audit Manager in relation to the investigation of any suspected irregularities within their service area, in line with the Council's Anti-Fraud, Anti-Corruption & Bribery Policy and Procedure.
- 4.53 Where sufficient evidence exists to believe that a criminal offence may have been committed by a member of staff, to call a Police Referral Panel. Where a decision is taken by this Panel to refer the matter to the Police, the Chief Officer shall do so without delay.
- 4.54 To instigate the Council's disciplinary and suspension procedures where the outcome of an investigation indicates improper behaviour by a member of staff.
- 4.55 To ensure that a review of processes and procedures is carried out in order to assure that the improper processes are not repeated.
- 4.56 To ensure that employees comply with Council guidance regarding the acceptance of hospitality, gifts and other benefits.

## **SECURITY OF ASSETS**

### **Why is this important?**

- 4.57 The Council holds assets in the form of property, vehicles, equipment, furniture and other items worth many millions of pounds. It is important that assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations. An up to date asset register is a prerequisite for proper fixed asset accounting and sound asset management.
- 4.58 Obsolete, non-repairable or unnecessary assets should be disposed of in accordance with the regulations of the Council.

- 4.59 Misuse of computer resources can seriously affect the business interests of the Council.
- 4.60 Intellectual property is a generic term that includes inventions and writing. If these are created by an employee or consultant during the course of employment, then, as a general rule, they belong to the employer. Various acts of Parliament cover different types of intellectual property. Certain activities undertaken within the Council may give rise to items that may be patentable, for example, software development.

### **Key Controls**

- 4.61 The key controls for the security of resources such as land, buildings, vehicles, plant, machinery, furniture equipment, software and information are:
- resources are used only for the purposes of the Council and are properly accounted for;
  - resources are available for use when required;
  - resources no longer required are disposed of in accordance with the law and the regulations of the Council so as to maximise benefits;
  - an asset register is maintained for the Council - assets are recorded when they are acquired by the Council and this record is updated as changes occur with respect to the location and condition of the asset;
  - assets for disposal are identified and disposed of at the most appropriate time, and only when it is in the best interests of the Council, and best price is obtained, bearing in mind other factors, such as environmental issues. For items of significant value, disposal should be by competitive tender or public auction;
  - procedures for disposal of stocks and equipment shall be in accordance with the Council’s guidance for disposal of “surplus” goods and materials;
  - procedures should protect staff involved in the disposal of assets from accusations of personal gain;
  - 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, General Data Protection Regulations and software copyright legislation;
  - all staff are aware of their responsibilities with regard to safeguarding the security of the Council’s computer systems, including maintaining restricted access to the information held on them and compliance with the Council’s information security and internet security policies;
  - In the event that the Council decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with any approved intellectual property procedures.

### **Security of Assets – Land and Buildings**

#### **Responsibilities of the Corporate Director, Resources**

- 4.62 To maintain a register of all properties owned by the Council and an asset register for all ‘material’ fixed assets, in accordance with good practice.
- 4.63 To receive information required for accounting and costing in order to calculate capital charges and depreciation for all properties, and to maintain the asset management revenue account.

- 4.64 To ensure that assets are valued in accordance with the relevant codes of practice on local authority accounting in the United Kingdom.
- 4.65 To determine arrangements for the acquisition and disposal of land and buildings.
- 4.66 To advise on the financial implications of any purchase, sale or holding of property on the Council's behalf.

**Responsibilities of the Director of Governance and Legal Services – Land and Buildings**

- 4.67 To ensure the safe custody of all title deeds under arrangements agreed with the Corporate Director, Resources.

**Responsibilities of Directors - Land and Buildings**

- 4.68 To make arrangements to ensure the proper security of all the Council's buildings.
- 4.69 To consult with the Audit Manager in any case where security is thought to need improvement or where it is considered that special security arrangements may be needed.
- 4.70 To ensure there are procedures in place to review the condition of physical assets used in delivery of services e.g. undertake regular impairment review.

**Security of Assets - Vehicles, Furniture and Equipment**

**Responsibilities of the Corporate Director, Resources**

- 4.71 To issue guidance to service areas on the maintenance of inventories and the disposal of assets.
- 4.72 To ensure appropriate accounting entries are made to include all material assets and to remove the value of disposed assets from the Council's records and to include the sale proceeds if appropriate.
- 4.73 To agree procedures for the disposal of lost property.

**Responsibilities of Directors - Vehicles, Furniture and Equipment**

- 4.74 To ensure the proper security and safe custody of all vehicles, equipment and furniture, belonging to or under the control of the Council, and shall make contingency plans for the continuity of service in the event of disaster or system failure.
- 4.75 To maintain inventories of furniture, equipment, vehicles and plant, including items leased by the Council. This shall be kept up to date and shall be in a form approved by the Corporate Director, Resources and in accordance with the Council's guidance. Directors shall make arrangements to ensure that inventories shall include for each item, information relating to date of purchase, cost, location and any technical features, which might affect its value or usefulness.
- 4.76 To make arrangements to ensure that an annual, independent, check of all items on the inventory is carried out, in order to verify location, review, and 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 shall be identified with security markings as belonging to the Council.
- 4.77 To ensure that the Council's property shall not be removed from its ordinary location otherwise than in accordance with the ordinary course of the Council's business except in accordance with specific

directions issued by the Director concerned or used otherwise than for the Council's purposes. A record should be kept of all authorised removals.

- 4.78 To ensure that no Council asset is subject to personal use by an employee without proper authorisation.
- 4.79 To ensure that drivers pay fines and penalties imposed by relevant Enforcement Authorities in respect of offences committed whilst they were driving/responsible for a Council vehicle (e.g. speeding fines/parking fines/fines imposed in respect of other Highway Code offences).
- 4.80 A Council vehicle would include pool cars/ hire vehicles/ lease vehicles etc. (i.e. vehicles that we do not own but are responsible for)
- 4.81 To make arrangements to ensure that any disposal of any vehicle, furniture, fittings, equipment, plant and machinery is in accordance with the Council's procedure for Disposals.
- 4.82 Before disposal to check if the asset is subject to leasing arrangements. If the asset is leased, disposal must be in accordance with the terms of the lease.
- 4.83 To ensure that income received for the disposal of an asset is properly accounted for.
- 4.84 If an item is lost, stolen or disposed of, this must be recorded against the entry in the inventory.
- 4.85 To notify the Corporate Director, Resources of the purchase or disposal of any material asset, to enable the asset register to be updated.
- 4.86 Any property left on Council premises and regarded as lost must be disposed of in accordance with procedures agreed with the Audit Manager.

### **Security of Assets - Stocks and Stores**

#### **Responsibilities of the Corporate Director, Resources**

- 4.87 To issue guidance to service areas on the maintenance of stock and stores, including the method of stock valuation to be used.
- 4.88 To approve the write off of stock and stores in accordance with the Scheme of Delegations.
- 4.89 To ensure that appropriate accounting entries are made in relation to stock balances and write offs.

#### **Responsibilities of Directors**

- 4.90 To make arrangements for the recording of and the care and safe custody of the stocks and stores held by their service area.
- 4.91 To make arrangements to ensure stocks are maintained at reasonable levels and are subject to a regular independent physical check, at least annually. Each Director must make arrangements for discrepancies to be investigated and pursued to a satisfactory conclusion.
- 4.92 To ensure that stock items are only issued to persons entitled to receive these items.
- 4.93 To advise the Audit Manager immediately of any significant discrepancy in stocks.
- 4.94 To approve the write off of stock and stores up to the value of £5,000 in accordance with the Scheme of Delegations.

- 4.95 To provide the Corporate Director, Resources with such information as he/she requires in relation to stores for accounting and costing purposes.

### **Security of Assets - Cash**

#### **Responsibilities of the Corporate Director, Resources**

- 4.96 To issue guidance to service areas on cash handling.
- 4.97 To agree, in consultation with the appropriate Director, the maximum limits for cash holdings.
- 4.98 To approve the write off of stolen cash, not covered by insurance.
- 4.99 To authorise the depositing of unofficial funds or valuables in a safe.

#### **Responsibilities of Directors**

- 4.100 To agree with the Corporate Director, Resources, the maximum limits for cash holdings and to ensure that these limits shall not be exceeded without his /her permission.
- 4.101 To ensure that cash holdings are kept to a minimum, and do not exceed the insurance limit for that safe.
- 4.102 To ensure that cash handling is carried out in line with the Council's guidance.
- 4.103 To notify the Audit Manager and the Insurance Officer of cash lost or stolen immediately. Stolen cash, which is not covered by insurance, can only be written-off with the agreement of the Corporate Director, Resources.
- 4.104 To ensure that under no circumstances are personal cheques cashed out of monies held on behalf of the Council.
- 4.105 To ensure that a schedule is kept of the officers who hold keys to safes and similar receptacles.
- 4.106 To ensure that the keys to safes and similar receptacles are held securely at all times. Arrangements shall be made for the nomination (from amongst employees) of key holders and substitute key holders who must be available in the absence of the principal key holder(s). The loss of any such keys must be reported by the key holder, or nominated substitute, to the relevant Chief Officer forthwith, who shall take appropriate steps to protect the interests of the Council.
- 4.107 To ensure that safe key holders do not accept unofficial funds or valuables for depositing in the safe unless authorised by the Corporate Director, Resources. In such circumstances, it must be made clear by the key holder to the depositor, that the Council is not to be held liable for any loss, and the key holder must obtain an acknowledgment to that effect before accepting the deposit.

## **Security of Assets - Information and Communication Technology**

### **Responsibilities of Head of ICT**

- 4.108 To maintain a central inventory of technology.
- 4.109 The development and integrity of the Council's voice and data network infrastructure.
- 4.110 To approve all additions and alterations to the Council's voice and data network.
- 4.111 To issue detailed guidance, in conjunction with Directors, to all employees who are responsible for and/or use computer equipment on their responsibilities within the Council's IT Security Policy.

### **Responsibilities of Directors**

- 4.112 To ensure that all equipment and services connected to the Council's voice and data network infrastructure meets the standards identified by the Head of ICT. Any requirement to add or make alterations to this network must be approved by the Head of ICT.
- 4.113 To ensure that that the provisions of the Council's IT Security Policy are applied to all employees of the Council, as appropriate to their use of information technology.
- 4.114 To make arrangements to implement and monitor the procedures contained in the Council's IT Security Policy. All employees must be familiar with, and comply with, the principals of the Data Protection Legislation, the Copyright, Designs and Patents Act 1988, the Computer Misuse Act 1990, and any other legislation or Council policy which may apply to all employees at any time.
- 4.115 To agree, in advance, with the Head of ICT, a requirement to use specialist IT goods and services that might not meet the standards identified by the Head of ICT, but are necessary to perform particular business activities. The Chief Officer will be responsible for ensuring that such acquisitions do not compromise their corporate, financial and legal obligations, as defined by the Council.
- 4.116 To ensure that all employees are aware that misuse of technology and associated systems can seriously affect the business interest of the Council. Such misuse or any breach of security policy will result in disciplinary action being taken.
- 4.117 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.

## **Security of Assets - Intellectual Property**

### **Responsibilities of the Corporate Director, Resources**

- 4.118 To develop and disseminate good practice regarding the treatment of intellectual property.

### **Responsibilities of Corporate Directors and Directors**

- 4.119 To ensure that controls are in place to ensure that employees do not carry out private work during periods when they are working for the Council and that employees are aware of an employer's rights with regard to intellectual property.
- 4.120 To ensure that all copyright, design and patent legislation is complied with and, in particular, ensure that only software legally acquired and installed by the Council is used on its computers.



- 4.121 To make officers aware that, if, at any time during their employment, an officer makes or discovers or participates in the making or discovery of any intellectual property relating to or capable of being used by the Council, the officer must provide full details of the intellectual property to the relevant Chief Officer or relevant Corporate Director.

### **Security of Assets - Clients Private Property**

#### **Responsibilities of Directors**

- 4.122 The Director of Social Services, and any other Director affected, shall take all necessary steps to prevent or mitigate loss or damage of a client's (being a person other than the Council) moveable property, where responsibility lies within the National Assistance Act 1948 and shall arrange for an itemised inventory in each case to be prepared in the presence of two officers, in a form prescribed by the Corporate Director, Resources.
- 4.123 All valuables such as jewellery, watches and other small articles of a similar nature and documents of title shall, unless in any case otherwise decided by the Chief Executive be deposited with the Director of Social Services and any other Chief Officer affected, for safe custody. Any loss of property shall be reported to the Corporate Director, Resources, without delay.

### **TREASURY MANAGEMENT AND TRUST FUNDS**

#### **Why is this important?**

- 4.124 Many millions of pounds pass through the Council's bank accounts each year. It is vital that the Council's money is managed in a secure and controlled way. Surplus funds are invested by the Council with external organisations, and it is essential that risk is spread evenly, and that investments are placed with reputable organisations.

#### **Key Controls**

- 4.125 Compliance with the CIPFA Treasury Management Code of Practice and the Council's Treasury Management policy statement and strategy. This provides assurances that the Council's money is properly managed in a way that balances risk with return, but with the overriding consideration being given to the security of the Council's capital sum.

#### **Responsibilities of the Corporate Director, Resources**

- 4.126 To prepare a Treasury Management Policy and Annual Report.
- 4.127 To maintain prudential indicators in accordance with the Prudential Code of Capital Finance for Local Authorities.
- 4.128 To arrange the borrowing and investments of the Council in such a manner as to comply with the CIPFA Code of Practice on Treasury Management in Local Government, which has been adopted by the Council.
- 4.129 To set an investment strategy in accordance with WAG investment guidance.
- 4.130 To ensure that all investments of money under its control shall be made in the name of the Council or in the name of nominees approved by the Cabinet or the Council within their respective responsibilities: bearer securities shall be excepted from this rule.

- 4.131 To hold all securities, the property of, or in the name of the Council, or its nominees, or otherwise as the Corporate Director, Resources may specifically direct.
- 4.132 To ensure that all borrowings shall be effected in the name of the Council.
- 4.133 To be the Council's Registrar of loan instruments and to maintain records of all borrowings of money by the Council.
- 4.134 To report in accordance with the Treasury Management practices of the Council to the Audit Committee and Council.
- 4.135 To hold all Trust Fund securities etc., where Members or employees act as Trustees by virtue of their official position, unless the deed otherwise provides; or as otherwise directed by the Chief Executive.
- 4.136 To arrange, where funds are held on behalf of third parties, for their secure administration, and to maintain records of all transactions.
- 4.137 To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.

### **Responsibilities of Directors**

- 4.138 To notify the Capital Manager of planned monetary receipts or payments in excess of £0.5 million at an early stage.

## **INSURANCE**

### **Why is this important?**

- 4.139 It is important to effectively manage the insurance risk across the Council as the failure to secure appropriate insurance arrangements may leave the Council lacking cover in the event of a significant loss. It is also important to review risks to ensure that the Council is not over-insured and paying out higher premiums than it needs to.

### **Key Controls**

- 4.140 The Corporate Director, Resources is responsible for arranging all insurance for the Council.

### **Responsibilities of the Corporate Director, Resources**

- 4.141 To affect insurance cover and to arrange for the negotiation of claims in consultation with other Directors, where necessary.
- 4.142 To hold in safe custody all insurance policies of the Council, arrange for the payment of premiums by the due date and manage the Council's own Insurance Fund.
- 4.143 To prescribe procedures for dealing with claims on the Council's own Insurance Fund.
- 4.144 To make arrangements to ensure that insurance records relating to liability policies and related correspondence are 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 Corporate Director, Resources as to the retention of any documents of the nature referred to in this rule.

## Responsibilities of Directors

- 4.145 To notify the Corporate Director, Resources immediately in writing of any loss, liability or damage, or any event likely to lead to a claim by or against the Council, and inform the Police, where necessary.
- 4.146 To submit claims in such a form as prescribed from time to time by the Corporate Director, Resources.
- 4.147 To arrange for the identification of all appropriate employees of the Council who should be included in a suitable fidelity guarantee insurance, and shall make arrangements through the Corporate Director, Resources for such inclusion.
- 4.148 To notify the Corporate Director, Resources promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.
- 4.149 To notify the Corporate Director, Resources promptly of 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.
- 4.150 On a regular basis, the Corporate Director, Resources will forward to Directors, schedules of assets covered by insurance. Directors must examine the schedules and ensure that the details of those assets are correctly recorded and that the scope and level of insurance cover are adequate, and consistent with the Council's corporate insurance arrangements.
- 4.151 To provide the Corporate Director, Resources with any information that he/she needs and in the timescale that he or she sets, to enable him or her to manage the Council's insurances effectively.
- 4.152 To consult with the Corporate Director, Resources and the Director of Governance and Legal Services on the terms of any indemnity that the Council is requested to give.
- 4.153 To ensure that officers, 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.

[Index](#)

## SECTION 5 - FINANCIAL SYSTEMS AND PROCEDURES

- [General](#)
- [Income](#)
- [Banking](#)
- [Ordering and Payment for Goods, Works and Services](#)
- [Imprest Accounts](#)
- [Payment to Employees and Members](#)
- [Internal Charges](#)
- [Taxation](#)

### **GENERAL**

#### **Why are Financial Systems and Procedures Important?**

- 5.1 Service Areas have many systems and procedures relating to the control of the Council's assets, including purchasing, costing and management systems. It is important that systems and procedures are sound and well administered to ensure financial stewardship and control to enable effective decision making. All financial systems and procedures should contain controls to ensure that transactions are properly processed and errors detected promptly.
- 5.2 The Corporate Director, Resources has a statutory responsibility to ensure that the Council's financial systems are sound and must be notified, in advance, of any new developments or changes.

#### **Key Controls**

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

#### **Responsibilities of the Corporate Director, Resources**

- 5.4 To make arrangements for the proper administration of the Council's financial affairs, including to:
- issue advice, guidance and procedures for officers and others acting on the Council's behalf;
  - determine the accounting systems, form of accounts and supporting financial records;
  - establish arrangements for audit of the Council's financial affairs;
  - to determine the accounting procedures, records and controls for any new financial systems to be introduced;
  - approve in advance any changes to be made to existing financial systems.

#### **Responsibilities of Directors**

- 5.5 To consult with and gain the approval of the Corporate Director, Resources before changing any existing system or introducing new systems.
- 5.6 To ensure that accounting records are properly maintained and held securely.

- 5.7 To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Corporate Director, Resources.
- 5.8 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.
- 5.9 To incorporate appropriate controls to ensure that, where relevant:
- all input is genuine, complete, accurate, timely and not previously processed;
  - all processing is carried out in an accurate, complete and timely manner;
  - output from the system is complete, accurate and timely;
  - data is backed up on a regular basis.
- 5.10 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.
- 5.11 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.
- 5.12 To ensure that systems are documented and staff adequately trained.
- 5.13 To establish a scheme of service area authorisations identifying officers to act upon his or her behalf in respect of placing orders, payments and income collection, including variations, and showing the limits of their authority.
- 5.14 To ensure that effective contingency arrangements, including back-up procedures, exist for computer systems. Wherever possible, back-up information should be securely retained in a fireproof location, preferably off site or at an alternative location within the building.
- 5.15 To ensure that, where appropriate, computer systems are registered in accordance with data protection legislation and that staff are aware of their responsibilities under the legislation.
- 5.16 To ensure that the Council's information security standards and internet security policy are complied with.
- 5.17 To ensure that computer equipment and software are protected from loss and damage through theft, vandalism, etc.
- 5.18 To comply with the copyright, designs and patents legislation and, in particular, to ensure that:
- only software legally acquired and installed by the Council is used on its computers;
  - staff are aware of legislative provisions;
  - in developing systems, due regard is given to the issue of intellectual property rights.

## **INCOME**

### **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 as this improves the Council's cash flow and also avoids the time and cost of administering debts.

## Key Controls

5.20 The key controls for income are:

- management of income is undertaken in accordance with the Council's Income Management Policy;
- all income due to the Council is identified and charged correctly, in accordance with an approved charging policy, which is regularly reviewed;
- all income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery;
- where income is received over the phone, controls are in place to ensure that card details are appropriately recorded, stored and disposed in order to ensure Payment Card Industry Data Security Standard (PCI DSS) compliance;
- that all systems that recorded income from card payments are PCI DSS compliant;
- all money received by an officer on behalf of the Council is properly recorded and promptly banked;
- the responsibility for cash collection should be separated from that for identifying the amount due and that for reconciling the amount due to the amount received;
- effective action is taken to pursue non-payment within defined timescales;
- formal approval for debt write-off is obtained in accordance with the Council's Scheme of Delegations;
- appropriate write-off action is taken within defined timescales;
- appropriate and timely accounting adjustments are made following write-off action;
- all appropriate income documents are retained and stored for the defined period in accordance with guidance issued by the Corporate Director, Resources;
- money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.

### Responsibilities of the Corporate Director, Resources

- 5.21 To agree arrangements for the collection of all income due to the Council, and to approve the procedures, systems and documentation for its collection.
- 5.22 To ensure that all electronic monies are properly received, assigned and reconciled.
- 5.23 To set and approve the arrangements for the writing off of irrecoverable debts, and to write off such debts for the Council, in accordance with Cabinet Delegations.
- 5.24 To use debt recovery procedures to collect any income due to the Council which has not been paid within specified time limits.
- 5.25 To ensure that appropriate accounting adjustments are made following any write-off action.
- 5.26 To advise the Director of Governance and Legal Services of debts that have remained unpaid with a view to the institution of legal proceedings in appropriate cases.
- 5.27 To ensure that any sum due to the Council shall only be discharged by payment or write off.
- 5.28 To ensure that cash payments totalling €15,000 or more (or equivalent in £) are not accepted in return for the supply of goods by the Council, in accordance with the Money Laundering Regulations.

## Responsibilities of Directors

- 5.29 To consult with the Corporate Director, Resources before any proposal to introduce or revise scales of charges for services is submitted to the Cabinet or the Council as the case may be.
- 5.30 To ensure that all such charges are reviewed at least once a year in consultation with the Corporate Director, Resources.
- 5.31 To ensure that no agreements are put in place (legal or otherwise) that preclude the Council from reviewing its charges on an annual basis.
- 5.32 To ensure that new charges are promptly implemented following appropriate approval.
- 5.33 To ensure that where possible, income is received in advance of the service being provided.
- 5.34 To ensure that all income due, is promptly collected, correctly receipted, reconciled, accounted for and promptly banked.
- 5.35 To ensure that a list is kept of devices that process payments and ensure all devices processing payments are certified and checked as required by the Payment Card Industry Data Security Standard (PCI DSS).
- 5.36 To ensure that system access permissions are correctly set in respect of users processing payments received and that inactive accounts are disabled within 90 days as required by the PCI DSS.
- 5.37 To ensure that all staff that process payments received where customer is not present receive annual PCI training and an up to date record of trained users is maintained in order to ensure only trained individuals process card payments as required by the PCI DSS.
- 5.38 To ensure that income collected and deposited is reconciled to the ledger on a regular basis.
- 5.39 To ensure that there is clear separation of duties within income procedures to ensure that adequate controls are in place.
- 5.40 To ensure that all income is correctly coded to the appropriate financial code.
- 5.41 To maintain such particulars in connection with work done, goods supplied or services rendered and of all other amounts due, to record correctly all sums due to the Council and to ensure the prompt rendering of accounts for the recovery of income due.
- 5.42 To notify the Corporate Director, Resources promptly in writing of all money due to the Council, and of contracts, leases and other agreements and arrangements entered into which involve the receipt of money by the Council.
- 5.43 To designate employees to receive monies due and to make arrangements to ensure that appropriate records are maintained.
- 5.44 To make arrangements to ensure that employees responsible for receiving income are issued with written instructions on cash handling and till operation procedures and that such employees have signed to acknowledge that instructions have been received and understood prior to commencing such duties.
- 5.45 To ensure that all employees use official receipts or tickets for all income received on behalf of the Council and ensure that all chargeable VAT is accounted for.

- 5.46 To seek approval from the Audit Manager for alternative receipting arrangements, where it is considered inappropriate to issue an official receipt or ticket, in advance of implementing such arrangements.
- 5.47 To ensure that all official receipt forms, books, tickets and other such items are ordered and supplied to service areas by the Audit Manager or under arrangements approved by him/her.
- 5.48 To ensure that all financial stationery is securely held and accounted for at all times.
- 5.49 To ensure that the opening of incoming mail is undertaken by at least two responsible officers designated for that purpose. In exceptional circumstances where this is considered impractical, alternative arrangements must have the approval of the relevant Chief Officer, and the relevant Director will arrange for the Audit Manager to be advised accordingly.
- 5.50 To ensure that upon opening of incoming mail, all income is immediately recorded by the employee concerned either by way of receipt, remittance record or by another means, approved by the Audit Manager.
- 5.51 To ensure that all cheques received in the incoming mail are immediately stamped upon opening by the relevant employee in preparation for banking.
- 5.52 To ensure that keys entrusted to employees are held securely at all times and are kept under their personal control.
- 5.53 To ensure that employees understand their responsibilities as key holders, and of insurance requirements.
- 5.54 To ensure that income held by the Council is not used to cash personal cheques or make personal loans or other payments.
- 5.55 To establish proper and clear accountability wherever money is being handled.
- 5.56 To ensure that every transfer of the Council's money from one employee to another is evidenced in the records of the service area concerned. This may be by way of an official receipt being issued by the receiving employee or, if not, a record shall be maintained detailing the amount transferred, the date and the signature of both employees.
- 5.57 To ensure that when income is due to the Council and the payment is not to be made at the time, all amounts due are claimed on official invoices or by arrangements approved by the Audit Manager. Instructions for the cancellation or reduction of invoices for income must be authorised by the appropriate Director or such member of staff specifically designated by him/her for that purpose.
- 5.58 To make every reasonable effort to recover a debt before write off is considered. Once a debt is judged irrecoverable, write off procedures must commence promptly and adhere to the requirements of the relevant part of the Scheme of Delegations. Directors must make arrangements in their respective service areas to ensure that correct procedures for writing off debts, as prescribed by the Corporate Director, Resources, have been adhered to and that adequate documentation exists for each case.
- 5.59 To ensure that credit notes to replace a debt are only raised to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt.
- 5.60 To ensure that proper procedures are followed for checking and authorisation for write off, prior to submission to the Corporate Director, Resources for approval.



- 5.61 To seek to achieve payment by direct debit or standing order in situations where regular payments are due to the Council.
- 5.62 To authorise an adjustment to the accounts, in consultation with the Corporate Director, Resources, if a mistake has been made in raising an invoice.
- 5.63 To consult the Corporate Director, Resources about any proposal to arrange to accept payments by credit cards, debit cards, internet, or similar means.
- 5.64 To notify the Corporate Director, Resources of outstanding income (reserved debtors) relating to the previous financial year as soon as possible after 31st March in line with the timetable determined by the Corporate Director, Resources.
- 5.65 To ensure that cash payments totalling €15,000 or more (or equivalent in £), are not accepted in return for the supply of goods by the Council in accordance with the Money Laundering Regulations.
- 5.66 To notify the Operational Manager – Capital & Treasury of planned monetary receipts in excess of £0.5 million.

## **BANKING**

### **Why is this important?**

- 5.67 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 Council's banking arrangements are secure and controlled.

### **Key Controls**

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

### **Responsibilities of the Corporate Director, Resources**

- 5.69 To make or approve all arrangements with the Council's bankers.
- 5.70 To open and operate bank accounts as are considered necessary.
- 5.71 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.
- 5.72 To approve the use of any direct debit/standing order on the Council's accounts.
- 5.73 To arrange the reconciliation of the main bank account with the Council's cash accounts.
- 5.74 To ensure that all cheques, excluding those drawn on authorised imprest accounts, are ordered only on his/her authority.
- 5.75 To make proper arrangements for the safe custody of cheques.
- 5.76 To ensure that cheques on the Council's main bank accounts shall bear the facsimile signature of the Corporate Director, Resources or be signed by him/her or another officer authorised to do so.
- 5.77 To approve request for payments by alternative methods.
- 5.78 To ensure that personal cheques of Councillors or employees are not cashed.

- 5.79 To ensure that overdraft facilities and other borrowing arrangements are not agreed without the express permission of the Corporate Director, Resources.
- 5.80 To ensure that only methods of payment approved by the Corporate Director, Resources are used.
- 5.81 To ensure that proper procedures are followed for receiving income through touch tone telephone banking systems.

**Responsibilities of Directors**

- 5.82 To ensure that all income collected is promptly banked. This is particularly important where large sums are involved that impact on the Council’s cashflow.
- 5.83 To ensure that all income received by an officer, on behalf of the Council, is paid in direct to the Council's bank, or transmitted directly to any other body or person entitled thereto. No deduction may be made from any money held, save to the extent that the Audit Manager may specifically authorise.
- 5.84 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 to the related debt (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.
- 5.85 To ensure that all income received on behalf of the Council is properly safeguarded from the time it is received until the time that it is banked (e.g. kept in a safe or locked receptacle).
- 5.86 To ensure that in the transport of money by any employee for banking, or other purpose, that employee and his or her supervisor have due regard for the safety of employees (including the employee transporting such money), and for the proper security of cash. The Chief Officer shall ensure arrangements are made which incorporate the necessary safeguards.
- 5.87 To ensure that bank accounts do not become overdrawn.
- 5.88 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.

**ORDERING AND PAYING FOR WORKS, GOODS AND SERVICES**

**Why is this important?**

- 5.89 Public money should be spent with demonstrable probity and in accordance with the Council’s policies. Local authorities have a statutory duty to achieve best value in part through economy and efficiency. The Council’s procedures should help to ensure that services obtain value for money from their purchasing arrangements and that the Council’s Buying Responsibly values are met. These procedures should be read in conjunction with the Council’s Contract Standing Orders and Procurement Rules.

**Key Controls**

- 5.90 The key controls for ordering and paying for works, goods and services are:
  - all orders shall be in a form approved by the Corporate Director, Resources;
  - official orders will be raised for all work, goods or services to be supplied to the Council, except for supplies of utilities, periodic payments, petty cash purchases or other exceptions specified by the Corporate Director, Resources;
  - all goods, works and services are ordered only by appropriate persons and are correctly recorded;
  - all goods and services shall be ordered in accordance with the Council’s Contract Standing Orders and Procurement Rules, unless they are purchased from sources within the Council;

1.CM.139	Issue X	XXX 2018	Process Owner: Audit Manager	Authorised: Ian Allwood	41 of 58
----------	---------	----------	------------------------------	-------------------------	----------

- goods, works and services received are checked to ensure they are in accordance with the order;
- payments are not made unless goods, works or services have been received by the Council to the authorised price, quantity and quality standards, subject to tolerance levels set by the Corporate Director, Resources;
- all payments are made to the correct person/supplier, for the authorised amount and are properly recorded, regardless of the payment method;
- all officers and members are required 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 Council;
- all appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with guidance issued by the Corporate Director, Resources;
- all expenditure is accurately recorded against the right budget, any exceptions are corrected and VAT is recorded against the correct VAT code;
- there is a clear rationale for all expenditure so that it does not lead to long term cost implications;
- in addition, the use of e-commerce and electronic purchasing requires that processes are in place to maintain the security and integrity of data for transacting business electronically.

### **Responsibilities of the Corporate Director, Resources - Procurement**

5.91 To produce Contract Standing Orders and Procurement Rules and provide service areas with guidance relating to contracting and tendering arrangements.

### **Responsibilities of Directors - Procurement**

5.92 To ensure that all employees comply with the Council's Contract Standing Orders and Procurement Rules.

5.93 To ensure that the service area obtains best value from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality, with regard to the best practice guidelines issued by the Corporate Director, Resources, which are in line with best value principles and contained in the Council's Contract Standing Orders and Procurement Rules.

5.94 To make arrangements to ensure that every employee declares 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 Council, in accordance with the Officer Code of Conduct. Any employee declaring such an interest or having such an interest will 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. All Councillors involved in contractual or purchasing decisions on behalf of the Council will declare any interests and act in accordance with the Members' Code of Conduct.

5.95 To ensure that officers within their service areas will not make any personal or private use of the benefits of any Council contracts. For the avoidance of doubt, nothing in this paragraph will preclude an employee from taking advantage of Council wide schemes, which have been approved by the Corporate Director, Resources.

5.96 To ensure that all IT purchases conform to a standard identified by the Head of ICT. Exceptional purchases, outside of these standards, shall be agreed in advance with the Head of ICT.

5.97 To ensure that no financial systems are purchased without the prior agreement of the Corporate Director, Resources.

### **Responsibilities of the Corporate Director, Resources - Ordering**

5.98 To approve the format of official orders and arrangements for placing orders within SAP.

1.CM.139	Issue X	XXX 2018	Process Owner: Audit Manager	Authorised: Ian Allwood	42 of 58
----------	---------	----------	------------------------------	-------------------------	----------

- 5.99 To determine order approval levels.
- 5.100 To approve the format and use of emergency order books and to order, control and issue these to service areas.
- 5.101 To agree arrangements for all limit orders in consultation with the appropriate Director.
- 5.102 To arrange for the despatch of all orders that cannot be sent electronically, excluding emergency orders.
- 5.103 To approve all exceptions to the use of official orders.
- 5.104 To approve any arrangements for the use of purchasing cards.

### **Responsibilities of Directors – Ordering**

#### General

- 5.105 To ensure that official orders are raised in SAP *at least at the time of the order* for all works, goods and services supplied to the Council except for internal services, periodical payments (e.g. utility payments), and for petty cash purchases, or such other exceptions as the Corporate Director, Resources may approve.
- 5.106 In cases of urgency, a verbal order may be issued, using an order number from a valid emergency order book. An official order must be raised on SAP within three working days. However, it must be ensured that confirmation orders are kept to a minimum.
- 5.107 To ensure that employees do not use official orders to obtain goods or services for their private use.
- 5.108 To ensure that each order conforms to the directions of the Council with respect to any policy on central purchasing, computer purchasing, standardisation, quality and Environmental Strategy as may from time to time be adopted by the Council. Directors shall make arrangements to ensure that all purchases comply with any legal or health and safety requirements.
- 5.109 To ensure that purchasing cards are only used under arrangements approved by the Corporate Director, Resources.
- 5.110 To make arrangements to ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the Corporate Director, Resources. 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.

#### SRM and ECC

- 5.111 To ensure that where manual requisitions are used for notification to a central order point, the information is promptly entered onto SRM and ECC.
- 5.112 After due consideration, to arrange for nominations for officers for the role of requisitioner and approver. SRM will allow a requisitioner to fulfil the approver role, but will prevent an officer approving their own requisition.
- 5.113 All requisitions above £10K must be approved by an Operational Manager (PO grade in exceptional circumstances) and Directors shall authorise all such approvers. An Operational Manager may authorise a requisitioner, or approver up to £10K.

- 5.114 To maintain an up to date list of requisitioners, approvers/substitutes within their service area. No officer shall process or approve an order, or purport to do so, unless he/she is duly authorised for that purpose.
- 5.115 Where a requisition on SRM is forwarded for approval to any other officer, this must be a nominated approver, and for spend above £10K, must be an Operational Manager (or PO grade in exceptional circumstances).
- 5.116 To ensure that the requisitioner enters the following details on the shopping cart on SRM:-
- a full description of the item required;
  - an accurate price, where appropriate, as quoted by catalogue or supplier;
  - the required quantity;
  - an appropriate product category (which will generate the appropriate financial code);
  - the correct VAT suffix;
  - the delivery address;
- 5.117 To ensure that, prior to approving a requisition on SSRM or ECC, the approving officer checks that:-
- all relevant details have been entered and are correct;
  - there is adequate provision in the budget;
  - the items are appropriate for the purpose intended;

#### Emergency Orders

- 5.118 To make arrangements to ensure the control and safe custody of all emergency order books and that they are only used for goods and services provided to the service area.
- 5.119 To ensure that emergency order books are only used for cases of emergency or for any exceptions approved by the Corporate Director, Resources.
- 5.120 To ensure that emergency orders are promptly (within 3 days) input onto SRM / ECC by the requisitioner.

#### **Responsibilities of Directors - Goods Received**

- 5.121 To make arrangements to ensure that goods, services and works are checked on receipt to verify that they are in accordance with the order. This check shall, where possible, be carried out by a different officer from the officer who approved the order. The officer carrying out the check shall make appropriate entries in inventories or stores records.
- 5.122 To ensure that goods received details are entered promptly on SRM by the requisitioner or the nominated goods recipient.
- 5.123 To ensure that service entry details are entered promptly on ECC by the requisitioner or nominated service recipient.
- 5.124 To ensure that service entry details particularly those in respect of evaluated receipt settlement (ERS) vendors are correct as this will result in an automated payment to the vendor.
- 5.125 To ensure that, where invoice plans exist, the correct amount of service has been received prior to the removal of the billing block which releases an automated payment.

## **Responsibilities of the Corporate Director, Resources - Payments**

- 5.126 To make payments on behalf of the Council with the exception of disbursements from petty cash imprest accounts and from subsidiary bank accounts which have been authorised by the Corporate Director, Resources. The normal method of payment of money due from the Council shall be by cheque, BACS or other instrument drawn on the Council's bank account. The use of direct debit/standing order payments requires the prior agreement of the Corporate Director, Resources.
- 5.127 To make safe and efficient arrangements for all payments. All cheques shall be despatched by the Corporate Director, Resources direct to the recipient and not returned to the originating service. In the exceptional circumstances when cheques do need to be returned to a service area for despatch with associated documents, this must be approved in advance by the relevant Operational Manager, and the cheque must not be passed to the initiating officer.
- 5.128 To ensure that payments made to a sub-contractor in the construction industry are made in accordance with the Construction Industry Scheme, and the Council's procedures.
- 5.129 To make payments to contractors on an approved certificate, which must include details of the value of work, retention money, amounts previously certified and amounts now certified. These payments must be made to contractors using authenticated receipts raised by service areas.
- 5.130 To provide advice on making payments by the most economical means.
- 5.131 To set tolerance levels for cost and quantity variations.
- 5.132 To agree any exceptions to payment by SRM or ECC.
- 5.133 To approve all arrangements for direct payments (these relate to payments which do not have an associated order, such as utility payments).
- 5.134 To approve the format of Payment Request forms.
- 5.135 To periodically check that Payment Requests and direct payment invoices have been certified for payment by an authorised signatory.
- 5.136 To consider Payment Requests and direct payment invoices to the extent that he/she considers necessary, to make such enquiries and to receive such information and explanation as he/she may reasonably require.

## **Responsibilities of Directors - Payment**

### General

- 5.137 To make arrangements for the submission of accounts for payment in accordance with arrangements made by the Corporate Director, Resources.
- 5.138 To ensure that payment is made only against a supplier's invoice or payment request, not on statements of account, or a photocopy or faxed copy invoice, except where a service order or invoice plan is used.
- 5.139 To notify the Corporate Director, Resources at 1<sup>st</sup> April, or as required, of all outstanding expenditure relating to the previous financial year, and shall comply with any instruction issued in connection with the year-end accounting arrangements.

## SRM

- 5.140 To ensure SRM is used for all payments and any exceptions have been agreed by the Corporate Director, Resources.
- 5.141 To ensure that there is a segregation of duties between the officers requisitioning, approving and inputting invoices for payment. Where limited resources do not allow a full segregation of duties, special arrangements can be put in place to enable a nominated requisitioner to process invoices. These exceptional circumstances require the approval of the Director and an officer nominated by the Corporate Director, Resources.
- 5.142 To arrange for officers to be nominated as invoice clerks and a list of these maintained on SRM and kept up to date. Operational Managers may nominate invoice clerks.
- 5.143 To ensure that invoices are input to the system without delay, in the manner specified by the Corporate Director, Resources.
- 5.144 To ensure that invoices that do not meet the set tolerance levels are promptly dealt with. Where there is no match to order and delivery note, any further approval has to be given by a nominated approver/substitute (Operational Manager or PO grade, if above £10K).
- 5.145 To ensure that invoices are not processed until the inputting officer is satisfied that delivery details have been entered.
- 5.146 To ensure that all invoices input for payment are filed and stored securely in the manner prescribed by the Corporate Director, Resources.

## Payment Requests/Direct Payments (Non Order Payments)

- 5.147 To ensure that all Payment Requests are completed on a form approved by the Corporate Director, Resources. These must not be used in place of any invoice, demand, fee note or other written request for payment received from a creditor, and relevant supporting documentation must be attached to support the payment.
- 5.148 To ensure that before a direct payment invoice (e.g. utility invoice), or a Payment Request is authorised, an employee undertakes the following checks:-
- the payment is properly the liability of the Council;
  - the work, goods or services to which the account relates have been received, carried out, examined and approved as to the quality and quantity (where appropriate);
  - the prices, extensions, calculations, trade discounts, other allowances, credits and tax are correct;
  - the expenditure has been properly coded;
  - expenditure is within budget;
  - where a payment includes VAT, in accordance with HM Revenue and Customs Regulations:-
    - the invoice is a tax invoice;
    - for construction industry payments, an authenticated receipt will be obtained, or;
    - for payments made in advance of services/goods being received, a tax receipt will be obtained.

- 5.149 To ensure that an authorisation slip is completed in respect of a direct payment invoice. The officer completing the slip must initial that the above checks have been undertaken. The authorisation slip must be certified by a different officer, authorised to do so. Before certifying a direct payment invoice, the authorised signatory must be satisfied that the above checks have been undertaken, as evidenced on the authorisation slip.
- 5.150 To ensure that a Payment Request is completed by a designated officer and then passed to an authorised signatory for certification (Operational Manager or PO grade if spend is above £10K).
- 5.151 To ensure that their respective service area retains lists with the names of employees authorised to approve Payment Requests and invoice authorisation slips. A copy shall be sent to the Resources Business Support Team by each Director together with specimen signatures and shall be amended on the occasion of any changes therein. Authorised signatories shall sign in their own name and not sign in the name of their Director or use rubber facsimile signature stamps.
- 5.152 To ensure that a relevant Operational Manager approves in advance where a cheque is required to be returned to a service area for despatch with associated documents. This should only happen in exceptional circumstances, and the cheque must not be passed to the initiating officer.
- 5.153 To ensure that payment in advance of the receipt of goods or services is only made where it is essential in order to secure the particular supply required or where a beneficial discount would otherwise be lost.
- 5.154 To ensure that duly certified Payment Requests and direct payment invoices are passed without delay to the Corporate Director, Resources.

## **IMPREST ACCOUNTS**

### **Why is this important?**

- 5.155 Imprest accounts are used for minor items of expenditure. It is important that such accounts are properly managed, do not exceed the approved threshold and that all expenditure is valid and correctly incurred.

### **Key Controls**

- 5.156 The key controls for the operation of imprest accounts are:-
- all imprest accounts should be operated in accordance with guidance issued by the Corporate Director, Resources;
  - regular reconciliations between the imprest sum advanced and imprest records are undertaken.

### **Responsibilities of the Corporate Director, Resources**

- 5.157 Where he/she considers it appropriate, to open an account with the Council's bankers for use by the imprest holder.
- 5.158 To determine the imprest level.
- 5.159 To periodically review the arrangements for the safe custody and control of Imprest accounts.
- 5.160 To reimburse imprest holders as often as necessary to restore the imprests and to keep a record of such advances.
- 5.161 To provide guidance on how imprest accounts are to be operated and how records are to be kept of payments and reimbursements.

1.CM.139	Issue X	XXX 2018	Process Owner: Audit Manager	Authorised: Ian Allwood	47 of 58
----------	---------	----------	------------------------------	-------------------------	----------



## Responsibilities of Directors

- 5.162 To ensure that all imprest accounts are maintained in accordance with the Council's procedures.
- 5.163 To maintain a list of officers in their service areas who are authorised to hold imprest accounts.
- 5.164 To notify the Corporate Director, Resources when an imprest holder leaves the service area and to ensure that the imprest advanced is accounted for to the Corporate Director, Resources, unless responsibility for the imprest is transferred to a different officer, in which case the Corporate Director, Resources should be notified of the new account holder.
- 5.165 To agree with the Corporate Director, Resources the procedure for reimbursing expenditure imprest accounts.
- 5.166 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;
  - (b) do not pay income into an imprest account;
  - (c) 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;
  - (d) restrict the amount of each separate payment to such limit as may be prescribed from time to time by the Corporate Director, Resources;
  - (e) maintain records and operate the account in accordance with the instructions issued by the Corporate Director, Resources;
  - (f) maintain the safe custody of imprest cash by keeping it securely locked away preferably in a safe; guidance on this matter can be obtained from the Audit Manager;
  - (g) produce, upon demand, to the Corporate Director, Resources or his/her representative cash and/or vouchers to the total of the imprest;
  - (h) record transactions promptly;
  - (i) when requested, give to the Corporate Director, Resources a certificate as to the state of his/her imprest advance;
  - (j) where an imprest is operated through a bank account, ensure that the account remains in credit, and that the procedures set out under banking arrangements in the Financial Procedure Rules are followed. It shall be a standing instruction to the Council's bankers that the amount of any overdrawn balance on an imprest holder's account shall be reported forthwith to the Corporate Director, Resources;
  - (k) do not make salaries or wages payments to employees from an imprest account;
  - (l) do not make reimbursements of travel or subsistence expenses from an imprest account;
  - (m) no payment must be made to sub-Contractors for building work unless authorised by the Corporate Director, Resources;
  - (n) reconcile and balance the account to the total of the sum advanced, at least monthly, 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;
  - (o) on leaving the employment of the Council, or otherwise ceasing to be entitled to hold an imprest advance, account to the relevant Director for the amount advanced.

## PAYMENTS TO EMPLOYEES AND MEMBERS

### Why is this Important?

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

### Key Controls

5.168 The key controls for payments to officers and Members are:

- proper authorisation procedures are in place, and that there is adherence to corporate timetables in relation to starters, leavers, variations and enhancements, and that payments are made based on timesheets or claims where appropriate;
- names on the payroll are checked at regular intervals to verify accuracy and completeness;
- frequent reconciliation of payroll expenditure against approved budgets;
- all appropriate payroll documents are retained and stored for the defined period, in accordance with guidance issued by the Corporate Director, Resources;
- all expenditure, including VAT, is accurately recorded against the right service area;
- HM Revenue and Customs Regulations are complied with.

### Responsibilities of the Corporate Director, Resources

5.169 To arrange, control and make accurate and timely payment of:

- salaries and wages;
- pensions;
- tax and national insurance;
- car mileage, travel, subsistence and other incidental allowances/expenses.

5.170 To approve, in consultation with the appropriate Chief Officer, the form of all timesheets, overtime forms, car mileage and travel and subsistence claims, and any other payroll related records.

5.171 To maintain an up to date list of all officers authorised to approve timesheets, overtime forms, car mileage and travel and subsistence claims, and all other payroll related records.

5.172 To check periodically that all officer claims for salaries, wages, overtime, travel, subsistence and other allowances/expenses are correctly certified by an authorised signatory before payment is made.

5.173 To maintain all necessary personal records concerning pay, pension, national insurance contributions and income tax and make all relevant payments on behalf of both employees and the Council to the appropriate Government agencies.

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

5.175 To issue guidance to service areas on the retention of payroll records. All payroll records relating to Income Tax and National Insurance are to be retained for six years plus the current year, to satisfy the requirements of the Taxes Management Act. Records relating to pensions should be retained for six years following the cessation of any liability.

- 5.176 Where officers from Resources have access to the Council's computerised payroll system, names of all officers authorised to do so shall be retained and kept up to date. Each officer shall have a password that must be confidential and not divulged to any person in any circumstances (in accordance with the Council's IT Security Policy).
- 5.177 To ensure that officers from Resources do not have update access to the personnel screens on the Council's personnel and payroll system without approval from the Corporate Director, Resources. These will only be officers from within the Payroll Control Team and Payroll Super Users.

**Responsibilities of the Director of Governance and Legal Services**

- 5.178 To make arrangements for paying Members' allowances, travel, and subsistence upon receiving the prescribed form, duly completed and authorised. All claims will be examined and checked for reasonableness with respect to the amounts claimed. A record of authorised signatories shall be retained and kept up to date.
- 5.179 To ensure that officers from Governance and Legal Services only have update access to the payroll screens relating to Members on the Council's computerised personnel and payroll system.

**Responsibilities of the Chief Human Resources Officer**

- 5.180 To ensure that the appointment of officers is made in accordance with the Procedure Rules of the Council and the approved establishments, grades and rates of pay.
- 5.181 To approve the format of all records relating to the notification of appointments, terminations, sickness, special leave and any other personnel matter.
- 5.182 To maintain all necessary records relating to the appointment, termination and all other personnel matters.
- 5.183 To issue on a quarterly basis to each staffing budget holder, a listing of all employees within the budget holder's area of responsibility for verification.
- 5.184 Where officers from HR People Services have access to the Council's computerised personnel system, names of all officers authorised to do so shall be retained and kept up to date. Each employee shall have a password that must be confidential and not divulged to any person in any circumstances (in accordance with the Council's IT Security Policy).
- 5.185 To ensure that officers from HR People Services do not have update access to the payroll screens on the Council's computerised personnel and payroll system without the expressed approval of the Corporate Director, Resources.

**Responsibilities of Directors**

- 5.186 To furnish the Corporate Director, Resources with all documents that are required to arrange payment by the due date and any documentation required for pension, income tax and national insurance purposes.
- 5.187 To ensure appointments are made in accordance with the regulations of the Council and approved establishments, grades and scale of pay and that adequate budget provision is available.
- 5.188 To ensure that time sheets, overtime forms or other payroll related records are in a form prescribed or approved by the Corporate Director, Resources. All such records shall be appropriately certified in manuscript, by an authorised signatory.

- 5.189 To make arrangements to ensure that the Chief Human Resources Officer and the Corporate Director, Resources, as appropriate, are notified promptly, and in the approved format, of all matters affecting the remuneration of officers within their service area, and in particular:
- appointments, resignations, dismissals, suspensions, secondments and transfers;
  - absences from duty for sickness or other reasons apart from approved leave;
  - changes in remuneration, other than normal increments and pay awards and agreements of general application; and
  - information necessary to maintain records of service for pension, income tax, national insurance and the like.
- 5.190 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' details listed on the payroll are checked at regular intervals to verify accuracy and completeness;
  - the same person does not both complete and authorise a timesheet, overtime form or other claim for payment;
  - persons involved in the different processes of completing and authorising a timesheet, overtime form or other claim for payment are clearly identifiable on the relevant document;
  - adequate supporting records are maintained to back up summary timesheet entries, completed by an individual on behalf of a group of employees. The supporting records must show the start and finish times of each employee each day, and should be signed by the employee concerned;
  - no employee may certify or authorise a payment or other benefit to himself/herself or any document which would lead to a payment or other benefit to himself/herself.
- 5.191 To ensure that the service area reviews the establishment list issued by Chief Human Resources Officer on a quarterly basis and confirms the accuracy of the report.
- 5.192 To ensure that the service area maintains and reviews periodically a list of officers approved to authorise timesheets, overtime forms and other payroll related records together with specimen signatures, and to ensure that only authorised officers authorise payments. A copy of the list should be sent to the Corporate Director, Resources.
- 5.193 To ensure that payroll transactions are processed only through the payroll system. "Cash in hand" and other non PAYE payments are not permitted. Directors shall give careful consideration to the employment status of individuals employed on a self-employed, consultant or subcontract basis. The HM Revenue and Customs applies a tight definition for employee status, and in cases of doubt, advice shall be sought from the Corporate Director, Resources.
- 5.194 To ensure that all claims for the payment of car mileage, travel and subsistence, and incidental expenses are submitted promptly by officers in the approved format each month.
- 5.195 To arrange for the correct certification of claims for car mileage, travel and subsistence, and incidental expenses. Certification by the Director or an officer authorised by him/her shall be taken to mean that the certifying officer is satisfied that the journeys were authorised, the expenses properly and necessarily incurred in connection with the Council's business, the most cost effective route and means of transport was used and that the allowances claimed are properly payable by the Council. The names of officers authorised by Directors to approve such records shall be retained in each service area, together with specimen signatures and this shall be amended on the occasion of any change. The accuracy of the information contained in a claim shall be the responsibility of the employee concerned. Due consideration should be given to tax implications and that the Corporate Director, Resources is informed where appropriate.

- 5.196 To ensure that claims for travel, subsistence and other allowances are paid through the payroll system wherever possible to ensure the correct treatment for Tax and National Insurance purposes. Imprest accounts should only be used to process minor payments, where there are no tax implications.
- 5.197 To ensure that the Corporate Director, Resources is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.
- 5.198 To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with guidance issued by the Corporate Director, Resources.

### **Responsibilities of Members**

- 5.199 To submit claims for travel or subsistence allowances on the prescribed form duly completed. All claims shall be submitted promptly, every month. The accuracy of the information contained in a claim shall be the responsibility of the Member or co-opted Member concerned.

### **INTERNAL CHARGES**

#### **Why is this important?**

- 5.200 Directorates often undertake work for other service areas. The charge for such work is recovered either by way of a journal, or via the Internal Trading Solution (internal purchase orders).
- 5.201 It is important that the basis of charge is agreed between the client and provider, and the financial transaction is accurately recorded in the Council's accounts.
- 5.202 The use of journals will cover Service Level Agreements, reallocation of costs and charges that are considered appropriate for the Internal Trading Solution. The Internal Trading Solution will be used for those services where it is considered to be cost effective. The Internal Trading Solution can only be considered where it is practical to raise a purchase order.

#### **Key Controls**

- 5.203 The key controls for internal charges are:
  - all income and expenditure arising from an internal recharging relationship is correctly recorded and accounted for in a robust manner;
  - each charging activity will have a clear basis on which it will be recharged;
  - each charging activity will include the cost of the provision of the service plus an appropriate level of overhead;
  - no significant surplus should be made by the provider at the expense of the internal customer unless there are contrary policies in place as approved by the Corporate Director, Resources.
  - all providers ensure that all internal customers are provided with the information reasonably required to accompany the journal charge;
  - all charges must be challenged within an appropriate timescale (two months from being informed of charge). The provider must ensure all challenges are considered and where appropriate resolution is made by clarifying query or amending the charge made by journal.
  - there will be an arbitration process to clear disputes promptly.

#### **Responsibilities of the Corporate Director, Resources**

- 5.204 To issue guidelines and procedures on the administration of the Council's internal charging systems.
- 5.205 To ensure internal charging processes are efficient and effective and represent the best interests of the Council as a whole.

1.CM.139	Issue X	XXX 2018	Process Owner: Audit Manager	Authorised: Ian Allwood	52 of 58
----------	---------	----------	------------------------------	-------------------------	----------

5.206 To arbitrate on outstanding disputed charges where the client and supplier service area fail to reach agreement.

### **Responsibilities of Directors**

5.207 To comply with guidelines and procedures issued by the Corporate Director, Resources on the administration of the internal charging systems.

## **TAXATION**

### **Why is this important?**

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

### **Key Controls**

5.209 The key controls for taxation are:

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

### **Responsibilities of the Corporate Director, Resources**

5.210 To complete all HM Revenue and Customs returns regarding Pay As You Earn (PAYE).

5.211 To complete VAT returns and to supply other information as specified by HM Revenue and Customs.

5.212 To provide details to the HM Revenue and Customs of deductions made under the Construction Industry Tax Deduction Scheme.

5.213 To advise Directors, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the Council.

### **Responsibilities of Directors**

5.214 To ensure that where VAT is accounted for in respect of a payment, in accordance with HM Revenue and Customs regulations, the following conditions are satisfied:-

- the payment relates to a supply of goods or services to Cardiff Council or to some other body covered by the Council's VAT registration;
- unless otherwise authorised, a VAT invoice (or receipt) is held in respect of the payment;
- where a payment is made to a contractor in the construction industry on the authority of an architect's certificate, an authenticated receipt is obtained as soon as possible;
- the VAT identified on the VAT invoice is identified and coded correctly;
- that VAT invoices are processed expeditiously and are not unduly delayed.

- 5.215 To ensure that VAT is accounted for, in the correct tax period, on all supplies of goods and services made by the Council that are subject to VAT.
- 5.216 To ensure that a VAT invoice (or receipt) is issued upon request by any person to whom taxable supplies of goods or services have been made by the Council, showing the VAT charged.
- 5.217 To ensure that all VAT invoices are raised and processed expeditiously.
- 5.218 To ensure that the correct VAT liability is attached on all income due.
- 5.219 To ensure that documents identifying VAT transactions, including proof of payment and banking records, are retained for the period specified by HM Revenue and Customs.
- 5.220 To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.
- 5.221 To ensure that all persons employed by the Council are added to the Council's payroll and that tax is deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency.
- 5.222 To follow the guidance on taxation issued by the Corporate Director, Resources in the tax guidance manual.
- 5.223 To consult with the Corporate Director, Resources on the nature and extent of any new agreements (or alterations to existing arrangements) where there may be taxation risks or potential taxation liabilities.
- 5.224 To consult with the Corporate Director, Resources on any projects or decisions that may have taxation implications.
- 5.225 To ensure that arrangements are in place for all relevant staff to be informed about the correct VAT treatment of all transactions and of changes to this as notified by the Corporate Director, Resources.

## SECTION 6 - EXTERNAL ARRANGEMENTS

- [Partnerships](#)
- [External Funding](#)
- [Work for Third Parties](#)

### PARTNERSHIPS

#### **Why is this important?**

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

#### **General**

- 6.3 The main reasons for entering into a partnership are to share risk, to access new resources, to provide new and better ways of delivering services and to forge new relationships.
- 6.4 A partner is defined as either:
- an organisation (private or public) undertaking, part funding or participating as a beneficiary in a project, or
  - a body whose nature or status give it a right or obligation to support the project.
- 6.5 Partners have common responsibilities:
- to be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation;
  - to acknowledge that the best interest of the partnership is more important than the best interest of each participating group;
  - to acknowledge that the partnerships require a level of flexibility which may require non-compliance with the Council's Financial Procedure Rules and Contract Standing Orders and Procurement Rules. Where this arises, it should be formally approved by the Audit Manager;
  - to act in good faith at all times and in the best interests of the partnership's aims and objectives;
  - to be open about any conflict of interests that might arise;
  - to encourage joint working and promote the sharing of information, resources and skills between public, private and community sectors;
  - to hold confidentially any information received as a result of partnership activities or duties that is of a confidential or commercially sensitive nature;
  - to act wherever possible as ambassadors for the project.



## Key Controls

6.6 The key controls for the Council's partners are:

- to be aware of their responsibilities under the Council's Financial Procedure Rules and Contract Standing Orders and Procurement Rules and to consider the appropriateness of each control to the partnership and any external funding guidance received;
- to ensure that processes are put in place which ensure that the partnership is effective in carrying out its duties in the required timely manner.
- to ensure that risk management processes are in place to identify and assess and mitigate all known risks without affecting the ability of the partnership to effectively function;
- to ensure that project appraisal processes and business cases (strategic / outline / final) are in place to assess the viability of the project in terms of resources, staffing and expertise;
- to ensure that there is a sound legal vehicle in place prior to any project commencing;
- to ensure that there are robust arrangements for decision making and that budgets agreed by partners are lawful;
- to ensure clear accountability where the partnership uses grant income as a source of funding;
- to agree and accept formally the roles and responsibilities of each of the partners involved in the project before the project commences;
- to communicate regularly with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution.

### Responsibilities of the Corporate Director, Resources

6.7 To advise on the use of effective and waiving of ineffective controls within the partnership in order to ensure that resources are not wasted.

6.8 To advise, as appropriate, on the key elements of funding a project, including:

- a scheme appraisal for financial viability in both the current and future years;
- risk appraisal and management;
- resourcing, including taxation issues;
- audit, security and control requirements;
- carry-forward arrangements.

6.9 To ensure that the accounting arrangements are satisfactory.

### Responsibilities of Directors

6.10 To consult with the Corporate Director, Resources, as necessary, on a scheme's appraisal for financial viability in both the current and future years.

6.11 To ensure that risk management processes are in place to identify, assess and management processes are in place to identify, assess and mitigate all known risks without affecting the ability of the partnership to effectively function.

6.12 To ensure that such agreements and arrangements do not impact adversely upon the services provided either by the Council or the partnership.

6.13 To ensure that all agreements and arrangements are properly documented.

6.14 To provide appropriate information to the Corporate Director, Resources to enable a note to be entered into the Council's statement of accounts concerning material items.

## EXTERNAL FUNDING

### Why is this important?

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

### Key Controls

6.16 The key controls for external funding are:

- to ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood;
- to ensure that funds are acquired only to meet the priorities approved in the policy framework by the full Council;
- to ensure that any match-funding requirements are given due consideration prior to entering into long-term agreements and that future capital and revenue budgets reflect these requirements.

### Responsibilities of the Corporate Director, Resources

- 6.17 To ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts.
- 6.18 To ensure that the match-funding requirements are considered prior to entering into the agreements and that future capital and revenue budgets reflect these requirements.
- 6.19 To ensure that audit requirements for effective internal control are met.
- 6.20 Where he or she is specifically responsible for submitting grant claims, to ensure that all claims for funds are made by the due date.

### Responsibilities of Directors

- 6.21 To ensure that project mandates (including risk assessments) are completed and stakeholders consulted before the project commences.
- 6.22 To consult with the Corporate Director, Resources on prospective funding arrangements prior to entering an agreement.
- 6.23 To ensure that all checks are carried out to make certain that funding instructions associated in a bid for external funding are taken into account.
- 6.24 To ensure that all income and expenditure are properly recorded and accounted for and to maintain adequate supporting documentation to enable claims for funding to be maximised.
- 6.25 To ensure that funding bodies' grant conditions / requirements are met and that all claims for funds are made by the due date.

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

## **WORK FOR THIRD PARTIES**

### **Why is this important?**

6.27 Current legislation enables the Council to provide a range of services to other bodies. Such work may enable a unit to maintain economies of scale and existing expertise. Arrangements should be in place to ensure that any risks associated with this work is minimised and that such work is within the Council's legal powers.

### **Key Controls**

6.28 The key controls for working with third parties are:

- to ensure that proposals are costed properly in accordance with guidance provided by the Corporate Director, Resources so that internal resources are not used to provide external users with a service that has a detrimental effect on the internal service provision;
- to ensure that contracts are drawn up using guidance provided by the Corporate Director, Resources and that the formal approval process is adhered to;
- to issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register.

### **Responsibilities of Corporate Director, Resources**

6.29 To issue guidance with regard to the financial aspects of third party contracts.

### **Responsibilities of Directors**

6.30 To ensure that appropriate insurance arrangements are made.

6.31 To ensure that the Council is not put at risk from any bad debts.

6.32 To ensure that no contracts are subsidised by the Council.

6.33 To ensure that, wherever practicable, payment is received in advance of the delivery of the service.

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

6.35 To ensure that information held, or assets owned by, the Council are not used to the detriment of the Council.

6.36 To ensure that such contracts do not impact adversely upon the services provided for the Council.

6.37 To ensure that all contracts are properly documented.

6.38 To provide appropriate information to the Corporate Director, Resources to enable a note to be entered into the statement of accounts.