AUDIT COMMITTEE

Venue:	**Town Hall, Moorgate Street, Rotherham. S60 2TH**	**Date:**	**Wednesday, 30 October 2013**
		Time:	**4.00 p.m.**

A G E N D A

1. To determine if the following matters are to be considered under the categories suggested in accordance with the Local Government Act 1972.

2. To determine any item which the Chairman is of the opinion should be considered as a matter of urgency.

3. Minutes of the previous meeting held on 25th September, 2013 (herewith) (Pages 1 - 5)

4. Mid Year Treasury Management and Prudential Indicators Monitoring Report 2013/14 (Pages 6 - 19)

5. External Auditor - Annual Audit Letter 2012-2013 (Pages 20 - 29)

6. Revised Financial Regulations (Pages 30 - 170)

AUDIT COMMITTEE
25th September, 2013

Present:- Councillor Sangster (in the Chair); Councillors Gilding, Kaye and Sims.

P9. MINUTES OF THE PREVIOUS MEETING HELD ON 17TH JULY, 2013

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 17th July, 2013.

Resolved:- That the minutes of the previous meeting be approved as a correct record for signature by the Chairman.

P10. UPDATE ON EXTERNAL INSPECTION RECOMMENDATIONS

Consideration was given to a report presented by Michelle Hill, Performance and Improvement Officer, which summarised the progress against recommendations from across all key external audits and inspections of Council services.

It was intended that the report would provide a high level analysis of progress with a particular focus on outstanding recommendations and new inspections since the date of the last report (March 2013). A summary of these were detailed within the table in Appendix A, but in summary:-

- Since the last report there have been two new inspections resulting in three new recommendations.
- There were currently four action plans relating to Inspection and Audit recommendations which were still “active” in the authority (i.e. contained outstanding recommendations which were still relevant).
- Across these action plans twenty-nine recommendations have been completed and nine remained outstanding.

The Audit Committee also noted the positive report from OFSTED which recognised the Fostering Service as ‘Good’ and highlighted the high quality support which was being provided for children in care and carers across Rotherham. This was the first ‘Good’ the service had received.

The Performance and Quality Team continued to work with services to ensure that the associated outstanding recommendations were completed and ensure services were prepared for new or changing inspection and assessment regimes.

Resolved:- (1) That the progress achieved against outstanding actions be noted.

(2) That any further actions be advised as necessary.

P11. REVIEW OF PROGRESS AGAINST THE INTERNAL AUDIT PLAN FOR THE FIVE MONTHS ENDING 31ST AUGUST, 2013

Consideration was given to the report presented by Marc Bicknell, Chief Auditor, which contained a summary of Internal Audit work and performance for the five months ending 31st August 2013. The report showed that the service continued to perform at a high level across all indicators.

Like many services within the Council, Internal Audit was diminishing in size. However, by using a risk based approach to planning and efficient management of resources, it was expected to be able to fulfil its statutory responsibilities to give an opinion on the Council's internal control environment and to complete the work on fundamental accounting systems expected by the External Auditor for the 2013/14 financial year.

Based upon the work undertaken in the period, Internal Audit were able to confirm that the Council's control environment was adequate and was operating satisfactorily.

A summary of the planned audit reports and recommendations and responsive work was provided along with details on some areas that were considered at significant risk.

The Audit Committee noted the strong performance of the Internal Audit Team and from the work undertaken recognised the need for strong contract management and the need for appropriate operational activity and training in some Directorates.

Resolved:- (1) That the performance of the Internal Audit Service during the period be noted.

(2) That the key issues arising from the work done in the period be noted.

(3) That the Internal Audit Team be recognised for their hard work and commitment.

(4) That the Chairman of the Audit Committee send a letter of congratulations to Sarah Bennett from the Internal Audit Team on her recent achievements.

P12. ANNUAL FRAUD REPORT 2012/13

Consideration was given to the Annual Fraud Report presented by Colin Earl, Director of Internal Audit and Asset Management, which brought together in one document a summary of the work which had taken place in the period to prevent and detect fraud and corruption.

The Council had a zero-tolerance to fraud and corruption. It was proposed to publish the Annual Fraud Report to help the Council demonstrate this commitment and act as a deterrent to further fraud.

The Audit Committee noted that the incidence of general fraud remained very low in overall terms, taking into account the Council's activities and spending. General fraud cases (excluding benefits) exceeding £10,000 were required to be reported to the Audit Commission and there were none of these in 2012/13.

However, there continued to be a significant amount of attempted and actual Housing and Council Tax Benefits fraud committed against the Council. The Council investigated 1,342 potentially fraudulent cases during 2012/13, obtained 29 prosecutions and issued 165 cautions and penalties.

Priorities for 2013/14 were to:-

- Update our fraud risk assessment to ensure we continue to focus resources on potential vulnerabilities
- Carry out specific fraud related reviews throughout the Council, including payments to the independent sector for Adult Social Care
- Keep abreast of national developments and ensure the Council continues to comply with current best practice
- Continue to participate in the National Fraud Initiative
- Provide training, advice and guidance
- Publicise the consequences of committing fraud e.g. dismissal, prosecution etc. via suitable media sources.

It was proposed to publish the Annual Fraud Report to help the Council demonstrate this commitment and act as a deterrent to further fraud.

Discussion ensued on the impact of staff reduction and the ability to cope with referrals by the team and whether the personalisation agenda had resulted in claimant's families being involved in fraudulent activity.

Resolved:- (1) That the production of the Annual Fraud Report 2012/13 be approved.

(2) That the appropriate publicity be produced to highlight the outcomes from the Council's anti-fraud activity and to act as a deterrent to fraud.

P13. STATEMENT OF ACCOUNTS 2012/13

Consideration was given to a report presented by Simon Tompkins, Finance Manager, which advised on matters arising from the external audit of the Council's 2012/13 Statement of Accounts as presented in the External Auditor's ISA260 report and, in acknowledging these findings, requested that the Audit Committee approve both the Letter of Management Representations and the audited Statement of Accounts

2012/13.

The unaudited Statement of Accounts had now been subject to audit and any necessary changes discussed and agreed between the Section 151 Officer and the Auditor. The Statement of Accounts, in its revised form, now required approval by Members prior to publication before the end of September, 2013.

The Auditor's ISA 260 report set out in detail the outcomes from the audit including any changes made to the unaudited Statement of Accounts 2012/13.

Overall, the ISA260 report was an extremely positive one and considered the accounts to be of a high quality. Only a few minor presentational changes were identified all of which have been corrected in the final version of the Statement of Accounts.

None of the presentational changes made affect the financial performance or financial position of the Council reported in the unaudited Statement of Accounts.

In addition, the report confirmed that:-

- Controls over key financial systems were sound.

- The audit process was fully supported through good quality working papers and timely responses to audit queries.

- There were no other matters which needed to be reported to Audit Committee.

As a result of these positive assurances, KPMG anticipate being able to give an unqualified opinion by 30th September that the Council's Statement of Accounts provides a true and fair view of its financial position at 31st March, 2013 and its income and expenditure for the year then ended (see page 3 of the report).

These findings demonstrated that the Council had been able to sustain in 2012/13 the high standard of financial reporting that had been achieved in recent years since International Financial Reporting Standards (IFRS) were adopted.

Achieving these excellent outcomes for the Council was testament to the continuing professionalism of all staff engaged in the accounts production process both within Financial Services and other Directorates.

It also reflected the benefit of officers taking a proactive role in identifying potential risks so that a dialogue could take place with the External Auditors at an early stage to discuss and seek agreement on significant/complex accounting issues affecting this year's accounts.

Representatives from KPMG anticipated issuing an unqualified opinion on the accounts by the 30th September, 2013 and from the audit identified no audit adjustments. Work had taken place throughout the year with officers to discuss specific risk areas, which had been addressed appropriately.

The critical accounting matters related to Digital Region Limited and Mutual Municipal Insurance. KPMG found that the Council had made appropriate provision in the financial statements for both items.

KMPG were satisfied that the internal audit was compliant with the Code of Practice for Internal Audit in Local Government and concluded that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Nevertheless an inspection by the National Audit Office could not be ruled out.

Discussion ensued on whether the National Audit Office might carry out a review of the Digital Region project and whether the Council had any plans to renegotiate the PFI contracts for schools. The Committee also received an update on the Iceland Banking situation.

Resolved:- (1) That the Auditor's ISA260 report to those charged with governance attached at Appendix 1 be approved.

(2) That the Statement of Accounts 2012/13 attached at Appendix 2 be approved.

(3) That the Letter of Management Representations attached at Appendix 3 be approved.

Agenda Item 4

ROTHERHAM BOROUGH COUNCIL – REPORT TO AUDIT COMMITTEE

1.	**Meeting:**	**Audit Committee**
2.	**Date:**	**30 October 2013**
3.	**Title:**	**Mid Year Treasury Management and Prudential Indicators Monitoring Report 2013/14**
4.	**Directorate:**	**Resources**

5. Summary

Revisions to the regulatory framework of treasury management during 2009 introduced a requirement that the Council receive a mid year treasury review, in addition to the forward looking annual treasury strategy and backward looking annual treasury report required previously.

This report meets that revised requirement. It also incorporates the needs of the Prudential Code to ensure adequate monitoring of the capital expenditure plans and the Council's prudential indicators (PIs).

The report is structured to highlight the key changes to the Council's capital activity (the PIs), the economic outlook and the actual and proposed treasury management activity (borrowing and investment).

6. Recommendations

The Audit Committee is asked to:

1. **Note the report and the treasury activity; and**
2. **Refer the report to Cabinet to consider recommending Council approve the changes to the 2013/14 prudential indicators**.

7. Proposals and Details

The Director of Financial Services has delegated authority to carry out treasury management activities on behalf of the Council and this report is produced in order to comply with the CIPFA Code of Practice in respect of Treasury Management in Local Authorities and the "Prudential Code".

8. Finance

Treasury Management forms an integral part of the Council's overall financial arrangements.

The assumptions supporting the capital financing budget for 2013/14 and for future years covered by the Council's MTFS were reviewed in light of economic and financial conditions and the future years' capital programme.

The Treasury Management and Investment Strategy is not forecast to have any further revenue consequences other than those identified and planned for in both the Council's 2013/14 Revenue Budget and approved MTFS.

9. Risks and Uncertainties

Regular monitoring will ensure that risks and uncertainties are addressed at an early stage and hence kept to a minimum.

10. Policy and Performance Agenda Implications

Effective treasury management will assist in delivering the Council's policy and performance agenda.

11. Background Papers and Consultation

CIPFA Code of Practice for Treasury Management in Local Authorities
Local Government Act 2003
CIPFA "Prudential Code"

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Appendix

Mid Year Prudential Indicators and Treasury Management Monitoring Report

1. Introduction and Background to the Report

1.1 Revisions to the regulatory framework of treasury management during 2009 introduced a requirement that the Council receive a mid year treasury review, in addition to the forward looking annual treasury strategy and backward looking annual treasury report required previously.

1.2 This report meets that revised requirement. It also incorporates the needs of the Prudential Code to ensure adequate monitoring of the capital expenditure plans and the Council's prudential indicators (PIs). The Treasury Strategy and PIs were previously reported to Audit Committee and Cabinet in February 2013 and approved by Council on 6 March 2013.

1.3 The Council's revised capital expenditure plans (Section 2.2 of this report) and the impact of these revised plans on its financing are set out in Section 2.3. The Council's capital spend plans provide a framework for the subsequent treasury management activity. Section 3 onwards sets out the impact of the revised plans on the Council's treasury management indicators.

1.4 The underlying purpose of the report supports the objective in the revised CIPFA Code of Practice on Treasury Management and the CLG Investment Guidance. These state that Members receive and adequately scrutinise the treasury management service.

1.5 The underlying economic and financial environment remains difficult for the Council, foremost being the improving, but still challenging, concerns over investment counterparty risk. This background encourages the Council to continue maintaining investments short term and with high quality counterparties. The downside of such a policy is that investment returns remain low.

1.6 The Director of Financial Services can report that the basis of the treasury management strategy, the investment strategy and the PIs are not materially changed from that set out in the approved Treasury Management Strategy (March 2013).

2. Key Prudential Indicators

2.1. This part of the report is structured to update:

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the PIs and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

2.2 Capital Expenditure (PI)

2.2.1 This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget. The revised estimate reflects the latest position in the 2013/14 capital monitoring report presented to Cabinet on 16 October 2013

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Capital Expenditure by Service	2013/14 Original Estimate £m	2013/14 Revised Estimate £m
Children & Young People's Services	9.906	20.493
Environmental & Development Services	16.954	25.536
Neighbourhoods & Adult Services – Non-HRA	3.419	4.292
Resources	1.260	2.280
Total Non-HRA	**31.539**	**52.601**
Neighbourhoods & Adult Services – HRA	30.228	32.307
Total HRA	**30.228**	**32.307**
Total	**61.767**	**84.908**

2.3 Impact of Capital Expenditure Plans

2.3.1 Changes to the Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the expected financing arrangements of this capital expenditure.

Capital Expenditure	2013/14 Original Estimate £m	2013/14 Revised Estimate £m
Total spend	61.767	84.908
Financed by:		
Capital receipts	1.412	1.775
Capital grants, capital contributions & other sources of capital funding	51.599	69.154
Borrowing Need	8.756	13.979
Total Financing	**61.767**	**84.908**
Supported Borrowing	0.188	0.000
Unsupported Borrowing	8.568	13.979
Borrowing Need	**8.756**	**13.979**

The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

2.3.2 As reported to Audit Committee in July 2013 actual expenditure financed by borrowing in 2012/13 was £7.643m less than anticipated. The increase in borrowing need for 2013/14 therefore reflects both the re-profiling of projects within the approved capital programme and new approvals.

2.3.3 **Changes to the Capital Financing Requirement (PI), External Debt and the Operational Boundary (PI)**

The table below shows the CFR, which is the underlying external need to borrow for a capital purpose. It also shows the expected debt position over the period. This is termed the Operational Boundary which was set at the beginning of the financial year at £602.844m.

2.3.4 **Prudential Indicators – Capital Financing Requirement & External Debt / the Operational Boundary**

In addition to showing the underlying need to borrow, the Council's CFR has since 2009/10, also included other long term liabilities which have been brought on balance sheet, for example, PFI schemes and finance lease assets. No borrowing is actually required against these schemes as a borrowing facility is already included in the contract. The estimate for 2013/14 does not require any revision as there is no change in the borrowing need from such arrangements.

2.3.5 As actual capital expenditure financed by borrowing in 2012/13 was £7.643m less than anticipated this resulted in an overall year-end CFR of £755.036m compared to the £762.679m estimated. Whilst the revised CFR for 2013/14 of £756.960m is less than originally estimated (£759.101m) the figure represents an increase of £1.924m when compared to the 2012/13 year-end position.

RMBC	2013/14 Original Estimate £m	Current Position £m	2013/14 Revised Estimate £m
Prudential Indicator – Capital Financing Requirement			
CFR – Non Housing	324.737		322.596
CFR – Housing	306.959		306.959
Total CFR excluding PFI, finance leases and similar arrangements	631.696		629.555
Net movement in CFR	-1.645		3.857
Cumulative adjustment for PFI, finance leases and similar arrangements	127.405		127.405
Net movement in CFR	-1.933		-1.933
Total CFR including PFI, finance leases and similar arrangements	759.101		756.960
Net movement in overall CFR	-3.578		1.924
Prudential Indicator – External Debt / the Operational Boundary			
Borrowing	475.439	487.301	490.020
Other long term liabilities*	127.405	127.405	127.405
Total Debt 31 March	602.844	614.706	617.425

* - Includes on balance sheet PFI schemes, finance leases and similar arrangements, etc.

Former SYCC	2013/14 Original Estimate £m	Current Position £m	2013/14 Revised Estimate £m
Prudential Indicator – External Debt / the Operational Boundary			
Borrowing	96.121	96.121	96.121
Other long term liabilities	0	0	0
Total Debt 31 March	96.121	96.121	96.121

3. Limits to Borrowing Activity

3.1 The first key controls over the treasury activity is a PI to ensure that over the medium term, gross and net borrowing will only be for a capital purpose. Gross and net external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2013/14 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent to do so.

RMBC	2013/14 Original Estimate £m	Current Position £m	2013/14 Revised Estimate £m
Gross Borrowing	475.439	487.301	490.020
Plus Other Long Term liabilities*	127.405	127.405	127.405
Total Gross Borrowing	602.844	614.706	617.425
CFR*	759.101	755.998	756.960
Total Gross Borrowing	602.844	614.706	617.425
Less Investments	10.000	30.300	20.000
Net Borrowing	592.844	584.406	597.425
CFR*	759.101	755.998	756.960

* - Includes on balance sheet PFI schemes, finance leases and similar arrangements, etc.

3.2 The Director of Financial Services reports that no difficulties are envisaged for the current or future years in complying with this PI.

3.3 A further PI controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for external debt (RMBC)	2013/14 Original Indicator £m	Current Position £m	2013/14 Revised Indicator £m
Borrowing	633.597	487.301	631.456
Other long term liabilities*	127.405	127.405	127.405
Total	761.002	614.706	758.861

* - Includes on balance sheet PFI schemes, finance leases and similar arrangements, etc.

Authorised limit for external debt (Former SYCC)	2013/14 Original Indicator £m	Current Position £m	2013/14 Revised Indicator £m
Borrowing	100.000	96.121	100.000
Other long term liabilities	0.000	0.000	0.000
Total	100.000	96.121	100.000

4. Treasury Strategy 2013/14 – 2015/16

4.1 Debt Activity during 2013/14

4.1.1 The expected borrowing need is set out below:

RMBC	2013/14 Original Estimate £m	Current Position £m	2013/14 Revised Estimate £m
CFR	759.101	755.998	756.960
Less Other Long Term Liabilities*	127.405	127.405	127.405
Net Adjusted CFR (y/e position)	631.696	628.593	629.555
Borrowed at 30/09/13	478.222	487.301	487.301
Under borrowing at 30/09/13	153.474	141.292	142.254
Borrowed at 30/09/13	478.222		487.301
Estimated to 31/03/14	-2.783		2.719
Total Borrowing	475.439		490.020
Under borrowing at 31/03/14	156.257		139.535

* - Includes on balance sheet PFI schemes, finance leases and similar arrangements, etc.

4.1.2 The Council is currently under-borrowed. The delay in borrowing reduces the cost of carrying the borrowed monies when yields on investments are low relative to borrowing rates. There is also an interest rate risk, as longer term borrowing rates may rise, but this position is being closely monitored and the overall position carefully managed.

4.1.3 During the six months to 30 September 2013 the Council has not borrowed any amounts on a long-term basis

4.1.4 During the six months to 30 September 2013, the Council has repaid the following amounts:

Lender	Principal	Type	Interest Rate
PWLB	£1,000,000	Fixed rate (EIP)	3.46%
PWLB	£65,000	Fixed rate (EIP)	3.79%
PWLB	£71,180	Fixed rate (Annuity)	Various

One EIP loan for £20m is being repaid in equal half yearly instalments of £1m over its 10 year term. A second EIP loan is for £1.3m which is being repaid in equal half yearly instalments of £65,000 over its 10 year term. There are 5 Annuity loans on which variable amounts of principal are repaid each six months.

4.1.5 There has been no restructuring or early repayment of existing debt in the first six months of 2013/14.

5. Investment Strategy 2013/14 – 2015/16

5.1 Key Objectives

The primary objective of the Council's investment strategy is the safeguarding the repayment of the principal and interest of its investments on time – the investment return being a secondary objective. The current difficult economic and financial climate has heightened the Council's over-riding risk consideration with regard to "Counterparty Risk". As a result of these underlying market concerns officers continue to implement an operational investment strategy which further tightens the controls already in place in the approved investment strategy.

5.2 **Current Investment Position**

The Council held £30.3m of investments at 30 September 2013 (excluding Icelandic Banks), and the constituent parts of the investment position are:

Sector	**Country**	**Up to 1 year £m**	**1 - 2 years £m**	**2 – 3 years £m**
Banks	UK	0	0	0
DMO	UK	30.300	0	0
Local Authorities	UK	0	0	0
Total		30.300	0	0

5.3 **Risk Benchmarking**

A regulatory development is the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance. Discrete security and liquidity benchmarks are new requirements to the Member reporting.

The following reports the current position against the benchmarks.

5.3.1 **Security** – The Council monitors its investments against historic levels of default by continually assessing these against the minimum criteria used in the investment strategy. The Council's approach to risk, the choice of counterparty criteria and length of investment ensures any risk of default is minimal when viewed against these historic default levels.

5.3.2 **Liquidity** – In respect of this area the Council set liquidity facilities/benchmarks to maintain:

- A Bank overdraft facility of £10m
- Liquid short-term deposits of at least £3m available within a week's notice.

The Director of Financial Services can report that liquidity arrangements were adequate during the year to date.

5.3.3 **Yield** – a local measure for investment yield benchmark is internal returns above the 7 day LIBID rate

The Director of Financial Services can report that the return to date averages 0.25%, against a 7 day LIBID to end September 2013 of 0.36%. This is reflective of the Council's current approach to risk whereby security has been maximised by using the Debt Management Office and other Local Authorities as the principal investment counterparties.

6. Revisions to the Investment Strategy

6.1 The counterparty criteria are continually under regular review but in the light of the current market conditions no recommendations are being put to Members to revise the Investment Strategy.

7. Treasury Management Prudential Indicators

7.1 Actual and estimates of the ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (financing costs net of interest and investment income) against the net revenue stream.

	2013/14 Original Indicator %	2013/14 Revised Indicator %
Non-HRA	7.94	7.84
HRA	18.36	18.13

7.2 The revised non HRA indicator reflects the impact of borrowing being at rates less than originally anticipated for 2013/14. The HRA indicator has increased slightly due to the final HRA revenue budget being less than that assumed in the original indicator.

7.3 Prudential indicator limits based on debt net of investments

- **Upper Limits On Fixed Rate Exposure** – This indicator covers a maximum limit on fixed interest rates.

- **Upper Limits On Variable Rate Exposure** – Similar to the previous indicator this identifies a maximum limit for variable interest rates based upon the debt position net of investments.

RMBC	2013/14 Original Indicator	Current Position	2013/14 Revised Indicator
Prudential indicator limits based on debt net of investments			
Limits on fixed interest rates based on net debt	100%	94.53%	100%
Limits on variable interest rates based on net debt	30%	5.47%	30%

7.4 **Maturity Structures Of Borrowing**

These gross limits are set to reduce the Council's exposure to large fixed rate loans (those instruments which carry a fixed interest rate for the duration of the instrument) falling due for refinancing.

Unlike previous years the indicator and current position shown below now reflect the next call dates on the Council's LOBO loans rather then the actual maturity date of those loans. This gives a better indication of risk and whilst there is a possibility that a loan is called with an increase in interest payable the likelihood of any LOBO loans being called in the current climate is assessed as zero for the next three years.

RMBC	2013/14 Original Indicator		Current Position	2013/14 Revised Indicator	
	Lower	Upper		Lower	Upper
Maturity Structure of fixed borrowing					
Under 12 months	0%	35%	18.85%	0%	35%
12 months to 2 years	0%	35%	10.23%	0%	35%
2 years to 5 years	0%	40%	22.04%	0%	40%
5 years to 10 years	0%	40%	16.73%	0%	40%
10 years to 20 years	0%	45%	4.89%	0%	45%
20 years to 30 years	0%	50%	7.52%	0%	50%
30 years to 40 years	0%	50%	5.52%	0%	50%
40 years to 50 years	0%	55%	14.24%	0%	55%
50 years and above	0%	60%	0.00%	0%	60%

The former SYCC account is due to be wound up by the end of 2020/21 and the maturity structure is now largely fixed as the need and indeed opportunities to re-finance within the remaining 10 years will be limited. As a result future limits are currently set in line with the on-going maturity profile.

Former SYCC	2013/14 Original Indicator		Current Position	2013/14 Revised Indicator	
	Lower	Upper		Lower	Upper
Maturity Structure of fixed borrowing					
Under 12 months	0%	50%	0.00%	0%	50%
12 months to 2 years	0%	70%	0.00%	0%	70%
2 years to 5 years	0%	100%	61.51%	0%	100%
5 years to 10 years	0%	100%	38.49%	0%	100%

7.5 **Total Principal Funds Invested**

These limits are set to reduce the need for the early sale of an investment, and show limits to be placed on investments with final maturities beyond each year-end.

The Council currently has no sums invested for periods exceeding 364 days due to market conditions. To allow for any changes in those conditions the indicator has been left unchanged. The above also excludes any Icelandic investments that are due to be recovered after more than 364 days.

RMBC	2013/14 Original Indicator £m	Current Position £m	2013/14 Revised Indicator £m
Maximum principal sums invested > 364 days	10	0	10
Comprising			
Cash deposits	10	0	10

8. Treasury Management Advisors

8.1 **Re-appointment of Treasury and Asset Finance Advisors**

The Council's three year contract with Sector Treasury Services for the provision of treasury management and asset finance services expired on 6 October 2013.

In accordance with the Council's Standing Orders, a tendering exercise has been carried out for the re-procurement of these services for a further three year period.

An open tender exercise was held from which two submissions were received – one from Sector Treasury Services (now trading as Capita Asset Services Treasury Solutions) and a second from Arlingclose.

These were evaluated on quality and price with Capita Asset Services Treasury Solutions bid ranking slightly higher on both criteria.

Accordingly, a decision has been taken to re-appoint Capita Asset Services Treasury Solutions for a further term of three years with effect from 7 October 2013.

The cost of the contract over the 3 year period is £16,000 in year 1, £16,500 in year 2 and £17,000 in year 3. The annual cost in the final year of the three year contract which has just expired was £16,500.

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	**Meeting:**	**Audit Committee**
2.	**Date:**	**30 October 2013**
3.	**Title:**	**External Auditor's Annual Audit Letter 2012/13**
4.	**Directorate:**	**Resources**

5. Summary

The Annual Audit Letter (AAL) 2012/13 summarises the external audit work in relation to the 2012/13 audit plan and highlights the findings in relation to the following:

- Audit of accounts 2012/13
- Value For money Conclusion 2012/13
- Any Other Matters the external auditor is required to communicate.

A copy of their AAL is attached to this report.

6. Recommendations

That the Audit Committee notes the very positive Annual Audit Letter (AAL) presented to the Council by its external auditors, KPMG LLP.

7. Proposals and Details

The purpose of the Annual Audit Letter (AAL) is to communicate to the Council and key external stakeholders, including members of the public, in a clear and concise manner, the key issues arising from the audit which the external auditor considers should be brought to the attention of the Council.

The Annual Audit Letter (AAL) 2012/13 attached as Appendix 1 is KPMG's summary of audit work for the 2012/13 year.

It briefly summarises the results of the external auditor's work which have previously been reported to Audit Committee in more detail in the form of, for example:

- The ISA 260 Report presented to Audit Committee in September 2013 immediately prior to the 2012/13 Statement of Accounts being approved, and
- Interim Audit Report presented to Audit Committee in April 2013

The main headlines from the AAL are:

- The Council's financial statements were produced to a good standard without the need for audit adjustment and were given an unqualified audit opinion before the statutory deadline of 30 September. KPMG LLP complemented officers on the strong financial reporting process and in providing working papers to the expected standard and timely responses to audit queries; and
- The Council has put in place proper arrangements for securing financial resilience and challenging how it secures economy, efficiency and effectiveness in the use of its finite resources.

The AAL also confirms that no high priority recommendations were made in relation to the 2012/13 audit and that there are no other matters that need to be brought to the attention of the Audit Committee.

This is a very positive audit assessment for the 2012/13 year. It also shows the Council's Financial Services function (part of the Council's Resources Directorate) to be in a strong position to proactively support the Council in meeting the significant financial challenges it faces.

8. Finance

As set out in Appendix 2 to the AAL, the audit fee for 2012/13 was in line with the planned fee.

9. Risks and Uncertainties

KPMG LLP, in its 2013/14 audit plan have highlighted their intention to focus on continuing to assess the Council's financial resilience and how it is prioritising resources within tighter budgets.

Failure to continue to maintain robust financial management and internal control arrangements could lead to less positive conclusions being reached by KPMG LLP in its 2013/14 Annual Audit Letter. It could also lead to an increase in the level of risk relating to the audit resulting in the actual fee being higher than that planned of £186,300.

10. Policy and Performance Agenda Implications

The Council's ability to deliver robust financial management and internal control arrangements will continue to be assessed as part of KPMG's 2013/14 external audit work.

11. Background Papers and Consultation

KPMG Annual Audit Letter 2012/13
Audit Committee – 25 September 2013

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Annual Audit Letter 2012/13

Rotherham Metropolitan Borough Council

16 October 2013

Contents

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Stephen Clark, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 03034448330.

Section one

Headlines

This report summarises the key findings from our 2012/13 audit of Rotherham Metropolitan Borough Council (the Authority).

Although this letter is addressed to the Members of the Authority, it is also intended to communicate these issues to key external stakeholders, including members of the public.

Our audit covers the audit of the Authority's 2012/13 financial statements and the 2012/13 VFM conclusion.

VFM conclusion	We issued an unqualified value for money (VFM) conclusion for 2012/13 on 26 September 2013. This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness. To arrive at our conclusion we looked at your financial governance, financial planning and financial control processes, as well as how you are prioritising resources and improving efficiency and productivity.
VFM risk areas	We identified one significant risk to our VFM conclusion around the decision to re-procure the Digital Region services under a new business model. Since the year end, the Council together with the other local authority shareholders unanimously agreed to an orderly managed closure of the business in August 2013. This decision will limit the Authority's exposure to future losses connected with DRL and the Council expects its share of the overall cost to be contained within the total budget provision made in 2011/12 and 2012/13 of £7.6m. The Authority has actively reviewed the situation as it has developed throughout the 2012-13 financial year, and this ongoing monitoring has enabled it to take the difficult decision to close the company. As a result of this active involvement, we have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in respect of its investment in Digital Region Ltd during 2012-13. The Authority needs to ensure it has appropriate arrangements to ensure the closure of Digital Region Limited is managed to reduce the financial impact on the Authority. The Authority should also ensure that it carries out a review of the Digital Region Project to identify the lessons that should be learned from the initial decision to invest up to the final decision to close the company. This review should, ideally, be carried out jointly with the other stakeholders.
Audit opinion	We issued an unqualified opinion on your financial statements on 26 September 2013. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.
Financial statements audit	We identified no significant adjusted or unadjusted misstatements as part of our audit work. We noted: • the Authority had continued to maintain a strong financial reporting process and produced statements of accounts to a good standard. This is in the context of having less resource, so represents good performance.; • Financial Services provided, or were able to provide on request, working papers which fully addressed our line of enquiry; and • Officers provided timely responses to ad hoc requests and queries which we raised without exception.
Annual Governance Statement	We reviewed your *Annual Governance Statement* and concluded that it was consistent with our understanding.

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Headlines (continued)

We provide a summary of our key reports in Appendix 1.

All the issues in this letter have been previously reported.

Whole of Government Accounts	We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements.
High priority recommendations	We identified no high priority recommendations as a result of our 2012/13 audit work.
Certificate	We issued our certificate on 26 September 2013. The certificate confirms that we have concluded the audit for 2012/13 in accordance with the requirements of the *Audit Commission Act 1998* and the Audit Commission's *Code of Audit Practice*.
Audit fee	Our fee for 2012/13 was £191,178, excluding VAT. This is a decrease from prior year due to changes in the Audit Commission fee regime. Further detail is contained in Appendix 2.

Appendices

Appendix 1: Summary of reports issued

This appendix summarises the reports we issued since our last *Annual Audit Letter*.

2013

January

February

March

April

May

June

July

August

September

October

November

Certification of Grants and Returns (January 2013)

This report on summarised the outcome of our certification work on the Authority's 2011/12 grants and returns.

External Audit Plan (February 2013)

The *External Audit Plan* set out our approach to the audit of the Authority's financial statements and to work to support the VFM conclusion.

Audit Fee Letter (April 2013)

The *Audit Fee Letter* set out the proposed audit work and draft fee for the 2013/14 financial year.

Interim Audit Letter (April 2013)

The *Interim Audit Letter* summarised the results from the preliminary stages of our audit.

Auditor's Report (September 2013)

The *Auditor's Report* included our audit opinion on the financial statements, our VFM conclusion and our certificate.

Report to Those Charged with Governance (September 2013)

The *Report to Those Charged with Governance* summarised the results of our audit work for 2012/13 including key issues and recommendations raised as a result of our observations.

We also provided the mandatory declarations required under auditing standards as part of this report.

Annual Audit Letter (October 2013)

This *Annual Audit Letter* provides a summary of the results of our audit for 2012/13.

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Appendix 2: Audit fees

This appendix provides information on our final fees for 2012/13.

To ensure openness between KPMG and your Audit Committee about the extent of our fee relationship with you, we have summarised the outturn against the 2012/13 planned audit fee.

External audit

Our final fee for the 2012/13 audit of the Authority was £191,178. Although we note we are awaiting approval from the Audit Commission for £4,878 of this fee. This is an overall reduction of 41 percent on the comparative total fee for 2011/12 of £324,543. This reflects the significant reductions made nationally by the Audit Commission to its scale fees.

This is higher than the planned fee of £186,300 because of the additional work associated with Digital Region Limited, which involved considering:

- the accounting treatment in the statement of accounts;
- the Value For Money conclusion risk (outlined earlier); and
- the impact on our wider reporting responsibilities.

Certification of grants and returns

Our grants work is still ongoing and the fee will be confirmed through our report on the *Certification of Grants and Returns 2012/13* which we are due to issue in January 2014.

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ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	**Meeting:**	**Audit Committee**
2.	**Date:**	**Wednesday 30th October, 2013**
3.	**Title:**	**Revised Financial Regulations**
4.	**Directorate:**	**Environment and Development Services**

5. Summary

The Council's Financial Regulations are periodically reviewed to ensure they are fit for purpose and meet current best practice.

The proposed revisions referred to in this report are recommended to reflect recent changes in the Council's structures, revised legislation and regulatory frameworks, and to provide further guidance in various areas where common issues have arisen over the last couple of years.

As has been the case in the past, Cabinet and Scrutiny will be consulted on proposals after any comments by the Audit Committee, and any ultimate changes will be adopted as part of the Council's constitution.

6. Recommendations

The Audit Committee is asked to support the attached revised Financial Regulations and Guidance Notes.

7. Proposals and Details

The most recent revisions to the Council's Financial Regulations were made over two years ago. Since then there have been some major changes to the Council's structures and its services that now need to be reflected in the Regulations.

In addition, over the same period there have been changes to legislation and regulatory frameworks that need to be reflected in revised Financial Regulations. There have also been a number of areas where common issues have arisen and where, in response, guidance notes have been drafted to assist officers, and where relevant Members, to deal with any situations arising in these areas.

The following are a summary of the main changes proposed to Financial Regulations in the attached revised version (see **Appendix A**).

7.1 The introduction has been augmented to explain the layout of the Financial Regulations, which is based on a format endorsed by CIPFA in its recent publication; *'Financial Regulations – A Good Practice Guide for an English Modern Council'*

7.2. General update to take account of changes to the structure of the Council including, in particular:

- the vacancy of the Strategic Director of Resources post
- the vacancy of the Director of Commissioning, Policy and Performance post
- the movement of the procurement function to become the responsibility of the Strategic Director of Neighbourhoods and Adult Services.

7.3. Removal of all references to RBT.

7.4 Removal of residual references to 2010 Rotherham Ltd.

7.5 Changes in the statutory requirements for monitoring and reporting on performance, such as the production of a Corporate Performance Plan and Best Value Performance Indicators. Financial Regulations now include the CIPFA recommended 'Policy Framework' wording.

7.6 Recognition of changes relating to the appointment of external auditors and the scope of external audit, being introduced by the Local Audit & Accountability Bill 2013-14.

7.7 The inclusion of new guidance notes on Money Laundering, Contracts for Building, Construction & Engineering Works, and Ex-gratia payments.

7.8 Removal of the former Guidance Note relating to the Sundry Accounts Collection Policy. A new Sundry Accounts Policy has recently been produced that replaces the Guidance Note.

7.9 General updates where new or amended legislation or regulations have been introduced, including:

- new accounting and disclosure requirements for entities preparing financial statements under International Financial Reporting Standards (IFRS).

- the CIPFA Service Reporting Code of Practice (SeRCOP) replaced the previous Best Value Accounting Code of Practice. SeRCOP applies to all local authority services throughout the UK from 1 April 2013 for the preparation of 2013/14 Budgets, Performance Indicators and Statements of Accounts.

- the requirement, under the Accounts and Audit Regulations 2011, to produce an Annual Governance Statement which gives an outline of the Council's governance controls and the procedures that are in place. This replaced the Statement of Internal Control.

7.11 Changes in requirements of Internal Audit have occurred:

- The Accounts & Audit Regulations 2011 now require 'local authorities to undertake an adequate & effective internal audit of its accounting records & of its system of internal control in accordance with the proper practices in relation to internal control'.

- Introduction of new Internal Auditing standards known as the Public Sector Internal Audit Standards [PSIAS].

All changes made are highlighted in red font in the revised Regulations appended to this report.

8. Finance

There are no direct financial implications arising from this report.

9. Risks and Uncertainties

Failure to keep the Council's Financial Regulations up to date and relevant could weaken their effectiveness and lead to criticism of the Council's financial management.

10. Policy and Performance Agenda Implications

The proposals should enhance the consistency with which the Council manages its financial affairs and enhance performance through effective and informative procedures.

11. Background Papers and Consultation

"*Financial Regulations: A Good Practice Guide for an English Modern Council*" (CIPFA, 2001)

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Appendices:
Appendix A – Revised Financial Regulations and Guidance Notes.

ROTHERHAM METROPOLITAN BOROUGH COUNCIL

FINANCIAL REGULATIONS

These Regulations are based on a format endorsed by the Chartered Institute of Public Finance & Accountancy (CIPFA), in its publication; 'Financial Regulations – A Good Practice Guide for an English Modern Council', as follows: -

High Level Regulations - These are pages 1 to 19 inclusive of the regulations and include the overall purpose, scope, principles and structure of the regulations including defining the five main areas consisting of:-

Financial Management (Regulation A)
Financial Planning (Regulation B)
Risk Management & Control of Resources (Regulation C)
System & Procedures (Regulation D)
External Arrangements (Regulation E)

Appendices – These are pages 20 to 78 and contain more detailed explanations and definitions in relation to the five areas listed above with each having a separate appendix. They are all structured in the following format:-

a) Why the subject is important
b) The key controls of the subject
c) The responsibilities of the Director of Financial Services
d) The responsibilities of the Strategic & Service Directors

Guidance Notes – This section of the Financial Regulations is intended to provide detailed guidance on specific subjects, the guidance notes can be found on pages 79 to 144.

FINANCIAL REGULATIONS

C O N T E N T S

ROTHERHAM METROPOLITAN BOROUGH COUNCIL
FINANCIAL REGULATIONS

1. Purpose of the Regulations

1.1 The purpose of these Regulations is to put in place arrangements for the proper administration of the Council's financial affairs.

1.2 The Director of Financial Services has a statutory duty to ensure the proper administration of the Council's financial affairs (Section 151 - Local Government Act 1972).

2. Scope of the Regulations

2.1 The Regulations identify the financial responsibilities of the full Council, executive members and overview and scrutiny, the Chief Executive, the Monitoring Officer, the Director of Financial Services and Strategic Directors. Executive members and Directors should maintain a written record where decision making has been delegated to members of their staff, including seconded staff. Where decisions have been delegated or devolved to other responsible officers, references to Strategic Directors in the Regulations should be read as referring to them.

2.2 These Regulations do not apply to schools with delegated budgets in respect of the administration of those delegated budgets, and for which separate, specific, Financial Regulations shall apply.

2.3 The Regulations shall apply to all of the Council's activities (subject to Regulation 2.2 above) including any activities undertaken on behalf of third parties or under separate financial/funding regimes.

2.4 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.

2.5 Strategic Directors are responsible for ensuring that all staff in their directorates are aware of the existence and content of the Authority’s Financial Regulations and other internal regulatory documents and that they comply with them. They must also ensure that staff have access to the electronic version on the Council’s Intranet or where this is impractical, an adequate number of copies are made available for reference.

2.6 The Council may take disciplinary or other action against anyone to whom these Regulations apply but who fails to comply with them.

2.7 The Authority's detailed financial procedures, setting out how the Regulations will be implemented, are contained in the appendices to these Financial Regulations.

3. Structure of the Regulations

3.1 In accordance with the recommendations of the Chartered Institute of Public Finance and Accountancy (CIPFA) these Regulations are structured in five main sections:-

Financial Management (Regulation A)
Financial Planning (Regulation B)
Risk Management and Control of Resources (Regulation C)
Systems and Procedures (Regulation D)
External Arrangements (Regulation E)

3.2 Pages **1 to 22** of this document set out the broad framework and overview of the Council's Financial Regulations (as outlined above) and is supplemented by a more detailed section outlining practical and procedural issues of the five sections above (Appendices A to E). Wherever appropriate / applicable, these will be further supplemented by detailed guidance documents prepared by relevant Sections/Officers and retained within the office environment for reference as required.

4. Changes to the Regulations

4.1 The Director of Financial Services is responsible for maintaining a continuous review of the Financial Regulations and submitting any additions or changes necessary to full Council for approval. The Director of Financial Services is also responsible for reporting, where appropriate, breaches of Financial Regulations to the Council and/or to the executive members.

4.2 These Regulations shall not be changed, revoked or otherwise set aside without the prior agreement of the Council acting on a recommendation from the Cabinet or the Standards Committee.

4.3 The Director of Financial Services shall comment in writing upon any proposal to change, revoke or otherwise set aside any part of these Regulations, prior to any decision of the Council on this matter.

5. Interpretation of the Regulations

5.1 The Director of Financial Services is responsible for issuing advice and guidance to underpin the Financial Regulations that members, officers and others acting on behalf of the Council are required to follow.

5.2 The Director of Legal & Democratic Services shall determine any dispute as to the interpretation of these Regulations.

FINANCIAL REGULATION A - FINANCIAL MANAGEMENT

Introduction

A1 Financial management covers all financial accountabilities in relation to the running of the Authority, including the budget and policy framework. (This section of the Regulations should be read in conjunction with the relevant parts of the Council's Constitution).

The Full Council

A2 The full Council is responsible for approving the policy framework and budget within which the Executive (Cabinet) operates. The Executive is responsible for proposing the policy framework and budget to the full Council.

The Executive (Cabinet)

A3 Executive decisions can be delegated to groups of Executive Members, to individual Executive Members or to Officers. The Cabinet is responsible for establishing protocols to ensure that individual Executive Members consult with relevant Officers before taking a decision within their delegated authority. In so doing, the Member must take account of the legal and financial liabilities and risk management issues that may arise from the decision.

Overview and Scrutiny Committees (including Commissions and Panels)

A4 Overview and scrutiny committees are responsible for scrutinising Executive decisions before or after they have been implemented and for holding the Executive to account. Overview and scrutiny committees are also responsible for making recommendations on future policy options and for reviewing the general policy and service delivery of the Authority.

A5 The Audit Committee is an advisory body reporting, as appropriate, to the full Council.
It has a right of access to all the information it considers necessary and can consult directly with internal and external Auditors. The Committee is responsible for approving the Council's Statement of Accounts, reviewing governance issues of the Council including external Auditor's reports, the Annual Audit Letter, the Auditor's ISA260 Report and also Internal Audit's Annual Report.

A6 The Standards Committee is responsible for promoting and maintaining high standards of conduct amongst members. In particular, it is responsible for advising the Council on the adoption and revision of the members' code of conduct, and for monitoring the operation of the code.

The Statutory Officers

Chief Executive

A7 The Chief Executive is responsible for the corporate and overall strategic management of the Authority as a whole. He or she must report to and provide information for the Executive, the full Council, the overview and scrutiny committees and other committees. He or she is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the Authority.

The Section 151 Officer (Director of Financial Services)

A8 The Director of Financial Services has statutory duties in relation to the financial administration and stewardship of the Authority. The statutory duties arise from:-

Local Government Act 1972 (Section 151)

Local Government Finance Act 1988

Local Government and Housing Act 1989

Local Government Act 2003

Accounts and Audit Regulations 2011

These statutory responsibilities cannot be overridden.

A9 The Director of Financial Services is responsible for:-

- Maintaining strong financial management underpinned by effective financial controls;
- Contributing to corporate management and leadership;
- Supporting and advising democratically elected representatives;
- Supporting and advising Officers in their operational roles;
- Leading and managing an effective and responsive financial service.

A10 Section 114 of the Local Government Finance Act 1988 requires the Director of Financial Services to report to the full Council, Executive and external Auditor if the Authority or one of its Officers:-

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

- Is about to make an unlawful entry in the Authority's accounts.

- Section 114 of the 1988 Act also requires:-

  - The Section 151 Officer to nominate a properly qualified member of staff to deputise should he or she be unable to perform the duties under Section 114 personally.

  - The Authority to provide the Section 151 Officer with sufficient staff, accommodation and other resources - including legal advice where this is necessary - to carry out the duties under Section 114.

The Monitoring Officer

A11 The Monitoring Officer (the Director of Legal & Democratic Services) is responsible for promoting and maintaining high standards of financial conduct by both members and officers. In conjunction with the Section 151 Officer (the Director of Financial Services) he/she is responsible for advising the Cabinet or the full Council about whether a decision, or intended decision, is likely to be considered contrary to, or not wholly in accordance with, the Council's budget. Such decisions might include:-

- Initiating a new policy without specific budget approval.
- Committing expenditure in future years above the approved budget level.
- Incurring expenditure in future years without proper approval of virement.
- Causing total expenditure to increase beyond a given level.

Strategic Directors & Directors

A12 Strategic Directors and Directors are responsible for:-

- Ensuring that Cabinet Members are advised of the financial implications of all proposals and that the financial implications have been agreed with the Director of Financial Services.
- Signing contracts on behalf of the Authority (except in instances where the Common Seal of the Council is required to be affixed).

A13 It is the responsibility of Strategic Directors to consult with the Director of Financial Services and seek approval on any matters liable to affect the Authority's finances materially, before any commitments are incurred.

Other Financial Accountabilities

Accounting Policies and Procedures

A14 The Director of Financial Services will be responsible for:-

- Determining accounting policies and ensuring that they are applied consistently.
- Determining the accounting procedures and records for the Authority.

Virement

A15 The full Council is responsible for agreeing procedures for virement of expenditure between budget headings.

Treatment of year-end balances

A16 The full Council is responsible for agreeing guidelines for the carrying forward of under and overspendings on budget headings.

Annual Statement of Accounts – Preparation and Approval

A17 The Director of Financial Services will be responsible for ensuring that the annual Statement of Accounts is prepared in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom and to the prescribed timetable.

The Audit Committee will be responsible for approving the annual Statement of Accounts.

FINANCIAL REGULATION B - FINANCIAL PLANNING

Introduction

B1 The full Council will be responsible for approving the Authority's policy framework and budget, which will be proposed by the Cabinet.

In terms of financial planning, the key elements of the process will be:-

- The Corporate Plan
- The Capital Strategy and the Capital Programme
- The Medium Term Financial Strategy
- The Budget

Preparation of the Corporate Plan

B2 The Chief Executive is responsible for proposing the Corporate Plan to the Executive (Cabinet) for consideration before submission to the full Council for approval. It will contain a statement of the priorities of the Council.

B3 It will be a requirement of the Council that each planned item of expenditure, whether revenue or capital, shall be intended to further one or more of the Council's stated priorities or, if that is not the case, shall be required to discharge a specific statutory obligation on the Council.

The Medium Term Capital Programme

B4 The Director of Financial Services will be responsible for ensuring that a Medium Term Capital Programme for the Authority is prepared, and updated annually for consideration by the Cabinet and approval by the Council. Any 'in-year' revisions should be considered by Cabinet and approved by the Council throughout the year.

B5 The Capital Programme will be prepared in accordance with the Capital Strategy and Asset Management Plan of the Authority and be consistent with, and designed to further, the achievement of the Council's priorities.

The Medium Term Financial Strategy

B6 The Director of Financial Services will be responsible for ensuring that a Medium Term Financial Strategy for the Authority is prepared, and updated at least annually for consideration by the Cabinet and approval by the Council.

B7 The Medium Term Financial Strategy will be consistent with, and designed to further the achievement of, the Council's priorities.

The Revenue Budget - Preparation

B8 The Director of Financial Services will be responsible for ensuring that a Revenue Budget for the coming financial year (and as appropriate the two subsequent financial years) is prepared and brought forward for approval by the Council, upon recommendation of the Cabinet, on or before the statutory date for such approval (currently 11th March). The adoption of the budget by the Council shall be accompanied by a resolution as to the level of Council Tax required for the coming financial year in order to sustain the budget.

B9 The Revenue Budget for the year will:-

- Be consistent with the Council's priorities as expressed in the Corporate Plan.
- Reflect the content of the Medium Term Financial Strategy for the appropriate year.
- Be balanced, affordable and sustainable.
- Not commit the Council to unplanned or unaffordable expenditure in subsequent years.
- Leave the Council with an adequate level of uncommitted balances/reserves.
- Be accompanied by a prudent risk assessment of the possible implications in terms of both affordability and service delivery.

B10 When the proposed budget for the coming year is being considered by the Cabinet and the Council, the Director of Financial Services shall advise as to what would constitute a prudent and necessary minimum level of uncommitted balances/reserves for the Council to retain, and also as to whether the budget being proposed is consistent with such a requirement. In forming such a judgement, the Director of Financial Services will take heed of any guidance from CIPFA or the external Auditor.

B11 Within the overall cash limited budget allocated by the Council to his/her Directorate, each Strategic Director will set a detailed budget. In setting the detailed budget, each Strategic Director will take account of any policies, priorities, or specific allocations prescribed by the Cabinet in the determination of the budget total, and shall ensure that all cash limited budget allocations are in accordance with the Council's declared intentions.

B12 When a cash limited budget has been agreed for the year for each Directorate (as part of the Council's approved budget) it shall be the responsibility of the Strategic Director to ensure that their budget is not overspent.

Revenue Budget Monitoring

B13 The Director of Financial Services will ensure that appropriate financial information is available to Strategic Directors and Directors so as to enable them to monitor their budgets effectively.

B14 Budget monitoring will be carried out in accordance with guidance issued by the Director of Financial Services. This guidance will lay down the Authority's requirements in respect of:-

a) Frequency of reporting

b) The format and content of reports (including the degree of detail, risk analysis undertaken and any corrective actions taken or proposed)

c) The recipients of budget monitoring reports (such as Strategic Leadership Team or Cabinet).

B15 In undertaking budget monitoring within their Directorate, Strategic Directors should be mindful of the overriding requirement to deliver an outturn within budget. Actions necessary within the detail of the budget in order to deliver a balanced outturn shall be brought to the attention of elected members, through the Director of Financial Services and the Strategic Leadership Team so that any corrective action can be set in motion. Where it appears that an overspending on their overall budget is unavoidable, the Strategic Director shall immediately advise the Director of Financial Services and the Strategic Leadership Team who will then submit the appropriate report and recommendations to Members.

FINANCIAL REGULATION C - RISK MANAGEMENT AND CONTROL OF RESOURCES

Introduction

C1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational risks to the Authority. This should include the proactive participation of all those associated with planning and delivering services.

Risk Management

C2 The Council is responsible for approving the Authority's risk management policy statement and strategy and for reviewing the effectiveness of risk management. It is also responsible for ensuring that proper insurance arrangements exist where appropriate.

C3 The Director of Internal Audit and Asset Management is responsible for preparing the Authority's risk management policy statement, for promoting it throughout the Authority and for advising the Strategic Leadership Team on proper insurance cover where appropriate.

Insurance

C4 The Director of Internal Audit and Asset Management shall ensure that the Council has appropriate insurance cover in place in respect of all its assets and risks as an employer and provider of services and facilities.

C5 All Strategic Directors and Directors will be responsible for ensuring that the Director of Internal Audit and Asset Management is provided with all relevant information applicable to their Directorate, and in a timely manner, as he / she may reasonably require in order to enable him to discharge effectively his responsibility at Regulation C4.

Internal Control

C6 Internal control refers to the systems of control devised by management to help ensure the Authority's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Authority's assets and interests are safeguarded.

C7 The Director of Internal Audit and Asset Management is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and Regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.

C8 It is the responsibility of Strategic Directors and Directors to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

Audit Requirements

C9 The Accounts and Audit Regulations 2011 issued by the Government require local authorities to undertake an adequate and effective internal audit of their accounting records and of their system of internal control, in accordance with proper practices in relation to internal control.

C10 The Authority may, from time to time, be subject to audit, inspection or investigation by other external bodies such as HM Revenues and Customs, who have statutory rights of access.

C11 The Director of Internal Audit and Asset Management will have overall responsibility for Internal Audit throughout the Authority. Internal Auditors will operate as a managerial control by examining, evaluating and reporting upon the effectiveness of internal financial and operational controls and the efficient use of Council resources.

Preventing Fraud and Corruption

C12 The Director of Internal Audit and Asset Management is responsible for the development and maintenance of an anti-fraud and anti-corruption policy.

Assets

C13 The Director of Financial Services shall be responsible for maintaining an adequate and up to date register of all the Authority's capital assets and for calculating and processing the appropriate capital financing charges in accordance with CIPFA Capital Accounting Guidelines.

C14 Each Strategic Director and Director will be responsible for ensuring that the Director of Financial Services is advised promptly of all additions, deletions or other changes (enhancements / impairments) to the Authority's portfolio of assets, such as might affect the preparation of the Council's accounts.

Treasury Management

C15 The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice (the Code), and specifically adopts the key principles as described in Section 4 of that code.

C16 Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management: -

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

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment, where necessary, to reflect the particular circumstances of this Council. Such amendments will not result in the Council materially deviating from the Code's key recommendations.

C17 The Council will receive reports from the Director of Financial Services on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, and an annual report after its close, in the form prescribed in its TMPs.

C18 The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Audit Committee, and for the execution and administration of treasury management decisions to the Director of Financial Services, who will act in accordance with the Council's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

Banking

C19 The Director of Financial Services will be responsible for the opening of all bank accounts in the name of, and on behalf of, the Council. No employee of the Council shall open any bank (or equivalent) account without the express approval of the Director of Financial Services.

C20 The Director of Financial Services will ensure that sound, adequate arrangements are in place for the safe and efficient operation of all its bank accounts, and will effect, or cause to be effected, proper and timely reconciliations.

Staffing

C21 The Director of Human Resources, in conjunction with the Director of Financial Services and in consultation with the Chief Executive, is responsible for determining how officer support for executive and non-executive roles within the authority will be organised.

C22 The Chief Executive is responsible for providing overall management of staff. He or she will also be responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job.

C23 Strategic Directors are responsible for controlling total staff numbers by:

- Advising the Executive on the budget necessary in any given year to cover estimated staffing levels
- Adjusting the staffing to a level that can be funded within approved budget provision, varying the provision as necessary within that constraint in order to meet changing operational needs

FINANCIAL REGULATION D - SYSTEMS AND PROCEDURES

Introduction

D1 Sound systems and procedures are essential to an effective framework of accountability and control. The Director of Financial Services will be responsible for the operation of the Authority's accounting systems, the form of accounts and the supporting financial records. No changes shall be made to the existing financial systems, or new systems be established, without the prior approval of the Director of Financial Services.

Systems

D2 Strategic Directors and Directors will be responsible for the proper operation of financial processes in their own service areas and for ensuring that their staff receive relevant financial training.

D3 Strategic Directors must ensure that, where appropriate, computer and other systems are registered in accordance with Data Protection legislation, and that staff are aware of their responsibilities under Freedom of Information legislation.

Scheme of Delegation

D4 It is the responsibility of each Strategic Director to ensure that a proper Scheme of Delegation has been established in their Directorate, in accordance with Standing Order 34, and is operating effectively. The Scheme of Delegation should identify staff authorised to act on the Strategic Director's behalf in respect of payments, income collection and the requisitioning of goods and services, writing off debts, together with the limits of their authority.

D5 The Authority will determine procedures for writing off debts as part of its overall framework of accountability and control i.e. the Scheme of Delegation.

Procurement

D6 The Strategic Director of Neighbourhoods and Adult Services will be responsible for the effective and efficient discharge of the Council's procurement function.

D7 Every contract entered into by the Council shall be entered into pursuant to, or in connection with, the Council's functions and shall comply with: -

(a) all relevant statutory provisions;

(b) the relevant European procurement rules (i.e. the EC Treaty, the general principles of EC law and the European Union's Public Contracts Directive implemented by the Regulations);

(c) Financial Regulation, Contract Standing Orders and Schemes of Delegation; and

(d) The Council's strategic objectives and policies

Salaries, Wages, Pensions and Other Emoluments

D8 The Director of Human Resources will be responsible for ensuring the operation and maintenance of effective systems for the payment and recording of staff salaries, wages, pensions and other emoluments.

D9 It will be the duty of all Council employees, to ensure that all relevant information is collected, forwarded and processed as appropriate so as to ensure that all employees are paid correctly and on time, and that all information is readily available to ensure that deductions from pay are paid over to other agencies (e.g. HM Revenue & Customs, Superannuation Fund) by the due dates.

Creditors and Debtors

D10 The Director of Financial Services will be responsible for ensuring the operation and maintenance of effective systems for the payment of creditors and the collection of monies from debtors across the range of Council services.

D11 No creditor shall be paid or debtor be invoiced other than through systems operated by the Director of Financial Services or otherwise specifically approved by him / her.

Income

D12 The Director of Financial Services will be responsible for ensuring that adequate systems are available, and are maintained, for the recording of all income received by, and due to, the Authority.

D13 It will be the responsibility of every employee of the Authority to ensure that all sums of money due to the Authority are promptly invoiced or otherwise demanded and that all sums of money received are promptly paid into the Authority's accounts.

Taxation

D14 The Director of Financial Services is responsible for ensuring that adequate procedures are in place and adequate advice is available to Directorates so as to ensure that the Authority is at all times compliant with the specific requirements of the various tax regimes which affect its operations and delivery of services.

D15 In the discharge of this responsibility, the Director of Financial Services will be responsible for maintaining the Authority's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate. In appropriate circumstances (e.g. where part of this function may have been devolved to a partner organisation) the Director of Financial Services will ensure compliance with the requirements of the particular tax regimes.

D16 Each Strategic Director and Director will at all times conduct the financial arrangements of their services, with regard to taxation issues, in accordance with advice or instructions issued by the Director of Financial Services, and shall provide any related information or documents upon request.

Trading Accounts

D17 It is the responsibility of the Director of Financial Services to advise on the establishment and operation of trading accounts throughout the Authority.

FINANCIAL REGULATION E - EXTERNAL ARRANGEMENTS

Introduction

E1 The Local Authority provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders. It must also act to achieve the promotion or improvement of the economic, social or environmental well-being of its area including to develop and achieve the furtherance of the Authority's priorities and objectives.

Partnerships

E2 The Cabinet is responsible for approving delegations, including frameworks for partnerships. The Cabinet is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.

E3 The Cabinet can delegate functions - including those relating to partnerships - to o fficers. These are set out in the Scheme of Delegation that forms part of the Authority's Constitution. Where functions are delegated the Cabinet remains accountable for them to the full Council.

E4 The Chief Executive, or other properly authorised individual, will represent the Authority on partnership and external bodies, in accordance with the Scheme of Delegation.

E5 The Monitoring Officer is responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the Authority.

E6 The Director of Financial Services must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. In conjunction with the Director of Legal & Democratic Services, he / she must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. He / she must ensure that the risks have been fully appraised before agreements are entered into with external bodies.

E7 Strategic Directors and Directors are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

External Funding

E8 The Director of Financial Services is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Authority's accounts.

Work for Third Parties

E9 The Cabinet is responsible for approving the contractual arrangements for any work undertaken for third parties or external bodies.

Appendix A - Financial Management

1. Financial Management Standards

Why is this important?

1. All staff and members have a duty to abide by the highest standards of probity in dealing with financial issues. This is facilitated by ensuring 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. The key controls for financial management standards are:

- to ensure their promotion throughout the Authority
- to have a system in place to review compliance with financial standards
- to undertake regular comparisons of performance indicators and benchmark standards and report these to the Cabinet and full Council in accordance with agreed timetables.

Responsibilities of the Director of Financial Services

3. To ensure the proper administration of the financial affairs of the Authority.
4. To set the financial management standards and to monitor compliance with them.
5. 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 Authority.
6. To advise on the key strategic controls necessary to secure sound financial management.
7. To ensure that financial information is available to enable accurate and timely monitoring and reporting of comparisons of national and local financial performance indicators.

Responsibilities of Strategic Directors

8. To promote the financial management standards set by the Director of Financial Services in their directorates and to monitor adherence to the standards and practices, liaising as necessary with the Director of Financial Services.

9. To promote sound financial practices in relation to the standards, performance and development of staff in their departments.

2. Managing Expenditure

(a) Virement and Supplementary Estimates

Why is this important?

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

Key controls

11. Key controls for the scheme of virement are:

- virement of resources between one head of account and another, whether within or between Services will be subject to approval, as defined in Guidance Note 9 – Virement, underpinning these Regulations.

- the overall revenue budget is drawn up by the Cabinet and approved by the full Council. Strategic Directors and budget managers are therefore authorised to incur expenditure in accordance with the estimates that make up the budget. The rules below cover virement; that is, switching resources between approved budget headings

- virement does not create additional overall budget liability. Strategic 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 create future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources in the Medium Term Financial Strategy. Strategic 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.

Responsibilities of the Director of Financial Services

12. The Director of Financial Services will determine when an amendment to detailed budget allocations constitutes a virement within the terms of these Regulations.

13. All virement requests will require the completion of the prescribed documentation (which, subject to the appropriate approval, will be used by the Director of Financial Services to amend the Financial Information System of the Council).

14. The Director of Financial Services will be entitled to comment on virement requests that require approval by elected Members prior to any decision being taken on the issue.

Responsibilities of Strategic Directors

15. The Regulations will enable Strategic Directors / Directors to operate their service budgets efficiently, without undue restriction, subject to the agreement of all Strategic Directors / Directors concerned, and subject also to the virement not making changes to the Council's priorities without specific Member approval.

16. No Strategic Director / Director will be authorised to incur expenditure in excess of his/her cash limited budget without either:-

    (a) A supplementary estimate being approved by the Council, or

    (b) Virement being approved in accordance with these Regulations.

17. No request for a supplementary estimate may be presented to Members without prior consultation with the Strategic Leadership Team and the Director of Financial Services, whose recommendations shall accompany any formal request.

(b) Treatment of year-end balances

Why is this important?

18. The rules below cover arrangements for the transfer of funds between accounting years, i.e. a carry forward, such as will strike the optimum balance between continued service delivery and the maintenance of a reasonable level of balances.

Key controls

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

Responsibilities of the Director of Financial Services

20. The Director of Financial Services will prepare an overall outturn report for the Authority each year for submission to the Strategic Leadership Team and the Cabinet. He/she will also ensure that the statutory Statement of Accounts is prepared and submitted to Members in the prescribed format and to the prescribed timetable.

21. In setting its annual revenue budget, the Council determines a cash-limited allocation for each Directorate, calculated at forecasted outturn prices. These cash limits may be amended subsequently through the Council's Revised Estimates process. The principle of cash limited budgets presupposes that, in general terms, both underspendings and overspendings at the end of one financial year will be carried forward and the following year's budget allocation be adjusted accordingly.

    In its practical application, however, it is imperative that any such carry forwards are first considered against the overall financial position of the Authority. Therefore, except where statutory requirements dictate otherwise, the following policies are to be applied:-

    General Fund Revenue Budgets

    - 80% of any under spend will go into General Fund Balances to be applied subsequently, as necessary, in accordance with Council-wide priorities.
    - 20% of the under spend to be retained by the Directorate for general or specific service use.
    - 100% of any overspend will be carried forward by Directorates. Under spends and overspends will be calculated at Directorate level.

    Trading Services

    - Carry forward of 100% of surpluses or deficits to be taken into account in future years' business plans.
    - Specific Project Budgets i.e. large one-off items or earmarked funding for specific projects or developments.
    - Applications and supporting cases to carry forward any unspent balance are to be made to Strategic Leadership Team to recommend to Cabinet for approval. In the event of an overspend, such a balance will be carried forward for the Directorate to manage the following year.

22. Prior to the consideration of any report by the Council on the carry forward of any budget under/overspending, the Director of Financial Services will prepare a composite outturn report, for the consideration of the Strategic Leadership Team outlining the totality of the Council's funds and balances, together with any specific commitments or known pressures which are expected to affect materially the level of those funds and balances.

Responsibilities of Strategic Directors

23. After the end of each financial year, each Strategic Director will be responsible for ensuring that an outturn report, against approved budget, for their Directorate is submitted to the Director of Financial Services who will provide the timetable and format for completion of such reports.

24. The Strategic Leadership Team will consider the composite outturn report prepared by the Director of Financial Services (See Regulation 22 above) and make recommendations to the Cabinet on underspendings and overspendings to be carried forward into the following financial year bearing in mind the need to retain a reasonable level of uncommitted balances.

3. Accounting policies

Why is this important?

25. The Director of Financial Services is responsible for the preparation of the Authority's Statement of Accounts, in accordance with proper practices and recognised accounting policies 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

26. The key controls for accounting policies are:

    a. Systems of internal control are in place that ensure that financial transactions are lawful

    b. suitable accounting policies are selected and applied consistently

    c. proper accounting records are maintained

    d. financial statements are prepared which present fairly the financial position of the Authority and its expenditure and income.

Responsibilities of the Director of Financial Services

27. 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:
    a. Accruals of income and expenditure
    b. Overheads and support services
    c. Debtors and creditors
    d. Tax income and VAT
    e. Inventories
    f. Work in progress
    g. Cash and cash equivalents
    h. Provisions, contingent liabilities and assets
    i. Reserves
    j. Government and non-Government grants
    k. Non-current assets
    l. Leasing
    m. PFI and PPP arrangements
    n. Investment properties
    o. Intangible assets
    p. Revenue expenditure funded from capital under statute
    q. Financial instruments
    r. Employee benefits
    s. Interests in companies and other entities

Responsibilities of Strategic Directors

28. To adhere to the accounting policies and guidelines approved by the Director of Financial Services.

4. Accounting records and returns

Why is this important?

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

Key controls

30. The key controls for accounting records and returns are:

a. All members and officers involved in the budgetary and accounting processes of the authority operate within the required accounting standards and timetables

b. All the Authority's transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis and contain adequate levels of control.

c. Procedures are in place to enable accounting records to be reconstituted in the event of systems failure

d. Reconciliation procedures are carried out to ensure transactions are correctly recorded

e. Prime documents are retained in accordance with legislative and other requirements including compliance with the Councils Retention of Data Policy (See Guidance Note 7 – Retention of Records).

Responsibilities of the Director of Financial Services

31. To determine the accounting policies, procedures and records for the Authority consistent with CIPFA's Code of Practice on Local Authority Accounting for the UK.

32. To arrange for the compilation of all accounts and accounting records under his or her direction.

33. To comply with the following principles when allocating accounting duties:

a. Separating the duties of providing information about sums due to or from the Authority and calculating, checking and recording these sums from the duty of collecting or disbursing them

b. Officers with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.

34. To make proper arrangements for the audit of the Authority's accounts in accordance with the Accounts and Audit Regulations 2011.

35. To ensure that all claims for funds including grants, for which he or she is responsible for, are made by the due date.

36. To prepare and publish the audited accounts of the Authority for each financial year, in accordance with the statutory timetable and with the requirement for the Audit Committee to approve the Statement of Accounts in accordance with the statutory timetable.

37. To administer the Authority's arrangements for under and overspendings to be carried forward to the following financial year.

38. To issue guidance on the retention of financial documents relating to minimum periods for retention and ensure that these timescales are complied with.

Responsibilities of Strategic Directors

39. To consult and obtain the prior approval of the Director of Financial Services before making any changes to accounting records and procedures.

40. To comply with the following principles when allocating accounting duties:

    a. Separating the duties of providing information about sums due to or from the Authority and calculating, checking and recording these sums from the duty of collecting or disbursing them

    b. Employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.

41. To maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements.

42. To ensure the proper retention of financial documents in accordance with Guidance Note 7 – Retention of Records in the Appendices issued by the Director of Legal & Democratic Services relating to minimum periods for the retention of data.

43. To supply information required to enable the Statement of Accounts to be completed in accordance with guidelines and timescales issued by the Director of Financial Services.

44. To ensure that all claims for funds, including government grants, for which he or she is responsible, are made by the due date.

45. To ensure that the accounting system, form of accounts and accounting records are properly maintained and kept up to date.

46. To ensure that every transfer of monies from an officer, employee or agent of the Council to another officer, employee or agent is evidenced by an official receipt bearing the signature of the receiving officer.

47. That independent computer systems within departments holding financial data shall be reconciled with the Council's main accounting system at a frequency agreed with the Director of Financial Services.

48. Service Directors shall consult the Director of Financial Services prior to submitting applications, claims, returns or statements of a financial nature to government departments or agency, and provide him / her with a copy of such documents.

49. Documents and records relating to contracts shall only be destroyed in accordance with the arrangements determined by the Director of Legal & Democratic Services.

5. Annual statement of accounts

Why is this important?

50. The Authority has a statutory responsibility to prepare its own accounts to present fairly its operations during the year. The Audit Committee is responsible for approving the statutory Annual Statement of Accounts.

Key controls

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

    a. The Authority is required to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of these affairs. In this Authority, that officer is the Director of Financial Services.

    b. The Authority's Statement of Accounts must be prepared in accordance with proper practices as set out in CIPFA's Code of Practice on Local Authority Accounting for the UK.

    c. The annual Statement of Accounts are published accurately and punctually.

Responsibilities of Director of Financial Services

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

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

54. To comply with CIPFA's Code of Practice on Local Authority Accounting for the UK.

55. To sign and date the Statement of Accounts, stating that it presents fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March.

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

Responsibilities of Strategic Directors

57. To comply with accounting guidance provided by the Director of Financial Services and to supply the Director of Financial Services with information in the format, and by the date, requested.

58. Provision of additional accounting information relating to:-

a) Value of stocks, stores and work in progress at the end of each financial year and the basis of valuation including writing out of obsolete stock.

b) Any sums due to suppliers that are currently unpaid at the end of the financial year.

c) Any sums due to the Council that have not been credited at the end of the financial year.

d) Income received relating to the subsequent financial year.

e) Pre-payments made relating to the subsequent financial year.

Appendix B - Financial Planning

1. Policy Framework

1. The full Council is responsible for agreeing the Authority's policy framework and budget that will be proposed by the Executive (Cabinet). In terms of financial planning, the key elements comprise: -
    - The annual Revenue Budget
    - The Medium Term Financial Strategy
    - The Medium Term Capital Programme
2. The Chief Executive is responsible for proposing the Corporate Plan to the Cabinet for consideration before its submission to the full Council for approval.
3. The Corporate Plan provides a clear statement of what the Council aims to achieve and sets out the high-level priorities that reflect the things that Members, partners and our customers feel are important.
4. The Corporate Plan also aligns financial resources to the Council's policy priorities. As well as setting out the corporate approach to delivering services for the people of Rotherham, it helps ensure greater strategic control over prioritisation, resource allocation and performance monitoring, improvement and efficiency of service delivery.
5. The full Council is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework and for determining the circumstances in which a decision will be deemed to be contrary to the budget or policy framework.

2. Revenue and Capital Budgeting

(a) Format of the budget

Why is this important?

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

Key controls

7. The key controls for the budget format are:

   - the format complies with all legal requirements
   - the format complies with CIPFA's Service Reporting Code of Practice (SeRCOP), as applicable from 2012/13.
   - the format reflects the accountabilities of service delivery

Responsibilities of the Director of Financial Services

8. To advise the Cabinet on the format of the budget that is approved by the **full Council**.

Responsibilities of Strategic Directors

9. To comply with accounting guidance provided by the Director of Financial Services.

(b) Budgets and medium-term planning

Why is this important?

10. 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 weighted priorities. The budget is the financial expression of the Authority's plans and policies.

11. The revenue and capital budgets must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of the full Council. Budgets (spending plans) are needed so that the Authority can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for a local authority to budget for a deficit.

12. Medium-term planning involves a planning cycle in which managers develop their own plans. As each year passes, another future year will be added to the medium term plan. This ensures that the Authority is always preparing for events in advance.

Key controls

13. 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 regularly the effectiveness and operation of budgets and to ensure that any corrective action is taken.

Responsibilities of the Director of Financial Services

14. To prepare and submit reports on budget prospects, for the Cabinet, including resource constraints set by the Government. Reports should take account of medium term prospects and pressures, where appropriate, as indicated in the Medium Term Capital Programme and the Medium Term Financial Strategy.

15. To prepare and submit reports to the Cabinet on the aggregate spending plans of departments and on the resources available to fund them, identifying, where appropriate, the implications for the level of council tax to be levied and on the level of housing rents/service charges.

16. To advise on the medium term implications of spending decisions.

17. To encourage the best use of resources and value for money by working with Strategic 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.

18. To advise the full Council on Cabinet proposals in accordance with his or her responsibilities under section 151 of the Local Government Act 1972.

19. The Medium Term Financial Strategy will:-

    - Reflect any information available from Central Government concerning the commitments upon, and resources available to, Local Authorities throughout the period of the Strategy (e.g. via the HM Treasury Spending Review).

    - Be balanced, affordable and sustainable in the longer term.

    - Reflect the revenue consequences flowing from the Council's Capital Programme over the lifetime of the Plan.

    - Identify the risks inherent in the Plan both in relation to the financial viability of the Strategy itself and to the commitment to service delivery.

- Set out the resource allocation process in respect of the Council's priorities and its available resources.

- Set out the detailed format, as prescribed by the Director of Financial Services, for the preparation of revenue estimates, for submission and approval by the full Council, in accordance with the Council’s guidance.

Responsibilities of Strategic Directors

20. To prepare estimates and projections of income and expenditure, with guidance from the Director of Financial Services, to be submitted to the Cabinet.

21. To prepare budgets that are consistent with any relevant cash limits, with the Authority’s annual budget cycle and with guidelines issued by the Cabinet. The format will be prescribed by the Director of Financial Services in accordance with the full Council’s guidance.

22. To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.

23. In accordance with the laid-down guidance and timetable issued by the Director of Financial Services, to prepare detailed draft revenue proposals and capital bids for consideration by the Cabinet and Scrutiny committees.

24. When drawing up draft budget requirements, to have regard to:

    a. Spending patterns and pressures revealed through the budget monitoring process

    b. Legal requirements

    c. Policy requirements as defined by the full Council in the approved policy framework
    d. Initiatives already under way.

(c) Resource allocation

Why is this important?

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

Key controls

26. The key controls for resource allocation are:

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

Responsibilities of the Director of Financial Services

27. To advise on methods available for the securing of resources, such as grants from Central Government and borrowing requirements.

28. To advise on the suitability of proposals to introduce/modify financial procedures to control resources (e.g. stock control systems).

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

Responsibilities of Strategic Directors

30. To work within cash limits (General Fund) and to utilise resources allocated, and furthermore to allocate resources, in the most efficient, effective and economic way.

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

(d) Revenue budget preparation, monitoring and control

Why is this important?

32. 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 Authority to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account managers

responsible for defined elements of the budget. The principles of budget preparation are that the revenue budget will:-

- Be consistent with the Council's priorities as expressed in the Corporate Plan.
- Reflect the content of the Medium Term Financial Strategy for the appropriate year.
- Be balanced, affordable and sustainable.
- Not commit the Council to unplanned or unaffordable expenditure in subsequent years.
- Leave the Council with an adequate level of uncommitted balances/reserves.
- Be accompanied by a prudent risk assessment of the possible implications in terms of both affordability and service delivery.

33. By continuously identifying and explaining variances against budgetary targets, the Authority can identify changes in trends and resource requirements at the earliest opportunity. The Authority itself operates within an annual cash limit, approved when setting the overall budget. To ensure that the Authority, in total does not overspend, each service is required to manage its own expenditure within the cash limited budget allocated to it.

34. Strategic 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 including 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. Strategic Directors must plan to fund such commitments from within their own budgets.

35. For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure for a service area or cost centre. However, budgetary control may take place at an alternative or more detailed level if this is required by the Strategic Director's scheme of delegation.

Key controls

36. The key controls for managing and controlling the revenue budget are:

    a. Budget managers should be responsible only for income and expenditure that they can influence

    b. There is a nominated budget manager for each budget heading and cost centre.

c. Budget managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities

d. Budget managers follow an approved certification process for all requisitioning and authorising of all types of expenditure

e. Income and expenditure are properly recorded and accounted for

f. Performance levels/levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget

g. Expenditure incurred shall only be where specific budget approval exists

h. Budget managers are appropriately trained to carry out their budgetary control responsibilities.

Responsibilities of the Director of Financial Services

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

 a. Budget management is exercised within annual cash limits unless the full Council agrees otherwise

 b. Each Strategic Director has available timely information on expenditure and income on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities

 c. Expenditure is committed only against an approved budget head

 d. Officers responsible for committing expenditure comply with relevant guidance and financial regulations

 e. Each cost centre has a single named manager, determined by the relevant Strategic Director. As a general principle, budget responsibility should be aligned as closely as possible to the decision making processes that commits expenditure

 f. Significant variances from approved budgets are investigated and reported by budget managers regularly.

38. To administer the Authority's scheme of virement in accordance with Guidance Note 9 - Virement.

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

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

Responsibilities of Strategic Directors

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

42. When a cash limited budget allocation has been agreed for the year for each Directorate (as part of the Council's approved budget) it shall be the responsibility of the Strategic Director to ensure that their budget is not overspent.

43. To ensure that an accountable budget manager is identified for each item of income and expenditure incurred by the department within each Strategic Director's cash limit. As a general principle, budget responsibility should be aligned as closely as possible to the decision making that commits expenditure.

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

45. To ensure that spending remains within the service's overall budget allocation, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are projected.

46. To ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and is operating effectively.

47. To prepare and submit, to the service's Cabinet member, reports on projected expenditure and income compared with the budget, in the form prescribed by and in accordance with, the timetable and guidelines issued by the Director of Financial Services.

48. To ensure prior approval by the full Council or Cabinet (as appropriate) for new proposals, of whatever amount, that:

    a. create financial commitments in future years

    b. change existing policies, initiate new policies or cease existing policies

    c. materially extend or reduce the authority's services.

49. To ensure compliance with the scheme of virement (see Guidance Note 9 – Virement)

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

(e) Capital programme

Why is this important?

51. Capital expenditure (including use of capital grants and PFI/PPP projects) involves acquiring or enhancing fixed assets with a long term value to the Authority, such as land, buildings, and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs.

52. Central Government places strict controls on the financing capacity of the Authority and although authorities have been given greater freedoms with the passing into law of the Prudential Framework, as set out in the Prudential Code for Capital Finance in Local Authorities, it remains important 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

53. The key controls for capital programmes are:

    a. Specific approval by the full Council for the programme of capital expenditure

    b. Expenditure on capital schemes is subject to the approval of the Director of Financial Services and the Deputy Leader.

    c. A scheme and estimate, including project plan, progress targets and associated revenue expenditure is prepared for each capital project, for approval by both the Capital Strategy and Asset Review Team (CSART) and the Cabinet / Cabinet Member.

    d. Proposals for improvements and alterations to buildings must be approved by the CSART.

    e. Schedules for individual schemes within the overall budget approved by the full Council must be submitted to the Cabinet for approval (for example, minor works), or under other arrangements approved by the full Council

    f. Development and maintenance of departmental asset management plans

    g. Accountability for each proposal is accepted by a named manager

    h. Progress and expenditure should be monitored and compared to the approved budget and reported upon in accordance with approved timescales.

Responsibilities of the Director of Financial Services

54. To issue guidance relating to the strategy and controls for capital schemes as indicated in the Council's Medium Term Capital programme and to define 'capital' in accordance with the definition as determined by International Reporting Standards which is subject to statutory override by the UK Government.

55. To collate capital estimates jointly with Strategic Directors and the Chief Executive and to submit them to the Cabinet for approval in the form of The Medium Term Capital Programme which is based on the following principles :-

- All items/projects to be included in the Authority's Capital Programme will be processed through the Capital Strategy & Asset Review Team and be subject to proper assessment and evaluation, including a clear identification of the method / source of capital funding and of the revenue implications.

- Be compatible with the CIPFA Prudential Code for Capital Finance in Local Authorities in that it will be balanced, affordable and sustainable over the longer term.

- Be based on a proper evaluation, to the satisfaction of the Director of Financial Services, of the various funding opportunities available in support of capital projects. Such evaluation shall include a formal risk assessment, which shall specifically take account of any financial risks.

- Identify the ongoing revenue consequences - (both in terms of capital financing costs and operational expenditure) - of all capital investments. Such ongoing consequences/commitments shall be fed into the Medium Term Financial Strategy and into the revenue budget at the appropriate time.

- Be updated at least annually, and monitored regularly throughout the year. Monitoring shall be carried out to a timetable and in a format prescribed by the Director of Financial Services. Any significant variance from the capital expenditure profile must be notified immediately to the Capital Strategy & Asset Review Team.

56. The Cabinet will make recommendations on the capital estimates and on any associated financing requirements to the full Council. Cabinet approval is required where a Strategic Director proposes to bid for, or exercise additional borrowing approval, not anticipated in the capital programme.

57. To prepare and submit overall monitoring reports to the Cabinet on the projected income, expenditure and resources compared with the approved estimates and to recommend action where necessary to ensure that capital expenditure is fully funded.

58. To administer the Authority's scheme of virement (see Guidance Note 9 - Virement).

Responsibilities of Strategic Directors

59. To comply with guidance concerning capital schemes and controls issued by the Director of Financial Services.

60. To submit a prioritised list of bids as part of the annual capital budgeting process representing the schemes required to deliver departmental strategy and demonstrating compliance with corporate priorities.

61. To ensure that proposals for capital expenditure are reported to the Capital Strategy and Asset Review Team and approvals for all capital expenditure are obtained from the Director of Financial Services and Cabinet Member prior to a scheme's commencement, and that capital expenditure approvals are not exceeded.

62. To prepare returns of projected estimated final costs of schemes, in the approved capital programme, for submission to the Director of Financial Services.

63. To ensure that adequate records are maintained for all capital contracts.

64. To ensure compliance with the Authority's scheme of virement (see Guidance Note 9 - Virement).

65. To prepare and submit an annual report, in consultation with the Director of Financial Services, to the Cabinet on the completion of all contracts where the final expenditure exceeds the approved contract sum.

66. To ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the Director of Financial Services and, if applicable, approval of the scheme through the capital programme.

67. To consult with the Director of Financial Services prior to bidding for grants and contribution to be issued by Government departments (or others) to support expenditure that has not been included in the current year's capital programme.

3. Maintenance of reserves

Why is this important?

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

Key controls

69. To maintain reserves in accordance with the relevant codes of practice on local authority accounting in the United Kingdom and agreed accounting policies.

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

71. The establishment of reserves and incurring of expenditure from reserves should be authorised by the appropriate Strategic Director in consultation with the Director of Financial Services.

Responsibilities of the Director of Financial Services

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

Responsibilities of Strategic Directors

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

Appendix C - Risk Management and Control of Resources

1. Risk management

Why is this important?

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 concerned with evaluating the measures an organisation already has in place to manage identified risks, and then recommending the action the organisation needs to take to control these risks effectively.

2. It is the overall responsibility of the Cabinet to approve the Authority's risk management strategy, and to promote a culture of risk management awareness throughout the Authority.

Key controls

3. The key controls for risk management are:

- Procedures are in place to identify, assess, prevent or contain material known risks, and these procedures have been communicated throughout the Authority and are operating effectively
- A monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis
- Managers know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives

- Provision is made for losses that might result from the risks that remain
- Procedures are in place to investigate claims within required timescales
- Acceptable levels of risk are determined and insured against where appropriate
- The Authority has identified business continuity plans for implementation in the event of disaster that results in significant loss or damage to its resources.

Responsibilities of the Director of Internal Audit and Asset Management

4. To prepare and promote the Authority's Risk Management Policy & Strategy Statement.

5. To develop risk management controls in conjunction with Strategic Directors.

6. To include all appropriate employees of the Authority in a suitable fidelity guarantee insurance.

7. To affect corporate insurance cover, through external insurance and internal funding, and to arrange for the negotiation of claims in consultation with other officers, where necessary.

8. To forward to Strategic Directors schedules of assets covered by insurance. Strategic 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, consistent with the Authority's corporate insurance arrangements.

Responsibilities of Strategic Directors

9. To notify the Director of Internal Audit and Asset Management immediately of any loss, liability or damage that may lead to a claim by or against the Authority, together with any information or explanation required by the Director of Internal Audit and Asset Management or the Authority's insurers.

10. If any assets covered by insurance are damaged or stolen, Strategic Directors must not order replacements, remedial repairs or other work - except for emergency measures to prevent further damage or loss occurring - until the Director of Internal Audit and Asset Management has been consulted. Damage or loss arising from malicious acts should be reported to the police.

11. To notify the Director of Internal Audit and Asset Management promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.

12. To notify the Director of Internal Audit and Asset Management promptly of any significant acquisitions, enhancements, disposals and impairments 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.

13. To provide the Director of Internal Audit and Asset Management with any information that he or she needs and in the timescale that he or she sets, to enable him or her to manage the Authority's insurances effectively.

14. To take responsibility for risk management, having regard to advice from the Director of Internal Audit and Asset Management and other specialist officers (e.g. Emergency planning, crime prevention, fire prevention, health and safety).

15. To ensure that there are regular reviews of risk within their departments.

16. To consult with the Director of Internal Audit and Asset Management and the Director of Legal & Democratic Services on the terms of any indemnity that the Authority is requested to give.

17. To ensure that officers, or anyone covered by the Authority's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

2. Internal controls

Why is this important?

18. The Authority is large, complex and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives.

19. The Authority has statutory obligations, and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations.

20. The Authority faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to manage these risks.

21. The system of internal controls is established in order to provide measurable achievement of:

- Efficient and effective operations
- Reliable financial information and reporting
- Compliance with laws and regulations
- Risk management.

Key controls

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

- Key controls should be reviewed on a regular basis and the Authority should annually produce an Annual Governance Statement (AGS) commenting on the effectiveness of the systems of internal control. Such controls should be formally incorporated within the Authority's corporate governance framework.

- Managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities.

- Financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems.

- An effective internal audit function that is properly resourced. It should operate in accordance with the principles contained in the "UK Public Sector Internal Audit Standards" [PSIAS] from 1 April 2013, and with any other statutory obligations and regulations. The PSIAS are based on the mandatory elements of the Institute of Internal Auditors [IIA] International Professional Practices Framework [IPPF]. The PSIAS have replaced CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.

Responsibilities of the Director of Financial Services

23. To assist the Authority 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 Strategic Directors

24. To manage processes to check that established controls are being adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.

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

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

3. Audit requirements

(a) Internal audit

Why is this important?

27. 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 & Audit Regulations 2011 state that 'A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'

28. Internal audit is an independent and objective appraisal function established by the Authority 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

29. The key controls for internal audit are:

- That it is independent in its planning and operation
- The Director of Internal Audit and Asset Management has direct access to all levels of management and to elected members of the Audit Committee
- Internal auditors comply with the UK Public Sector Internal Audit Standards PSIAS].

Responsibilities of the Director of Internal Audit and Asset Management

30. To ensure that internal auditors have the authority to:

- Access authority premises at reasonable times
- Access all assets, records, documents, correspondence and control systems
- Receive any information and explanation considered necessary concerning any matter under consideration
- Require any officer of the Authority to account for cash, stores or any other authority asset under his or her control

- Access records belonging to third parties, such as contractors, when required

31. To agree and seek the approval of the Audit Committee for the annual audit plan prepared by the Director of Internal Audit and Asset Management, which takes account of the characteristics and relative risks of the activities involved.

32. To ensure periodic reporting to the Audit Committee of progress against the annual audit plan.

33. To ensure the Internal Annual Audit report (and any interim report), including outlining actual performance against the annual audit plan, is produced and approved by the Audit Committee, and duly considered by the responsible officer for production of the Annual Governance Statement (AGS).

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

Responsibilities of Strategic Directors

35. To ensure that internal auditors are given access at all reasonable times for requests to access premises, personnel, documents and assets that the auditors consider necessary for the discharge of their official duties.

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

37. To consider audit reports and recommendations and to respond within 30 working days.
38. To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient manner.

39. To notify the Director of Internal Audit and Asset Management immediately of any suspected fraud, irregularity, improper use or misappropriation of the Authority's property or resources. Pending investigation and reporting, the Strategic Director/Director should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.

40. 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 Director of Internal Audit and Asset Management and Director of Financial Services prior to implementation.

(b) External audit

Why is this important?

41. The Local Audit and Accountability Bill 2013-14 allows Councils to appoint their own external auditors. The external auditor has rights of access to all documents and information necessary for audit purposes and also have direct access to elected members of the Audit Committee.

42. The basic duties of the external auditor are defined by the National Audit Office who set Codes of Practice for external audit which external auditors follow when carrying out their duties. Auditors' principal objectives are to review and report on, to the extent required by the relevant legislation and the requirements of 'the Code', the audited body's:

    a. Financial statements; and

    b. Arrangements for securing economy, efficiency and effectiveness in its use of resources.

43. The Authority's accounts are scrutinised by the external auditors, who must be satisfied that the statement of accounts 'presents fairly' the financial position of the Authority and its income and expenditure for the year in question and complies with the legal requirements.

Key controls

44. The National Audit Office has responsibility for setting the code of audit practice and providing guidance to auditors. The Financial Reporting Council regulates who can undertake external audits. Additionally, the Financial Reporting Council undertakes a quality review of a sample of audits.

    Recognised Supervisory Bodies are responsible for monitoring the quality of audit work undertaken by their members, investigating complaints and disciplining their members as required. They could also stop an audit firm from being eligible for appointment as a public auditor on grounds of suitability or quality.

Responsibilities of the Director of Internal Audit and Asset Management

45. 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.

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

47. To work with the external auditor and advise the full Council, Cabinet and Strategic Directors on their responsibilities in relation to external audit.

Responsibilities of Strategic Directors

48. 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.

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

(c) Other Government Agencies

50. In addition to the external auditor there are other government agencies, including HM Revenues & Customs, which may undertake occasional visits of inspection and that have statutory rights of access to premises, personnel, documents and assets.

4. Preventing fraud and corruption

Why is this important?

51. The Authority will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Authority.

52. The Authority's expectation of propriety and accountability is that members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.

53. The Authority also expects that individuals and organisations (e.g. suppliers, partners, contractors, service providers) with whom it comes into contact will act towards the Authority with integrity and without thought or actions involving fraud and corruption.

Key controls

54. The key controls regarding the prevention of financial irregularities are that:

a. The Authority has an effective anti-fraud and anti-corruption policy and maintains a culture that will not tolerate fraud or corruption

b. All members and staff act with integrity and lead by example

c. Senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the Authority or who are corrupt

d. High standards of conduct are promoted amongst members by the Standards Committee

e. A Register of Interests is maintained to enable members and employees to record any financial or non-financial interests that may bring about conflict with the authority's interests.

f. A Register of Gifts & Hospitality is maintained to enable members and employees to record gifts and hospitality either received, or offered and declined, from the authority's contractors and suppliers.

g. Whistle blowing procedures are in place that have been appropriately publicised and operate effectively.

h. Legislation, including the Public Interest Disclosure Act 1998, and Bribery Act 2010 is adhered to.

Responsibilities of the Director of Internal Audit and Asset Management

55. In conjunction with the Monitoring Officer to develop and maintain an anti-fraud and corruption policy.

56. To monitor and review internal control arrangements.

57. To ensure that all suspected financial irregularities are investigated and, where sufficient evidence exists to believe that a criminal offence may have been committed, consult and seek agreement of the Chief Executive, and notify the Police to determine with the Crown Prosecution Service whether any prosecution will take place.

Responsibilities of Strategic Directors

58. To ensure that staff are aware of the whistle-blowing procedure and ensure that all suspected financial irregularities are reported to the Director of Internal Audit and Asset Management.

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

60. To ensure that where financial impropriety is discovered, the Director of Internal Audit and Asset Management is informed.

61. To maintain both a departmental Register of Interests and a departmental Register of Gifts & Hospitality.

5. Assets

(a) Security

Why is this important?

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

Key controls

63. The key controls for the security of assets and resources such as land, buildings, fixed plant machinery, equipment, software and information are:

    a. Assets and resources are used only for the purposes of the Authority and are properly accounted for

    b. Assets and resources are available for use when required

    c. Assets and resources no longer required are disposed of in accordance with the law and the regulations of the Authority so as to maximise benefits

    d. An asset register is maintained for the Authority - assets are recorded when they are acquired by the Authority and this record is updated as changes occur with respect to the location, condition or disposal of the asset.

    e. All staff are aware of their responsibilities with regard to safeguarding the Authority's assets and information, including the requirements of the Data Protection Act and software copyright legislation

    f. All staff are aware of their responsibilities with regard to safeguarding the security of the Authority's computer systems, including maintaining restricted access to the information held on them and compliance with the Authority's information security and internet security policies.

Responsibilities of the Director of Financial Services

64. To ensure that an asset register is maintained in accordance with accounting policy and good practice for fixed assets.
65. To receive the information required for accounting, costing and financial records from each Strategic Director and to maintain an effective audit trail.

66. To calculate capital charges and depreciation for all assets.

67. To ensure that all assets (land, buildings, equipment and stocks) are valued in accordance with the relevant codes of practice on local authority accounting in the United Kingdom

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Responsibilities of the Director of Internal Audit and Asset Management

68. To keep a register of all land and buildings owned by the Authority. For each record the register will hold information about the purpose for which the land/building is held including;-

a) Description

b) Location and ordnance survey map reference (if available)

c) Purchase details or appropriation

d) The nature of the Authority's interest

e) Executive area responsible for stewardship

f) Rents and any other charges payable

g) Restrictive covenants

h) Any tenancies or other interests granted.

69. The valuation of all of the major assets of the Council. A five year rolling programme of assets to be valued must be maintained, having been agreed with the Director of Financial Services and a minimum of 20% of assets must be revalued each year. Information on asset valuations, purchases and sales must be provided to the Director of Financial Services for inclusion in the asset register in accordance with the timetable set by the Director of Financial Services. These valuations must include the estimated lives of assets. Any significant changes arising out of the five-yearly revaluation shall be applied to the remainder of the Authority's assets as appropriate.

Responsibilities of the Strategic Director of Neighbourhoods & Adult Services

70. To keep a record of all properties, both available for letting and no longer suitable for letting - including details of valuations and stock condition etc. as required, and in accordance with Government guidance.

Responsibilities of Director of Legal & Democratic Services

71. For the safe custody of title deeds.

Responsibilities of Strategic Directors

72. To ensure that all leased assets are identified, appropriately marked, maintained and a register kept to include location to ensure that they are available for return to lessors at the end of the lease period in accordance with the terms of the lease.

73. To ensure that lessees and other prospective occupiers of Council land are not allowed to take possession of, or enter, the land until a lease or agreement, in a form approved by the Strategic Director, in consultation with the Director of Internal Audit and Asset Management and Director of Legal & Democratic Services, has been established as appropriate.

74. To ensure the proper security and safe custody of all buildings and vehicles, equipment, furniture, stock, stores and other property belonging to the Authority and under their control.

75. To ensure that Council land (and any buildings and other structures erected on that land) that is managed by them is maintained in reasonable condition.

76. In the case of an appropriation of land from one service area to another, the Director of Internal Audit and Asset Management shall be requested to value the land and the consent of the Cabinet to the appropriation shall be sought. The value of the land shall be recorded in the minute of the Cabinet and the Director of Internal Audit and Asset Management shall be requested to amend the property records accordingly.

77. Where land or buildings are surplus to requirements, the Service Director should declare the property surplus, and instruct the Director of Internal Audit and Asset Management to dispose of the property in accordance with Council policy and statutory responsibilities.

78. Upon completion of disposal the Director of Legal & Democratic Services will advise the Director of Internal Audit and Asset Management who shall then amend the property records accordingly.

79. To ensure that no Authority asset is subject to personal use by an employee without proper authorisation.

80. To ensure that the department maintains a register of moveable assets in accordance with arrangements defined by the Director of Financial Services.

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

82. To consult the Director of Financial Services in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.

83. To ensure cash holdings on premises are secure and kept to a minimum.

84. To ensure that a schedule is kept of the officers in their departments who hold keys to safes and similar receptacles, and that keys are carried on the person of those responsible at all times; loss of any such keys must be reported to the Director of Internal Audit and Asset Management as soon as possible.

85. To ensure that all employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the Authority in some way.

86. To ensure that the Authority’s policies on information and internet security are complied with.

87. To ensure that the Authority's policies and guidelines on security and crime prevention are followed.

(b) Inventories

88. To maintain adequate records of items of furniture, equipment, vehicle and plant, above £200 in value.

89. To carry out an annual check of all items on the inventory in order to verify location, review condition and to take appropriate action in relation to any surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as IT devices and audio-visual equipment should be identified with security markings as belonging to the Authority and be subject to more frequent inventory checks than less portable items.

90. If an item is lost, stolen or disposed of, this must be recorded against the entry in the inventory.

91. The Authority's property should only be moved from Council premises for official purposes with the permission of an authorised officer and a record should be kept of all authorised removals.

(c) Stocks and stores

92. If an item is lost, stolen or disposed of, this must be recorded against the entry in the inventory.

93. The Authority's property should only be moved from Council premises for official purposes with the permission of an authorised officer and a record should be kept of all authorised removals.

94. Regular stock checks are undertaken and items identified as slow moving/obsolete should be disposed at the earliest opportunity at best possible price and stores records adjusted accordingly within the same financial year.

(d) Cash (See Also Guidance Note 2 - Cash Handling)

95. To ensure that cash holdings do not exceed the maximum amount set by the Director of Financial Services.

96. To ensure that cash handling is carried out in accordance with guidance issued by the Director of Financial Services.

97. To ensure that cash held in any safe does not exceed the amount of the insurance limit for that safe.

98. To notify the Director of Internal Audit and Asset Management of cash lost or stolen immediately. Stolen cash which is not covered by insurance can only be written-off with the agreement of the Director of Financial Services.

99. To ensure that under no circumstances are personal cheques cashed out of monies held on behalf of the Authority.

(e) Lost Property

100. Any property left on Council premises and regarded as lost must be disposed of in accordance with procedures agreed with the Director of Financial Services and after consultation with the Director of Legal & Democratic Services.

(f) Intellectual property

Definition and why is it important?

101. 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.

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

Key controls

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

Responsibilities of the Director of Financial Services

104. To develop and disseminate good practice through the Authority's intellectual property procedures.

Responsibilities of Strategic Directors

105. To ensure that controls are in place to ensure that officers do not carry out private work in the Authority's time and that staff and consultants are aware of the Authority's rights with regard to intellectual property.

(g) Asset disposal (See also Guidance note 5)

Why is this important?

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

Key controls

107. Assets for disposal are identified and disposed of at the most appropriate time, and only when it is in the best interests of the Authority, and best price is obtained, bearing in mind other factors, such as environmental issues. For items of significant value, disposal should be by competitive tender or public auction in accordance with guidance from Internal Audit and approved council procedures.

108. Procedures should protect staff involved in the disposal of assets from accusations of personal gain.

Responsibilities of the Director of Financial Services

109. To issue guidelines representing best practice for the disposal of assets.

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

Responsibilities of Strategic Directors

111. To authorise the disposal and write-off of redundant furniture, fittings, equipment, plant and machinery, and stocks, in accordance with guidance issued by the Director of Financial Services.

112. 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.

113. To ensure that any surplus plant, vehicles, furniture or equipment is sold by public tender or auction unless the financial interest of the Authority is better served by disposal in some other way.

114. Not to sell assets to an officer of the Authority without the approval of the Director of Financial Services.

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

6. Treasury management and banking

Why is this important?

Key controls

116. Many millions of pounds pass through the Authority's books each year. This resulted in the establishment of a CIPFA Treasury Management Code of Practice. This Code aims to provide assurances that the Authority's money is properly managed in a way that balances risk with return, but with the overriding consideration being given to the security of the Authority's capital sum.

Responsibilities of the Director of Financial Services

117. To arrange borrowings and investments for the authority in such a manner as to comply with the CIPFA Treasury Management Code of Practice and the Authority's Treasury Management policy statement and strategy. To ensure that the Authority's borrowings and investments comply with the CIPFA Code of Practice on Treasury Management, and with the Authority's Treasury Management policy statement and strategy and that :-

- For the purpose of treasury management, all monies in the Council's accounts or possession shall be aggregated.
- The Director of Financial Services shall administer all investments, borrowings and leasing arrangements, which shall be made only in accordance with arrangements approved by him / her.
- Investments of money shall be made in the Council's name or in the name of a nominee appointed by the Council.
- Borrowings shall be made in the Council's name and in accordance with the statutory requirements in force from time to time, and the Director of Financial Services shall maintain records of all Council borrowings.
- The Director of Financial Services (or other person appointed by the Council) shall be the Council's Registrar of Stocks, Bonds and Mortgages.
- The Director of Financial Services shall order and keep in safe custody supplies of bond certificates and other forms of acknowledgement for the receipt of loans.

118. To report at least three times a year as a minimum on treasury management activities to the Audit Committee.

119. To open and operate bank accounts as are considered necessary. All accounts must be in the name of the Authority.

120. To order, store and control all cheques drawn on the Authority's main bank accounts.

Responsibilities of Strategic Directors – treasury management & banking

121. Strategic Directors, including school head teachers, who have control of their own bank accounts must work to arrangements approved by the Director of Financial Services, including seeking approval to open such accounts and once approval is granted to ensure that accounts do not become overdrawn.

Responsibilities of the Director of Financial Services – investments and borrowing

122. To ensure that all investments of money are made in the name of the Authority or in the name of nominees approved by the full Council.

123. To ensure that all securities that are the property of the Authority or its nominees and the title deeds of all property in the Authority's ownership are held in the custody of the appropriate Strategic Director.

Responsibilities of Strategic Directors – investments and borrowing

124. To ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the Cabinet.

Responsibilities of Strategic Directors – trust funds and funds held for third parties (See also Guidance note on unofficial funds)

125. To arrange for all trust funds to be held, wherever possible, in the name of the Authority. All officers acting as trustees by virtue of their official position shall deposit securities, etc. relating to the trust, with the Director of Financial Services, unless the deed otherwise provides.

126. To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.

127. Where unofficial funds are held on behalf of third parties, to arrange for their secure administration, including an annual audit, and to maintain written records of all transactions in accordance with guidance issued by the Director of Financial Services.

128. Where the Council is holding and administering funds on behalf of a charity or in accordance with a Charity Commission Scheme, the Service Director concerned with administering the funds shall –

    (a) Arrange for suitably qualified officers to administer and account for the funds;

(b) Ensure that the funds are managed in accordance with any terms under which the Council is holding them, including obtaining prior written approval to expend the funds;

(c) Ensure that, having regard to the size and turnover of the funds, measures are taken for appropriate internal controls and accounting records to be kept in respect of the funds;

(d) Ensure that there is an independent audit of the funds within nine calendar months of the end of the accounting period for the funds; and

(e) Supply a copy of the audited accounts upon receipt to the Director of Financial Services and;

(f) Complete or arrange for the completion of the Charity Commission's annual return in respect of the charity or scheme, and forward the completed return and a copy of the audited accounts, in respect of the charity or scheme, to the Charity Commission.

(g) Securities belonging to a trust shall be kept secure either in accordance with the terms of the trust or by depositing them with the Director of Legal & Democratic Services, who will arrange for their safekeeping.

Responsibilities of the Director of Financial Services – imprest accounts (See also Guidance note 6 - imprest accounts)

129. To provide officers of the authority with cash or bank imprest accounts to meet minor expenditure on behalf of the Authority and to prescribe rules for operating these accounts. Minor items of expenditure should not exceed the prescribed amount.

130. To determine the petty cash limit and to maintain a record of all transactions and petty cash advances made, and periodically to review the arrangements for the safe custody and control of these advances.

131. To reimburse imprest holders as often as necessary to restore the imprests.

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

133. In exceptional circumstances and subject to detailed approval of the arrangements by the Director of Financial Services, to provide officers with imprest accounts to fund significant day-to-day expenditure.

Responsibilities of Strategic Directors – Imprest Accounts

134. To maintain a list of officers in their departments who are authorised to hold imprest accounts.

135. To notify the Director of Financial Services when an authorised officer leaves the department and to ensure that the imprest advanced is accounted for to the Director of Financial Services, unless responsibility for the imprest is transferred to a different officer. In which case the Director of Financial Services should be notified of the new account holder.

136. To agree with the Director of Financial Services the procedure for reimbursing expenditure imprest accounts.

137. To ensure that income received is not paid into an imprest account unless the Director of Financial Services has agreed this in writing.

138. To ensure that officers:

- Maintain an imprest account in accordance with guidance issued by the Director of Financial Services on the operation of imprests accounts.
- Do not allow a bank account, in which an imprest account is held to become overdrawn.
- Do not, under any circumstances, allow personal cheques to be cashed, or personal loans to be made, from monies held in an imprest account
- Obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained in the name of the Council.
- Make adequate arrangements for the safe custody of the account
- Produce upon demand by the Director of Financial Services cash and all vouchers to the total value of the imprest amount
- Record transactions promptly
- 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

7. Staffing

Why is this important?

139. Staffing costs represent a significant proportion of on-going revenue expenditure and it is crucial that these resources are managed and costs controlled in an effective manner.

Key controls

140. The key controls for staffing are:

- An appropriate staffing strategy and policy exists, in which staffing requirements and budget allocation are matched
- Procedures are in place for forecasting staffing requirements and cost.

Responsibilities of the Director of Human Resources

141. To provide overall management to staff

142. To ensure that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job.

Responsibilities of the Director of Financial Services

143. To act as an advisor to Strategic Directors on areas such as national insurance, taxation and pension contributions, as appropriate.

Responsibilities of Strategic Directors

144. To produce an annual staffing budget.

145. To ensure that the staffing budget is an accurate forecast of staffing levels and is equated to an appropriate revenue budget provision (including on-costs and overheads).

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

147. To ensure that the staffing budget is not exceeded without due authority and that it is managed to enable the agreed level of service to be provided.

148. To control total staff numbers by adjusting the staffing, to a level that can be funded within the approved budget, varying the provision as necessary within that constraint in order to meet changing operational needs.

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

Appendix D - Financial Systems and Procedures

1. General

Why is this important?

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

2. The Director of Financial Services has a professional responsibility to ensure that the Authority's financial systems are sound and must be notified, in advance, of any new developments or changes.

Key controls

3. The key controls for systems and procedures are:

- Basic data exists to enable the Authority'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 Director of Financial Services

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

   - Issue advice, guidance and procedures for officers and others acting on the Authority's behalf
   - Determine the accounting systems, form of accounts and supporting financial records
   - Establish arrangements for audit of the Authority's financial affairs
   - Approve in advance any new financial systems to be introduced
   - Approve in advance any changes to be made to existing financial systems.

Responsibilities of Strategic Directors

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

6. To ensure that vouchers and documents with financial implications are retained in accordance with the Councils Retention of Data Guidelines.

7. To ensure that a complete management trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained.

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

   - All input is genuine, complete, accurate, timely and not previously processed
   - All processing is carried out in an accurate, complete and timely manner
   - Output from the system is complete, accurate and timely
   - Data is backed up on a regular basis.

9. To ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice.

10. To ensure there is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption.

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

12. To consult with and gain the approval of the Director of Financial Services before changing any existing system or introducing new systems.

13. To maintain the Scheme of Delegation identifying officers authorised to act upon his or her behalf in respect of placing requisitions, payments and income collection, including variations, and showing the limits of their authority.

14. To ensure that effective contingency arrangements, including back-up procedures, exist for computer. Wherever possible, back-up information should be securely retained in a fireproof location, preferably off site or at an alternative location within the building.

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.

16. To ensure that the Council's information security standards and internet security policy are complied with.

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

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

- Only software legally acquired and installed by the Authority 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.

2. Income and expenditure

(a) Income and Collection

Why is this important?

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 Authority's cash flow and also avoids the time and cost of administering debts and the risk of not being able to recover it.

Key controls

20. The key controls for income are:

- All income due to the Authority 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
- All money received by an officer on behalf of the Authority is paid without delay to the Director of Financial Services or, as he or she directs, to the Authority's bank account, and is properly recorded. 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
- Appropriate write-off action is taken within defined timescales
- Appropriate 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 Director of Internal Audit and Asset Management
- 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 Director of Financial Services

21. To agree arrangements for the collection of all income due to the Authority and to approve the procedures, systems and documentation for its collection and accounting for VAT.

22. To approve the format of official receipts (receipt books, tickets and similar items) and procedures for the control and supply of these to departments.

23. To use debt recovery procedures to collect any income due to the Authority that has not been paid within specified time limits.

24. Other than sundry debts, to approve the writing-off of irrecoverable debts as per the following arrangements:-

Up to £500	Budget Holder
Over £500 and up to £5,000	Director of Service
Over £5,000	Strategic Director in consultation with Cabinet Member and the Director of Financial Services.

In addition, amounts over £5,000 shall be communicated to the Strategic Leadership Team for information.

25. For sundry debts, to comply with the Sundry Accounts Billing and Collection Policy.

26. To ensure that appropriate accounting adjustments are made following any write-off action

Responsibilities of Strategic Directors

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

28. To observe the requirements of the Sundry Accounts Billing and Collection Policy.

29. To agree the form of official receipts with the Director of Financial Services.

30. To ensure that official receipts are issued whenever payments are made in cash, except where cash is 'rung up' into tills which do not produce receipts.

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

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

33. To ensure that income is locked away and safeguarded against loss or theft.

34. To ensure the security of cash handling and that there is a record of every transfer of money between officers of the Authority. The receiving officer must sign for the transfer and the transferor must retain a copy.

35. To ensure that only up to approved levels of cash are held on premises.

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

37. To ensure income is not used to cash personal cheques or other payments.

38. To ensure that when income is due to the Authority and the payment is not to be made at the time, an account is raised promptly in a form approved by the Director of Financial Services. Where income relates to the provision of goods and services which are not part of a continuous supply, accounts must be raised within 14 days of the transactions being completed to comply with VAT regulations.

39. To seek to achieve payment by direct debit or standing orders in situations where regular payments are due to the Authority. General arrangements for payment by direct debit or standing orders should be approved by the Director of Financial Services.

40. To ensure that accounts raised require payments to be made to the Authority and that income is coded to the appropriate head of account. Where appropriate, VAT must be separately identified on both the account and the coded income.

41. To advise the Director of Financial Services of income due to the authority from contracts, leases or any other form of agreement.

42. To agree all debt recovery processes prior to legal action with the Director of Financial Services and to pursue these promptly.

43. To assist the Director of Financial Services in collecting debts they have originated and to keep sufficiently detailed records to allow debts to be recovered through legal action and to reclaim VAT payments when bad debts are written-off.

44. To provide documentation to support any invoices within 28 days of a request to do so by the Director of Financial Services.

45. To approve the writing-off of irrecoverable debts in accordance with arrangements approved by the Director of Financial Services (including arrangements determining which provisions or budgets write-offs are to be charged against).

46. To authorise an adjustment to the accounts, in consultation with the Director of Financial Services, if a mistake has been made in raising an invoice.

47. To require advance payments for goods, services or materials in cases involving income when practicable. Advance payments can be in cash or cheques but cheques must be cleared before goods, services or materials are supplied. Relevant documentation must be raised to account for advanced payments including VAT.

48. To consult the Director of Financial Services about any proposal to arrange to accept payments by credit cards, debit cards, internet, or similar means.

49. To notify the Director of Financial Services of outstanding income relating to the previous financial year as soon as possible after 31st March in line with the timetable determined by the Director of Financial Services.

(b) Requisitioning and paying for work, goods and services.

(See also Guidance Note 3 and Guidance Note 14)

Why is this important?

50. Public money should be spent with demonstrable probity and in accordance with the Authority's policies. Local authorities have a statutory duty to achieve best value in part through economy and efficiency. The Authority's procedures should help to ensure that services obtain value for money from their purchasing arrangements. These procedures should be read in conjunction with the Authority's Contract Standing Orders and Procurement rules.

General

51. Official orders must be issued for all work, goods or services to be supplied to the Authority, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases, procurement in conjunction with purchase cards, or other exceptions as agreed by the Director of Financial Services (these exceptions, particularly with regard to use of purchase cards, do not preclude Strategic Directors from establishing departmental limits at which orders should be issued, where it is considered that there should be a written agreement confirming what is being provided).

52. All requisitions should be placed through the Corporate Procurement Purchase to Pay Team

53. Each requisition must conform to any guidelines approved by the full Council on corporate procurement policies and the standardisation of supplies and materials.

54. Official requisitions must not be raised for any personal or private purchases, nor must personal or private use be made of the Authority's contracts.

55. Oral requisitions should only be given in cases of extreme urgency and must be confirmed by an official requisition in the approved format as soon as possible.

56. Apart from petty cash and other payments from advance accounts, the normal method of payment from the Authority shall be by cheque or through the banks' automated clearing system (BACS) or other electronic transfers of funds drawn on the Authority's bank accounts by the Director of Financial Services. Any arrangements for making payments other than by these means must be approved by the Director of Financial Services.

57. Cheque payments must have the facsimile signature of the Director of Financial Services and be crossed 'account payee only'.

Key controls

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

- All goods and services are requisitioned only by appropriate persons and are correctly recorded
- Requisitions shall only be issued where budgetary provision exists to pay for the goods and services to be supplied
- All goods and services shall be requisitioned in accordance with the Authority's contract and procurement rules unless they are purchased from sources within the Authority. In practice this will require all requisitions to be processed via Corporate Procurement.
- Goods and services received are checked to ensure they are in accordance with the requisition. Goods should not be received by the person who placed the requisition
- Payments are not made unless goods have been received by the Authority, to the correct price, quantity and quality standards
- All payments are made to the correct person/supplier, for the correct amount and are properly recorded, regardless of the payment method
- All appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with guidance issued by the Director of Internal Audit and Asset Management.
- All expenditure is accurately recorded against the right budget, any exceptions are corrected and VAT is recorded against the relevant VAT code.
- 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 Director of Financial Services

59. To ensure that all the Authority's financial systems and procedures are sound and properly administered.

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

61. To approve the form of official requisitions and associated terms and conditions.

62. To make payments from the Authority's funds on the understanding that the expenditure has been duly requisitioned and approved by Strategic Director's in accordance with financial regulations.

63. To make payments, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a court order.

64. To make payments raised by departments, to a contractor (or in-house service provider) using the electronic (or paper) version of the Council's approved Certificate for Payment in accordance with the terms of an approved form of contract. The certificate must include details of the value of work, retention money, amounts previously certified and amounts now certified.

65. To provide advice on making payments by the most economical means

Responsibilities of Strategic Directors

66. All requisitions for bought in goods, supplies, works and services must be forwarded to the Corporate Procurement Purchase to Pay Team. Orders should not be placed directly with suppliers for bought in goods, supplies, works and services, other than with the express prior approval of the Corporate Procurement Purchase to Pay Team.

67. The Council's Standing Orders specify the procedures required to be followed in respect of the Tendering process so as to ensure value for money in the requisition of works, goods and services.

68. Standing Orders referring to the Council's Tendering Process should be adhered to in all circumstances.

69. The Corporate Procurement Category Management Team must be made aware of all purchasing activity for the tendering, selection and award of contracts for the procurement of externally contracted goods, supplies and works.

70. All purchase orders for bought in goods, supplies and works must be raised by the Corporate Procurement Purchase to Pay Team following receipt of a requisition from properly authorised staff within the Authority. All supplier invoices resulting from the acquisition of such bought in goods, supplies and works must be processed for payment by the Corporate Procurement Purchase to Pay Team.

71. Payment of invoices which have been generated from purchases outside of the Corporate Procurement Purchase to Pay Team may be subject to delays in payment. Additionally, the Strategic Director of Neighbourhoods and Adult Services may require explanations from those responsible as to why payments are apparently being made outside the procurement arrangements laid down in these Regulations.

72. To ensure that requisitions are only used for goods, work and services provided to the department.

73. To ensure that officers do not use official requisitions to obtain goods, work or services for their private use. To ensure that only approved officers authorise requisitions and to maintain and make available to the an up-to-date list of authorised officers, or, by agreement with the Strategic Director of Neighbourhoods and Adult Services, the category of post holders in their departments who are authorised to approve requisitions. The authoriser of the requisition should be satisfied that the goods and services are appropriate and needed, that there is adequate budgetary provision.

74. To ensure that no member of staff is allowed to both requisition and authorise the same purchase requisition except in rare instances where practical issues deem it necessary. Any such action should only be with the explicit agreement of the Service / Strategic Director.

75. To ensure that all requisitions state the nature, quantity, and agreed or estimated costs of the works, goods or services being requisitioned. The requisition must also state the address for deliveries.

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

77. Payments should not normally be made if goods, works or services have not been received by the Council. However, if, in exceptional circumstances, it is deemed necessary to make a payment in advance of goods, works and services being supplied, to ensure that the agreement of the Strategic Director of Neighbourhoods and Adult Services has been obtained before the payment is made.

78. To ensure that the directorate maintains and reviews periodically the schedule of officers approved to authorise and requisition invoices.

79. To ensure that payments are not made on a photocopied or faxed invoice, statement or other document other than the formal invoice. In exceptional circumstances when a copy invoice needs to be certified for payment, to clearly endorse the copy invoice with a statement that it is a copy and that payment has not already been made.

80. To comply with procurement procedures for placing requisitions, where appropriate, via the Corporate Procurement Category Management Team in order for them to obtain competitive quotation or tender. These procedures must comply with the Authority's separate contract and procurement rules Contract Standing Orders covering:

  a. General issues
  b. Budget identification, specifications and evaluation
  c. Exceptions to the competitive process
  d. Strategic Directors' authority and delegation
  e. Thresholds for the relevant competitive processes, including EC procurement thresholds
  f. Submission, receipt and opening of competitive quotations & tenders, including late bids
  g. Evaluation
  h. Post tender negotiation
  i. Acceptance of tenders or quotations
  j. Contract records, signing and sealing
  k. Issues relating to contracts in operation
  l. Miscellaneous

81. To comply with Guidance Note 13 – Contracts for Construction, Building or Engineering Works and to document and agree with the Director of Financial Services the systems and procedures to be adopted in relation to financial aspects, including certification of interim and final payments, checking, recording and authorising payments, the system for monitoring and controlling capital schemes and the procedures for validation of subcontractors' tax status.

82. To ensure that a budgetary control system is established that enables commitments incurred, by placing requisitions, to be shown against the appropriate budget allocation so that they can be taken into account in budget monitoring reports.

83. To notify the Director of Financial Services of outstanding expenditure relating to the previous financial year as soon as possible after 31st March in line with the timetable determined by the Director of Financial Services.

84. To ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the Director of Financial Services (in respect of leasing the Director of Financial Services and the Deputy Leader). This is because of the potential impact on the Authority's borrowing limits, to protect the authority against entering into unapproved credit arrangements and to ensure that value for money is being obtained.

85. To notify the Director of Financial Services immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.

86. To ensure that all appropriate payment records are retained and stored for the defined period, in accordance with the Retention of Data guidance issued by the Director of Internal Audit and Asset Management.

(c) Payments to employees and members

Why is this important?

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

88. Equally important is the recording of deductions and subsequent payments to the relevant authorities in relation to income tax, national insurance, superannuation etc.

Key controls

89. The key controls for payments to employees 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 on the basis of contracted hours, timesheets or claims

- Frequent reconciliation of payroll expenditure against approved budgets and bank accounts

- All appropriate payroll documents are retained and stored for the defined period, in accordance with guidance issued by the Director of Internal Audit and Asset Management.

- All expenditure, including VAT, is accurately recorded against the right department and any exceptions are corrected

- That HM Revenue & Customs regulations are complied with.

Responsibilities of the Director of Human Resources

90. To arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees, in accordance with procedures prescribed by him or her, on the due date.

91. For the recording and accurate and timely payment of tax, national insurance, superannuation and other deductions.

92. For payment of all travel and subsistence claims.

93. For paying members' allowances, travel, and subsistence upon receiving the prescribed form, duly completed and authorised.

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

Responsibilities of Strategic Directors

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

96. To notify the Director of Human Resources of all appointments, terminations or variations which may affect the pay or pension of an employee or former employee, in the form and to the timescale required.

97. To ensure that adequate and effective systems and procedures are operated within the **directorate,** 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.

    - Conditions of temporary contracts are closely monitored

98. To ensure that the directorate maintains and reviews periodically a list of officers approved to authorise payments, together with specimen signatures, and to ensure that only authorised officers authorise payments.

99. To ensure that payroll transactions are processed only through the payroll system. Strategic Directors should give careful consideration to the employment status of individuals retained on a self-employed consultant or subcontract basis. HM Revenue & Customs applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Director of Human Resources.

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

101. To ensure that the Director of Human 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.

102. To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with guidance issued by the Director of Human Resources.

103. To regularly check the costs processed through the payroll system and recorded on the Council's financial information system, against the budgets for which the directorate is responsible.

Responsibilities of Members

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

3. Taxation

Why is this important?

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

Key controls

106. 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 Director of Financial Services

107. To complete all HM Revenue & Customs returns regarding Pay As You Earn (PAYE) in respect of the payroll service.

108. To ensure the processes for identifying VAT recoverable on purchases complies with HM Revenue & Customs regulations and all output tax is properly identified and recorded.

109. To complete a monthly return of VAT inputs and outputs to HM Revenue & Customs.

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

111. To maintain up-to-date guidance for Authority employees on taxation issues in the tax manual.

112. To maintain an up-to-date register of VAT de minimis payments in accordance with the VAT Act 1994.

113. To monitor regularly the VAT partial exemption status of the Authority and to advise the Strategic Leadership Team and Cabinet as appropriate.

Responsibilities of Strategic Directors

114. To ensure that the correct VAT liability is attached to all income due.

115. To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.

116. To ensure that the Council is not put at risk in any funding arrangements by identifying the correct VAT treatment in accordance with the VAT Act 1994.

117. To ensure that all persons employed by the Authority are added to the Authority'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.

118. To follow the guidance on taxation issued by the Director of Financial Services in the tax guidance manual.

4. Trading accounts and business units

Why is this important?

119. Trading accounts and business units have become more important as local authorities have developed a more commercial culture. Under The Service Reporting Code of Practice, authorities are required to keep trading accounts for services provided on a basis other than straightforward recharge of cost. They are also required to disclose the results of significant trading operations in the Statement of Accounts.

Responsibilities of the Director of Financial Services

120. To advise on the establishment and financial operation of trading accounts and business units.

121. To advise, and keep updated, Strategic Directors on accounting principles to be applied to trading accounts and business units.

122. To issue guidance to Strategic Directors, including timetables for the production of annual business plans and the target surpluses to be included.

Responsibilities of Strategic Directors

123. To observe all statutory requirements in relation to business units, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs, is charged, and to produce an annual report in support of the final accounts.

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

125. To ensure that each business unit prepares an annual business plan underpinned by a financial plan.

Appendix E - External Arrangements

1. Partnerships

Why is this important?

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.

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

3. The main reasons for entering into a partnership are:
   - The desire to find new ways to share risk
   - The ability to access new resources & sources of expertise
   - To provide new and better ways of delivering services
   - To forge new relationships.

4. A partner is defined as either:
   - An organisation (private or public) undertaking, part funding or participating as a beneficiary in a project or
   - A body whose nature or status gives it a right or obligation to support the project.

5. Partners participate in projects by:

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

6. Partners have common responsibilities:

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

Key controls

7. The key controls for the Authority's partners are:

- If appropriate, to be aware of their responsibilities under the Authority's Financial Regulations, Standing Orders and the contract and procurement rules.
- To ensure that risk management processes are in place to identify and assess all known risks
- To ensure that project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise
- To agree and accept formally the roles and responsibilities of each of the partners involved in the project before the project commences
- To communicate regularly with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution.
- To establish a formal agreement outlining the roles and responsibilities of each partner.

Responsibilities of the Director of Financial Services

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

9. 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.
   - The proposed sharing of costs, risks, income, surpluses and deficits between the Council and the partner organisation

10. To ensure that the accounting arrangements are satisfactory.

Responsibilities of Strategic Directors

11. To consult with the Director of Financial Services, as necessary, on a scheme's appraisal for financial viability in both the current and future years

12. To ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared for the Director of Financial Services.

13. To provide the Director of Financial Services with all necessary information.

14. To maintain a register of all contracts entered into with external bodies in accordance with procedures specified by the Director of Financial Services.

15. To ensure that such agreements and arrangements do not impact adversely upon the services provided by the Authority.

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

17. To provide appropriate information, in accordance with the prescribed timetable, to the Director of Financial Services to enable a note to be entered into the Authority's statement of accounts concerning material items.

2. External funding

Why is this important?

18. 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 such as the National Lottery provide additional resources to enable the Authority to deliver services to the local community. However, in some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the Authority's overall plan.

Key controls

19. 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 appropriately communicated and 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 revenue budgets reflect these requirements.

Responsibilities of the Director of Financial Services

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

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

22. To ensure that audit requirements are met.

23. 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 Strategic Directors

24. To maintain adequate supporting documentation to enable claims for funding to be maximised.

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

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

3. Work for third parties

Why is this important?

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

Key controls

28. The key controls for working with third parties are:

- To ensure that proposals are costed properly in accordance with guidance provided by the Director of Financial Services.
- To ensure that contracts are drawn up using guidance provided by the Director of Financial Services, approved by the Director of Legal and Democratic Services and that the formal approvals process is adhered to
- To issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register.

Responsibilities of Director of Financial Services

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

Responsibilities of Strategic Directors

30. To ensure that the approval of the Strategic Director is obtained before any negotiations are concluded to work for third parties.

31. To maintain a register of all contracts entered into with third parties in accordance with procedures specified by the Director of Financial Services.

32. To ensure that appropriate insurance arrangements are made.

33. To ensure that the Authority is not put at risk from any bad debts.

34. To ensure that no contract is subsidised by the Authority without the approval of the Cabinet.

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

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

37. To ensure that such contracts do not impact adversely upon the services provided for the Authority.

38. To ensure that all contracts are properly documented.

39. To provide appropriate information to the Director of Financial Services to enable a note to be entered into the statement of accounts.

4. Advanced Grant Funding to Voluntary and Community Sector Organisations

Why is this important?

40. Provision of advance grant funding to Voluntary and Community sector organisations can assist in the effective management of service delivery. It is important that arrangements are in place to mitigate the risks associated with this practice.

Key controls

41. The key controls in relation to provision of advance funding are:-

- Advance funding should not be provided without a prior assessment of the forecast cash flow position and a risk assessment.
- All funding should be subject to completion of a ‘model grant agreement’.

Responsibilities of Director of Financial Services

42. To ensure the accounting arrangements are satisfactory.

43. To carry out a risk assessment on all applications for advanced funding

Responsibilities of Strategic Directors

44. To receive, check and authorise (in conjunction with Cabinet Member) applications for advance grant funding.

45. To refer authorised applications to Director of Financial Services for risk assessment.

46. To notify organisation and arrange for completion of model grant agreement.

FINANCIAL REGULATIONS

GUIDANCE NOTE 1 – BUDGETARY CONTROL RESPONSIBILITIES

See Appendix B

1. The Council's total Revenue Budget and Medium Term Financial Strategy are drawn up by Cabinet and approved by full Council. Within this overall cash limited Budget, detailed budgets are set for Directorates, which take account of polices and priorities, in accordance with the Council's declared objectives and plans. Proper management of the Budget ensures that 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 during the financial year.

2. Strategic Directors, Directors and Budget Holders are authorised to incur expenditure in accordance with the estimates comprising the Budget. It is the responsibility of the Strategic Director to ensure that their budget is not overspent, that there is budgetary provision for all expenditure and that an accountable Budget Holder is identified for each item of expenditure and income incurred by their Directorate.

With regard to budgetary control, Budget Holders are required to pay particular attention to the following responsibilities which come with their designation as Budget Holder.

Responsibilities of Budget Holders

3. Accuracy of financial information – Budget Holders are responsible for ensuring the accuracy of the financial accounts associated with their service area and consequently must satisfy themselves that proper arrangements are in place for recording expenditure and income. This will involve consideration of the arrangements for processing and coding transactions and ensuring that the Council's Financial Information System reconciles with other computer or manual based systems used by Budget Holders and departments for recording financial information.

4. Although the responsibility for the accuracy of the information rests with managers, Finance Managers (Financial Services) and their teams will be pleased to work with Budget Holders and assist in putting in place arrangements to deliver and ensure this.

5. Expenditure and Income Monitoring – Budget Holders are responsible for ensuring the accurate monitoring of expenditure and income in their service areas. The Council monitors budgets on a monthly basis and Budget Holders are expected to explain any budget variances (over and under spends etc) and, where appropriate provide details of corrective action to be taken to rectify the budget position. The format and content of the reports are specified by the Director of Financial Services.

6. It is the responsibility of Strategic Directors to ensure that, in conjunction with the Budget Holder, an effective monitoring process is in place to review performance levels and levels of service, which can inform budget monitoring and any corrective actions needed to address budget variations.

7. Budget holders will be responsible for ensuring that the expenditure and income profiles in the system properly reflect the expected patterns of expenditure and income throughout the financial year.

8. Again, Finance Managers (Financial Services) and their teams will assist budget holders in monitoring budgets and in reporting to Strategic Directors and to Strategic Leadership Team and Cabinet. Finance staff will ensure that appropriate financial information is available to Budget Holders to enable them to monitor their budgets effectively.

Information to Strategic Directors and Service Directors (Budget Managers) -

9. Budget Holders are required to inform their Budget Managers of progress against budget on a regular basis throughout the financial year. This involves reporting on any variances from budget and the proposed action to be taken to rectify them.

10. Virements and Supplementary Estimates
Virements and supplementary estimates are intended to enable the Cabinet, chief officers and Budget Holders to manage budgets with a degree of flexibility, within the overall budget framework that the full Council has determined, thereby optimising the use of resources. Budget Holders are required to discuss virements within their assigned budgets with their Budget Manager and Finance Manager (Financial Services) before implementation. Budget Holders are not authorised to incur expenditure in excess of their budgets without either a supplementary estimate being approved by the Council or a virement being approved in accordance with the Council's Financial Regulations.

11. Budget Holders also need to observe the guidelines below concerning the treatment of income.

12. Raising Income Accounts
Budget Holders are responsible for ensuring that invoices (including those relating to internal trading) for chargeable work in their directorate are raised promptly. This is to optimise the maximum cash flow advantage to the Council and also to prevent monitoring information being distorted by late billing.

13. Budget Operators
Budget Holders can, where appropriate, nominate Budget Operators to assist them in the day-to-day management and administration of the budgets for which they are responsible and in the discharge of their budget holder responsibilities. Budget Operators will be responsible for day to

day monitoring and control of the budget and will be answerable to the Budget Holder for the administrative aspects of the budget (such as raising purchase orders, coding invoices and raising accounts for work carried out under contracts and Service Level Agreements (SLAs).

14. Development and Devolution of Financial Systems

Currently there are opportunities for Budget Holders and Budget Operators to increase the amount of direct access to systems, including the development of a commitments facility and, as referred to above, profiling budgets, which will enhance the value and quality of financial information available. These developments will be progressed by Financial Services staff.

15. Financial Services Business Partnering Teams

Staff of the Financial Services Business Partnering Team are available to assist Budget Holders in carrying out their responsibilities and will be pleased to provide advice and guidance. Budget Holders and Budget Operators are encouraged both to draw upon their assistance in financial matters including budget monitoring and to involve them at an early stage in planning budgets and rectifying any budget variances.

FINANCIAL REGULATIONS

GUIDANCE NOTE 2 – CASH HANDLING

See also Appendix C, section 5 of the Financial Regulations

1. This guidance note is issued in accordance with the requirements of the Council's Financial Regulations. It is intended to provide guidance to all members of staff involved in the cash handling process so that officers are fully aware of their responsibilities. Further specific guidance has been developed and is attached to this document as follows:-

   - Counterfeit Bank Notes
   - Collection of Cash by Security Companies for Banking

2. The significance of and adherence to proper cash handling procedures cannot be emphasised too highly. Not only does adherence to good practices reduce the risk to the Council of monies going missing, adherence to these procedures also provides protection for individual officers against possible allegations of financial irregularities or suspicions of theft, should monies go missing.

3. One of the key principles underpinning sound financial control, insofar as cash handling is concerned, is that proper accountability should be maintained at all times for officers involved in the cash handling process. Ideally it should be possible, at any particular stage of the process, to establish which officers are responsible for accounting for monies under their control. Conversely, in the event that monies are found to be missing it should be possible to hold particular officers responsible for failing to account for the monies under their control.

4. Cash handling may take various forms. Generally it will involve the collection, receipting, reconciliation and banking of income but may also involve other areas of financial activity e.g. the use of floats, operation of imprest accounts, control of unofficial funds etc.

5. In view of the diversity of income systems operating in directorates it is difficult to provide specific guidance covering all the various aspects of these systems. These guidance notes are therefore essentially concerned with general principles and standards of good practice that should underlie cash handling procedures - most of which are common sense measures which most people would follow if they were dealing with their own finances.

6. It is important that detailed written instructions relating to cash handling duties are developed so that staff have a clear understanding of their responsibilities. These instructions should pay due regard to the importance of the key principle of accountability. It needs to be made plain to officers that they are accountable for monies under their control and that they are responsible for ensuring that monies are held securely at all times. No other officers should have access to these monies - not even for brief periods. If officers need to leave their work station they must lock monies away securely. Cash should never be left unattended, for how ever short a period of time.

7. Should monies be physically transferred between officers, the cash handed over should be checked at the time of the transfer and a discharge signature obtained from the receiving officer. During the hand over period, the monies should be checked and agreed in the presence of both officers.

8. Officers should be required to account separately for income for which they are responsible. At the end of each shift, or the conclusion of the day, officers must reconcile cash to the income collected. Cheques, postal orders etc. should be listed and cash analysed over the respective denominations of bank notes and coins. These details must be recorded. Another Officer (where possible a supervising officer) should then verify that the total amount of monies collected agree with the income records. Any shortages or excesses of income should be investigated by supervising officers with explanations fully recorded.

9. Should it be necessary for other officers to provide temporary cover on income collection duties then preferably these officers should be provided with their own float. If floats are not issued and monies are transferred between officers then the procedures already outlined for the transfer of monies must be fully complied with, both at the time of the initial handover and when the monies are subsequently handed back. Officers providing temporary cover should be required to account separately for any income that they collect.

10. The methods of accounting for income will vary depending on the system in operation e.g. computerised cash receipting systems, cash registers, tickets or manual receipts. It has already been emphasised that officers should be personally responsible for accounting separately for the monies which they collect. It should also be possible to trace individual transactions to particular officers (i.e. there should be an audit trail). Therefore, when computerised cash receipting systems are in operation officers must use their own personal "user identities" when receipting income so that they can be identified as the receipting officer. Under no circumstances should officers access computerised receipting systems using the "user identities" of other officers.

11. Arrangements will vary between establishments for the banking of income collected. Some establishments will bank more frequently than others and additionally some may use the services of security companies. Whatever practices are followed it is important that adequate procedures are in place to safeguard monies held on the premises pending either collection by security companies or banking by officers:

    a. Should monies be transferred to another officer with responsibility for collecting and preparing income for banking, the procedures relating to cash transfers outlined in paragraph 7 must be followed.
    b. Where a security company is used to undertaking bankings the procedures to be followed are outlined below.

c. Should the officer responsible for collecting income also be responsible for undertaking bankings, he/she should complete a bank paying-in-slip and place both the monies and the paying-in-slip in a sealed bag.

12. The level of security which will need to be applied during the working day will depend upon the particular circumstances appertaining to each establishment. Where income is collected the level of security required needs to take into account the amounts of cash involved. If substantial amounts of monies are involved it may be necessary for monies to be transferred at intervals to a safe during the day. Clearly the degree of security offered by the layout of the premises will be a determining factor in making this assessment.

13. At establishments where there are safes, other monies such as floats, imprests etc., should be kept in the safe when not in use. Additionally it may also be worthwhile considering keeping certain monies, such as imprests, in a separate cash boxes within safes. Keeping monies in separate cash boxes can enhance security as access to the contents can be restricted to the key holders of the cash boxes.

14. Security is greatly enhanced when monies are kept in a safe and the practice of keeping cash in drawers, desks, filing cabinets etc. should be actively discouraged. When consideration is given to the fact that any losses will have to be funded from revenue, the provision of a safe may be seen as a cost effective measure for providing increased security.

15. For security to be effective, proper control of keys to safes, cash boxes, etc. needs to be exercised at all times. Wherever possible specified officers should be made personally responsible for individual keys. Keys should be retained on the person of the officers and a register should be kept of all officers holding keys along with details of transfers of keys between officers.

16. Access to safes must always be restricted to officers responsible for safe keys and authorised key holders must not hand safe keys to other officers to allow temporary access to safes, for however a short a period of time.

17. Good practice dictates that the number of keys and officers having access to safes etc. and their contents should be kept to a minimum. The number of available safe keys, however, needs to reflect operational requirements. Ideally there should only be two safe keys, but depending upon circumstances, such as shift patterns, the need for emergency cover etc. it may prove necessary to have more than two safe keys. There should be sufficient keys available to ensure that all officers with valid reasons for requiring access to a safe etc. have their own keys so that it is not necessary to constantly keep transferring safe keys between officers.

18. Under no circumstances should safe keys be left in drawers, cabinets etc. Where keys have to be left on the premises overnight through necessity (e.g. staff rotas; irregular work patterns) they

should be kept in secure locations (e.g. strong room; purpose-built key repository) and access to these locations should be restricted to a limited number of responsible officers. Failure to comply with the requirements of Financial Regulations may lead to disciplinary action being taken against individual officers concerned.

19. Should any safe keys be lost, the matter must be reported to the senior officer at the establishment who must make arrangements for locks to be changed as soon as possible. No information relating to the premises or location of safes should be attached to safe keys. This precaution is necessary so as to act as a safeguard against lost keys falling in to the "wrong hands" and thus risking providing potential criminals with the opportunity for theft.

20. There are specific limits with respect to safes made by a recognised manufacturer, the Council's Governance Section can provide specific information with respect to limits but the following can be used as a guide:-

    a. The basic minimum limit applied to a free-standing safe of a recognised manufacturer is £1,000.

    b. A limit of £250 applies to a safe that is not from a recognised manufacturer.

    c. Safe limits above £1,000 are only applicable to premises which are of 'solid' structure and are not in isolated situations.

    d. A limit of £100 applies to locked receptacles, e.g. cash boxes.

21. In addition, it is important that supervising officers are aware of the limits for sums insured against loss, especially where the amount is specified in relation to particular safes or strong rooms, and that they arrange for bankings to be undertaken on a regular and frequent enough basis to ensure that those limits are not exceeded.

22. The following are suggested practices for the carrying of cash in public areas, these should be used in conjunction with other methods such as varying the routes taken and altering the times for delivery and collection. –

a.	£1,000	Two people should be present.
b.	£1,000 - £2,500	Two people carrying plus mobile phone.
c.	£2,500 - £5,000	Two people carrying with a dye discharge case or three people carrying plus mobile phone.
d.	£5,000 - £7,500	Three people carrying with dye discharge cases plus mobile phone and alarm.

e. £7,500 - £10,000 Three people carrying with dye discharge cases and a transalarm and mobile phone.

f. £10,000 + Security Company or specialist vehicle to be used.

23. The Policy does not cover:-

a. Any loss, destruction or damage arising from a safe or strong room being opened by the use of a key or combination code through the key or combination code having been left unsecured on the premises whilst closed for business purposes.

b. Any loss, destruction or damage resulting from any vehicle being left unattended whilst being used for carrying money.

24. Specific queries regarding insurance matters should be addressed to the Governance Section (Audit & Asset Management).

25. In the event of any loss being discovered, the circumstances must be reported to the Internal Audit Section.

26. Monies must not, under any circumstances, be taken from income sources by way of an unofficial/unauthorised loan by employees (or other persons) for personal (or any other) use. Undertaking such an unofficial loan shall be considered to be theft at the point of removal irrespective of the intent of the loaning person and will be deemed to be an action that will be investigated under the Council's disciplinary process.

Counterfeit Bank Notes

27. There may be a number of forged bank notes in general circulation at any one time and, in the same way as the commercial sector, the Council can incur losses through the acceptance of counterfeit bank notes. Counterfeit notes in circulation tend to be mainly £10 and £20 notes but staff should be aware that other denominations may also be found. This guidance note is intended to bring to the attention of staff with cash handling responsibilities some practical guidance in the detection of counterfeit bank notes, and the action to take if such notes are tendered or accepted as payment.

28. A number of simple checks can be carried out by officers when bank notes are tendered for payment and these are detailed in the leaflet issued by the Bank of England entitled "Know your Bank Notes." Officers should make themselves familiar with the contents of this leaflet and should exercise vigilance in the acceptance of bank notes presented in the course of their duties. All notes should be examined on presentation and only accepted by receipting officers when they are satisfied that the tendered notes are genuine bank notes.

29. In the event of a counterfeit bank note being detected when it is being tendered for payment, the strict legal position is that the note should not be passed back to the person tendering it - the counterfeit note should be retained by the officer and the incident reported to the police. However, it is recognised that in certain circumstances the retention of counterfeit bank notes may cause some difficulties in dealing with customers and therefore officers may exercise discretion as to whether or not they insist on retaining any tendered counterfeit notes. In circumstances where counterfeit notes are passed back to customers it is not necessary to report these incidents to the police.

30. Receipts for payment should not be issued until bank notes have been examined and confirmed as being genuine, as identification of a counterfeit note after receipting will result in the Council having to bear the loss.

31. Should counterfeit bank notes be found to have been accepted then the following action must be taken:

- The officer concerned must report the incident to a senior line manager.
- The counterfeit bank notes must not be banked or passed to a third party as this is a criminal offence. They must be handed over to the police. The senior officer should report the matter to the police, hand over the counterfeit note to them and obtain a receipt.
- Income returns should clearly record the details with the value of the counterfeit notes being shown as an under banking.
- The Internal Audit Section should be notified of the circumstances of the incident as soon as possible. In addition a written report should be sent to the Customer Service Centre Manager requesting that the amount be written-off. The receipt obtained from the police for the counterfeit notes must be attached to the report.

32. When incidents are reported to the police it is important that as much information as possible can be provided to help the police with their enquiries. A description of the person concerned, including any distinguishing features, should be noted as soon as possible, and any other relevant information such as the personal details of the payee's account, i.e. name and address (where this information is available). If counterfeit notes are not detected until some time after the transactions have taken place then it will be necessary for the officer concerned to check back through the records to see if it is possible to establish which account the payment was made in respect of.

33. There are a number of aids currently available to assist in the detection of counterfeit bank notes but the two most commonly used aids are ultra violet detector lights and detector pens.

34. The detector pen is used at till points throughout the commercial sector, and provides a cheap and effective means of safeguarding against counterfeit bank notes. All that is needed to verify the authenticity of a bank note is for the note to be marked on either face by the pen. If it is a forgery then a dark mark will appear. If it is genuine no visible change will occur.

35. Under an ultra violet detector light a counterfeit note will normally appear to glow with a fluorescent blue colour, whereas a genuine note will not change colour or texture. However, this method is not foolproof as some counterfeit notes are capable of passing this examination. The ultra violet detector lights, although more expensive than detector pens, do not wear out, and may therefore be more cost effective for use at major cashiering points.

Collection of Cash by Security Companies for Banking

36. Although procedures for recording and reconciling income to takings will vary between establishments, it is important that, once these procedures have been completed and bank paying-in-slips prepared, the following measures are undertaken.

37. There should be two officers present when income is prepared for banking.

38. The cheques and cash corresponding to the amounts entered on the paying-in-slip should be placed in one of the security company's appropriate cash collection bags and the bag sealed. If the make up of the cash to be banked requires that a separate sealed bag is used for the coin, then a separate paying in slip should be completed for the coin. The seal numbers of all bags used should be recorded against the amount of money banked on the Summary of Receipts to Bankings (or other similar record) straight away. The security company collection note should then be prepared and the seal numbers also recorded on this form. The sealed bag(s) must then be kept securely pending collection by the security company.

39. Strategic Directors are reminded that they are responsible for the care, custody and recording of assets under their control and for ensuring that adequate measures are in operation to provide effective security over all assets. This responsibility includes all income received and awaiting collection by the security company for transmission to the Council's bankers.

40. Monies awaiting collection should be kept securely locked away. It should be noted that Financial Regulations require Strategic Directors to ensure that adequate security is maintained over all keys to safes or other places where valuable assets are kept, and that wherever possible responsibility for individual keys should be given to specified officers who should retain such keys on their person.

41. If for any reason, should it prove necessary to reopen a sealed collection bag, this may only be done by the officer responsible for reconciling the income and placing the monies in the bag ready for collection. Under no circumstances is it permissible for any other officer to open a

sealed collection bag. The removed banking must then be placed by the responsible officer in a new collection bag and the bag sealed. The new seal number and the signature of the officer must be entered on the Summary of Receipts to Bankings and the collection slip amended with details of the new seal number.

42. Under no circumstances should sealed security bags which remain uncollected be placed inside other collection bags.

43. On each occasion that the security company guard arrives to make a collection, the responsible officer must check the identity of the guard. It should be borne in mind, that whilst the guard may be recognised and may have been making collections on a regular basis, it is possible that he or she may no longer work for the security company.

44. If there is any doubt that the guard is not bona fide, the officer in charge of the premises should inspect the guard's identity pass and compare the details against the establishment's copy of the security company's authorised signature list. If the officer is still uncertain, the offices of the security company should be contacted to obtain verification that the guard is genuine. Under no circumstances should any money be handed to a security guard if there is any doubt about his/her authenticity. Only when officers are satisfied that the guard is genuine should any monies be handed over.

45. Before the bags are collected, the security guard should scan the bar codes on each of the bags to be collected and produce a receipt detailing the seal numbers of the bags, the number of bags collected, the collection location, and the ID number of the guard making the collection. Prior to the handing over any cash the officer responsible for the banking and the security guard must sign the receipt and the collection note.

46. In the event of any failure to make collections by the security company or the company turning up at wrong times, attempts should be made to resolve the problem by contacting the security company directly.

FINANCIAL REGULATIONS

GUIDANCE NOTE 3 - MONEY LAUNDERING

1. What is Money Laundering?

1.1 Money laundering is the term used for a number of offences involving the integration of 'dirty money' (i.e. the proceeds of crime), into the mainstream economy, and the following constitute the act of money laundering:-

- ✓ Concealing; disguising; converting; transferring criminal property or removing it from the UK (Section 327 of the Proceeds of Crime Act 2002); or
- ✓ Entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition; retention; use or control of criminal property by or on behalf of another person (Section 328 of the Proceeds of Crime Act 2002); or
- ✓ Acquiring; using or possessing criminal property (Section 329 of the Proceeds of Crime Act 2002).

1.2 In addition to the above, there are two secondary offences:-

- ✓ Failure to disclose any of the above three offences.
- ✓ 'Tipping Off' (where someone informs a person or people who are, or who are suspected of being, involved in money laundering, in such a way as to reduce the likelihood of their being investigated or prejudicing an investigation).

1.3 With money laundering the culprits have the advantage as they choose when and where they want to try and launder the money, however, they are only a small minority. Having said that, a few money laundering facts will help to highlight the scale of money laundering and thus the potential risks to the Council:-

- Approximately **£500 billion** is laundered annually worldwide.
- **£18 billion to £48 billion** is laundered in the UK annually.
- Criminals are willing to lose up to **70%** of illegally gained funds in the money laundering process.
- Not reporting obvious money laundering activities could result in the Council being severely fined.

1.4 Money laundering can also shield the financing of organised drugs crime and terrorist activity.

2. The Council's Objectives and Guidance

2.1 Rotherham Metropolitan Borough Council (the Council) will endeavour to do all it can to prevent the Council and its staff being exposed to money laundering; identify the potential areas where it may occur and to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases.

2.2 This Anti Money Laundering guidance note sets out the Council's commitment to ensuring compliance with the requirements of the Proceeds of Crime Act 2002 (POCA); The Terrorism Act 2000; Money Laundering Regulations 2007 and the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance for Local Authorities on Money Laundering.

2.3 The guidance notes are designed to:-

- ✓ Heighten awareness of the risks of money laundering
- ✓ Support staff who have a potential concern about money laundering
- ✓ Ensure that the Council plays an appropriate part in combating money laundering.

2.4 Whilst the risk to the Council of contravening the legislation is considered to be low, it is important that employees are familiar with those risks and what actions they should take where they suspect money laundering has taken place. **The key requirement on employees is to promptly report any suspected money laundering activity to the Money Laundering Reporting Officer (MLRO). See Section 3 below.**

2.5 The guidance sits within the Council's Anti Fraud and Corruption Policy Statement, Anti Money Laundering Manual and Confidential Reporting Code.

3. Reporting of Money Laundering Concerns / Money Laundering Reporting Officer (MLRO)

3.1 The Council has nominated the Director of Internal Audit and Asset Management as the Money Laundering Reporting Officer and he can be contacted as follows:-

Mr. Colin Earl
Director of Internal Audit and Asset Management
Riverside House
Telephone 01709 822033

The Chief Auditor has been designated as the Deputy MLRO, and he can be contacted as follows:-

Mr. Marc Bicknell
Chief Auditor
Riverside House
Telephone 01709 823297

3.3 Where an employee knows, or suspects, that money laundering activity is taking / has taken place, or becomes concerned that their involvement in a matter may amount to a prohibited act under the legislation, they must disclose this as soon as practicable to the MLRO. The disclosure should be within "hours" of the information coming to their attention, and failure to report the matter to the MLRO may render the employee to prosecution.

3.4 Once an employee has reported to the MLRO they **must not make any further enquiries into the matter themselves.**

3.5 It is important to note that **No Reference** should be made on a client file to a report having been made to the MLRO. The MLRO will keep all appropriate records in a confidential manner.

3.6 Upon receipt of a disclosure report the MLRO will note the date of receipt and acknowledge receipt of the report. In addition the MLRO will advise the employee of the timescale within which the MLRO will respond.

3.7 The MLRO will complete the relevant section of the report as per Appendix A and decide whether or not a report should be made to the Serious Organised Crime Agency (SOCA) and, where applicable, to seek consent from SOCA for a particular transaction to proceed.

4. Staff Who Must Be Alert To Money Laundering Activities.

4.1 Any member of staff who deals with cash paid in by external customers must be alert to the possibility of Council financial systems being used to launder cash.

4.2 Accountants; auditors and legal officers must be especially alert, particularly if significant sums are involved such as the purchase price for council property.

5. Training.

5.1 The Council will take appropriate measures to ensure that all employees are made aware of the law relating to money laundering and will arrange targeted, ongoing training to key individuals most likely to be affected by the legislation.

5.2 Training will be available via the Council's 'Directions' intranet site, which is devoted to learning and development, or via direct contact with the MLRO.

FINANCIAL REGULATIONS

GUIDANCE NOTE 4 – CONTRACTS AND PROCUREMENT

See also Appendix D, section 2b of the Financial Regulations

Introduction

1. This guidance note documents the procedures to be followed when procuring goods and services on behalf of the Council. The document does not replace the existing requirements and principles contained elsewhere in Standing Orders in Section D (Systems & Procedures) of Financial Regulations, but is to be used by all employees as a reference point to ensure compliance with the Council Standing Orders and Financial Regulations.

2 For the purposes of this guidance note the term "System" will be the approved procurement system being operated by the Council.

Requisition, authorisation and receipt of goods and services

3. All requisitions for goods, services or works must be generated through the "requisitioning" element of the system.

4. All requisitions must be raised through the catalogue first, unless it is a defined need that can only be fulfilled by one of the open requisition types.

5. All requisitions must either be approved or rejected by the nominated authorisers using the "authorisation" element of the system.

6. All goods, services and works must be promptly receipted by the requisitioner. Receipting must be done through the "receipting" element of the system.

7. It is not acceptable for employees to place orders, either in writing or verbally, directly with suppliers and then issue a requisition retrospectively to formalise the order.

8. All professional procurement activity that involves discussion and negotiation with a third party supplier must be made known to the Corporate Procurement Category Management Team.

Supplier Invoices

9. All supplier invoices for bought in goods, services or works must only be processed for payment by the Corporate Procurement Purchase to Pay Team. Any invoices received by service departments should be forwarded to the Corporate Procurement Purchase to Pay Team and marked with the number of the requisition(s).

Time Scales

10. It is accepted that during the development of the procurement system and other related systems delays may occur through circumstances beyond the control of employees. However, such occurrences should be minimal. Therefore, subject to these limitations, the following time scales shall apply in the various stages of the procurement process.

    a. **Approve or reject a requisition**. All authorisers must action requisitions within <u>five working days of receipt</u> of the requisition.

    b. **Receipt of goods, services or works** All requistioners must acknowledge receipt within <u>two working days</u> of actual receipt.

System Security

11. Users are required to comply with the Council's Information Security Policy, specifically in their management of passwords, not allowing others access to their user details of the system

System Changes

12. Any requests for changes to existing system users and/or levels of spend associated with cost centres must be authorised by the appropriate line manager. The requests should then be forwarded to the Financial Systems Support Team (Financial Services) for the amendments to be actioned.

Exceptions

13. The only exceptions to the above guidance in relation to purchasing, include certain elements of Internal Services (Reprographics, Vehicle Plant Hire), purchases from Petty Cash, Out of Hours Ordering and immediate urgent Material Requisitions.

14. Additionally there are individuals who for technical reasons are unable to follow the above guidance. Examples include where users either don't have access to the Council's Intranet, below specification PC displays of 800X600, are not on email, have poor connectivity of less than 48Kbps. Users affected by these circumstances will continue to use approved paper requisitions for creating a requisition or for receipting will have to send the actual paper goods receipt (or similar) into the Corporate Procurement Purchase to Pay Team.

15. The Corporate Procurement Purchase to Pay Team will only accept paper requisitions on the basis that it is a known "non-user" that has a valid reason for using this exceptional process, and that the paper requisition is signed by an authoriser (budget holder for the cost code).

16. The Corporate Procurement Purchase to Pay Team will only accept paper goods receipts (or similar) on the basis that it is a known "non-user" that has a valid reason for using this exceptional process, and that the paper good receipt (or similar) has been signed by the original requisitioner

and confirmed the amounts they have received, highlighting clearly on the paper if there is any variance between the goods receipt (or similar) and the goods, services or works they have actually received.

Thresholds for the Relevant Competitive Process

17. Procurement procedures can differ according to the nature and value of the proposed contract, and are set by European law, United Kingdom law and the Council's own rules.

18. The appropriate procurement procedure should be determined by reference to the estimated value of the contract. Contracts must not be artificially divided in order to avoid the effect of the rules. The details of the estimated value and the procedure to be followed are contained within the Standing Orders.

FINANCIAL REGULATIONS

GUIDANCE NOTE 5 - CONTRACTS FOR BUILDING, CONSTRUCTION & ENGINEERING WORKS

The purpose of this guidance note is to establish the controls required in order to account for the costs of all building, construction and engineering schemes, howsoever funded. It should be used by all employees as a reference point to ensure compliance with Council Standing Orders and Financial Regulations.

1. The Council's project procedure must be followed for all approved building, construction and engineering schemes.

2. Before a contract may be executed: -

   (a) The Council must have approved the particular building, construction or engineering scheme in the Capital Programme or in the revenue resources allocated to the Service Director for the directorate concerned; and

   (b) The contract must comply with the Council's Contract Standing Orders.

   The requirements of this clause may be waived in the event of an emergency need arising. See Contract Standing Orders (38.5).

3. If a contract for building, construction, or engineering works involves more than one technical discipline, the Service Director with responsibility for the major part by value of the technical work, shall monitor and maintain a record of all technical officers' fees chargeable to the contract against the budget allocated for that purpose.

4. Subject to (6) below, the Service Director who is responsible for a particular contract, or an officer nominated by him for that purpose or a consultant appointed by the Council for that purpose, shall be responsible for managing variations/compensation events under the contract.

5. In addition to authorising the issue of a variation/compensation event, in accordance with (4) above, the Service Director, nominated officer or consultant as the case may be, shall annex to every authorised variation/compensation event, a statement setting out the revised cost of the scheme, if the variation will result or is likely to result in an increase or decrease in the overall cost of the scheme.

6. If the effect of a proposed variation/compensation event will be a significant alteration to the design or character of the scheme or a substantial increase in the overall cost of the scheme, the Service Director responsible for the scheme shall report immediately on the proposed variation of the contract, as follows: -

(a) The following limits on authorisation of variations/overspends will apply subject to the necessary capital resources being available in the relevant Directorate's capital programme to contain the variation/overspend.

- Under £250,000 or 10% (whichever is the lesser) of the total scheme costs, the variation may be approved by a Strategic Director in consultation with the portfolio holding Cabinet Member.

- Between £250,000 or 15% (whichever is the lesser) and £500,000 or 20% (whichever is the lesser) the variation may be approved by a Strategic Director in consultation with the Director of Financial Services and the portfolio holding Cabinet Member.

- Over £500,000 the variation may only be approved by Cabinet.

(b) Where a variation/overspend cannot be contained within the Directorate's resources and therefore requires Corporate resources, the advice of the Director of Financial Services must be sought in the first instance.

(c) Instances of variations/overspends should be formally recorded, together with the reasons for the variation/overspend so that the relevant approver is fully aware of the reasons for the variation/overspend.

7. Service Directors shall: -

(a) Determine the names and designations of officers authorised to certify payments under contracts, and ensure that these are recorded in the Directorate's 'Authorised Officers - Scheme of Delegation' [see Contract Standing Orders (40)].

(b) Nominate an officer that is independent of the certification process to check that each contract payment is properly certified and provide that officer with the names and specimen signatures of officers appointed as certifying signatories in his Service and notify that officer of any change or proposed change to the named certifying officers.

8. Payments-on-account to contractors which must not be made in advance of work done, shall be made only in accordance with a certified interim certificate issued by a Service Director, designated officer or consultant, who shall be responsible for ensuring that payments made under interim certificates do not cumulatively exceed the contract price, after any adjustments for variations/compensation events and deduction of retention monies. See also (16).

9. Service Directors shall forward certified interim certificates to Corporate Procurement Purchase to Pay Team for payment.

10. Notwithstanding the certifying of an interim certificate by a Service Director, designated officer or consultant, the Director of Financial Services may make enquiries and seek explanations from the officer or consultant concerned with the contract to which the certificate relates, in order to satisfy himself that payment of the certified sum should properly be made.

11. Before the issue of the certificate for final payment on completion of a contract, the Service Director, designated officer or consultant concerned with the contract, shall carry out such checks necessary to satisfy himself of the correctness of the account and that all payments have been properly made and obtain an endorsed 'Final Statement of Contract' from the contractor, identifying: -

    a) The name of the contract

    (b) The name of the contractor

    (c) The tender sum (excluding contingencies & day works) or target cost and

    (d) The outturn or actual cost of the contract

12. If the completion of a contract is likely to be delayed the Service Director concerned with the contract shall take any necessary steps to safeguard the Council's financial position and report any financial implications of the delay to the client and the Director of Financial Services.

13. A claim from a contractor (or by the Council against a contractor) which is founded on the assertion that the terms of contract between the contractor and the Council have been breached, shall be referred to: -

    (a) The Director of Legal & Democratic Services to advise on the Council's legal liability; and to

    (b) The Director of Financial Services to advise on the financial consequences of any proposed settlement.

    (c) Then referred to Cabinet for the approval of any recommended course of action.

14. On completion of a scheme the Service Director shall report the overall cost, identifying any significant variations from the approved budget estimate for the scheme, to the Strategic Leadership Team and Cabinet.

15. Contracts for building, construction, and engineering works shall contain a term requiring the contractor to retain and produce at the Council's reasonable request all accounts, vouchers & documents in the contractor's possession.

16. Each Directorate responsible for procuring and managing contracts shall maintain a register of written Council contracts and shall record payments made by the Council under those contracts. As a minimum, such a record should include: -

- Name of scheme/contract
- Name & address of contractor
- A brief description of the works
- Name of project sponsor/client
- Name of project manager
- Cost Centre
- Key dates (tender, start date, completion, final account, end of defects period etc)
- Form of Contract
- Contract period
- Contract sum, Prime Cost Sums, Provisional Sums, Contingencies & Day works
- Details of approvals for changes to dates, budget etc
- Payment record, i.e. certificate number, serial number, date, total value of work, net value of certificate, VAT, deductions and gross payment amount.

17. The Director of Legal & Democratic Services shall: -

(a) Keep in secure custody all contract documents under seal, including plans, specifications, bills of quantities, parent company guarantees and bonds; and

(b) Ensure that any insurance that is required under a contract is duly taken out by the contractor awarded the contract.

18. All contract documents should be retained for the prescribed periods as set out in the Council's Financial Regulations Guidance Note - Retention of Records.

19. An in-house organisation that performs any building, construction, or engineering work on behalf of the Council shall be deemed the main contractor for the purpose of this regulation.

FINANCIAL REGULATIONS
GUIDANCE NOTE 6 – CONTROLLED STATIONERY

1. Controlled stationery is a form or document which is used to enhance the administration or financial control within a system. All controlled stationery is sequentially numbered and formally issued to directorates.

2. Robust controls are needed in relation to controlled stationery to avoid misuse, potential fraud and misappropriation occurring. The proper use of controlled stationery is required to provide a full audit trail. Examples of controlled stationery include, receipt books and paying in books.

3. If controlled stationery is not used it can be impossible to trace income through the system, increasing the risk of misappropriation.

4. All controlled stationery should be kept in locked storage or a secure area where access is restricted to authorised personnel only.

5. All controlled stationery should be ordered via the Business Support Team, Legal & Democratic Services. No departments should order controlled stationery direct from Internal or external printing services.

6. The issuing department should retain a record of the controlled stationery that has been received and issued, this document should include the serial numbers of the forms/documents, the quantity and details of the person receiving the stationery. Quantities of stationery issued must be related to usage, and the issuing of significant quantities, which would last indefinitely must be avoided.

7. Receiving departments should also maintain a record of controlled stationery that they have received, used and the amount of stock held. Reconciliations must be carried out periodically to ensure that all controlled stationery items can be accounted for.

8. All pre-numbered controlled stationery must be used sequentially; any gaps in the sequence must be investigated promptly. Any forms “spoiled” should be written across “cancelled” and retained so that they can be properly accounted for.

9. Copies of controlled stationery e.g. receipt books must be retained for a minimum of six years. Other controlled stationery should be retained as per the guidance note on retention of records.

FINANCIAL REGULATIONS

GUIDANCE NOTE 7 – DISPOSAL & WRITE-OFF PROCEDURES FOR MOVEABLE ASSETS

See also Appendix C, section 5g of the Financial Regulations

1. This guidance note is issued in accordance with the requirements of the Council's Financial Regulations, and is intended to provide guidance to all staff involved in the disposal and/or write off of Council assets (other than land and properties).

2. It is a requirement of Financial Regulations that where surplus plant, vehicles, furniture, equipment and stock items (owned by the Council and not leased) are to be disposed of, they should be sold by competitive tender or public auction unless the interests of the Council would be better served by disposal in some other way. Before any disposal takes place, checks must be carried out to ensure that the assets are owned by the Council and are not subject to a leasing arrangement. Leased assets can only be disposed of in accordance with the terms of the lease.

3. The practical effect of this regulation is that, disposals are generally at the discretion of Service Directors. Vehicles and plant with a significant residual value should be disposed of at auctions or by tender, but furniture and equipment and other miscellaneous items with low residual values may be disposed of by a variety of means.

4. Where assets or stock are to be disposed of either because they are considered to be surplus to requirement, or damaged or obsolete, the approval of the Service Director must be sought. The submission to the Service Director, which must be authorised by a line manager, should outline the reasons for the disposal and authorisation in writing must be obtained from the Service Director before disposal takes place.

5. An independent examination of the items or stock should be carried out by the line manager before any request for disposal is submitted. This procedure is also applicable in circumstances where it is considered that the items or stock to be disposed of have no value and are to be scrapped.

6. Approval of the method of disposal must be obtained from the relevant Service Director. The Service Director approval together with the record of the disposal (cross referenced to the banking of income received) must be retained for audit purposes. The proposed method of disposal needs to be one which is considered to net the largest income - having due regard to the value and costs associated with disposal (including administrative time involved). In certain circumstances where assets have minimal value it may be considered more cost effective to simply scrap the items.

7. Disposal must not be made to employees of the Council unless the Director of Internal Audit and Asset Management is consulted and agrees to the arrangement. This arrangement is in place to safeguard against any potential abuse, and to act as a protection against potential allegations of impropriety.

8. Service Directors are responsible for ensuring that accurate inventories of items of furniture, equipment, vehicles and plant, under their control, are kept at all times, and that physical checks are carried out at least once per year to verify the existence of these assets. Any deficiency revealed by physical check must be reported to the relevant Service Director with a request for permission to write off the missing asset. A similar request should also be made in cases where items are found to have been stolen.

9. Any deficiencies or surpluses of stock will normally be found when stock checks are carried out. These deficiencies may be written off by Service Directors provided the adjustments are properly certified by authorised officers with the reasons for the write off shown in the stock records. However, any discrepancies should be thoroughly investigated and verified before a request for write off is submitted.

10. Any loss due to theft should be reported to the relevant Service Director/Strategic Director and Director of Internal Audit and Asset Management, whether it relates to physical assets or stock. A report outlining the circumstances should be submitted with the request for write off.

11. When the need to write-off any asset or stock arises, officers responsible for keeping the relevant inventory or stock records should submit a written request to their Service Director officer asking for permission to write-off the items. The request should give a detailed description of the item(s), quoting any serial numbers or reference numbers where appropriate. The authorising officer should reserve the right to examine the items to be written off and should do so from time to time.

12. In the event of stolen items or stock being written off and subsequently recovered, they should be written back on to the relevant inventory or stock records.

13. Details of any write offs must be recorded in the appropriate inventories or stock records, and copies of authorisations from Service Directors together with any other relevant documentation must be retained for audit purposes.

14. Before any equipment or media is disposed of, the Council has to ensure that all data has been completely removed to comply with the Data Protection Act.

FINANCIAL REGULATIONS

GUIDANCE NOTE 8 – IMPREST ACCOUNTS

See also Appendix C, section 6 of the Financial Regulations

1. This guidance note is issued in accordance with the requirements of the Council's Financial Regulations. Imprests are sums of money advanced to officers to enable payments to be made outside of the Council's approved procurement system for the payment of creditors. As claims for reimbursement are made, the appropriate budget heading is debited and the imprest account is topped up to its original level.

2. A request for a new imprest or change to an existing one should go to the relevant Finance Manager (Financial Services) and each request must be confirmed with the relevant Service Director before being approved by the Chief Accountant (Financial Services).

3. Proper records of payments and reimbursements shall be kept by all imprest holders and payments shall be supported, so far as is practicable, with receipts or vouchers. Once vouchers have been submitted for a claim they should be marked to indicate that they have been processed so that they can not be re-submitted with another claim.

4. It should always be possible to reconcile the sum originally advanced against cash-in- hand and payments paid. Claims for reimbursement of expenditure should be mad at regular intervals.

5. The amount of any individual payment should be restricted to £50 (including VAT), unless prior approval has been obtained from the Chief Accountant. Imprest holders must not sub-divide payments to a single recipient to avoid exceeding this limit.

6. To enable the VAT to be reclaimed for items within the imprest limit of £50 the receipts need to contain the following details:-

   - Name of the Company
   - VAT registration number
   - Description of the goods or services supplied
   - Total value including VAT
   - The rate of VAT

   Also see 13 below with regard to VAT.

7. The limit will be reviewed by the Council, from time to time, and any amendments notified to you. Should occasions arise when it may be necessary for payments to be made which exceed these limits approval should be sought from the Chief Accountant.

8. Imprest holders are personally responsible for sums advanced to them. Officers shall, on request, submit certified statements to the Chief Accountant, confirming that the sum advanced can be fully accounted for. Should there no longer be a need for the imprest to be held at the establishment the sum advanced shall be promptly repaid into the correct cost centre and nominal code provided by the Chief Accountant.

9. Officers are reminded that Financial Regulations make them individually responsible for any losses arising through negligence. In circumstances where the control of an imprest is transferred to a different officer (for example, on the appointment of a new member of staff), the Chief Accountant shall be notified of the change and the officer taking over responsibility for the imprest shall confirm that the records have been checked and that the sum advanced can be fully accounted for.

10. Where an Imprest account is no longer used the holder of the funds should make arrangements for the funds to be paid back into the Authority's main accounts and any associated bank account to be closed. The records associated with the account should be retained.

11. Imprests held in bank accounts should not under any circumstances be allowed to become overdrawn. These accounts must be held in the name of the establishment and a small number of cheque signatories should be nominated with a minimum of any two officers being required to sign cheques.

12. All departments holding imprest should ensure that they are adequately secured.
Please refer to the cash handling guidance notes.

13. Employees should not purchase goods on behalf of the Authority using a personal cheque, debit/credit or loyalty card. VAT is not recoverable in such circumstances.

14. Expenditure which should form part of the payroll system, e.g. car allowances, shall not be processed through imprest accounts.

15. Monies must not, under any circumstances, be taken from the imprest by way of an unofficial / unauthorised loan by employees (or other persons) for personal (or any other) use. Undertaking such an unofficial loan shall be considered to be theft at the point of removal irrespective of the intent of the loaning person and will be deemed to be an action that will be investigated under the Council's disciplinary process.

Example - Accounting Records for Imprest Accounts

The following example illustrates the method of keeping accounting records for imprest accounts and should be used by imprest holders as a basis for maintaining records.

This illustration is for the operation of an imprest account where cash is drawn from the bank account to finance cash payments and all reimbursements are credited direct to the bank by the Authority. Other departments may receive cheques as a method of reimbursement. In these circumstances imprest holders have to arrange for cheques to be paid in to bank accounts.

The account is divided into six columns detailing:-

- Date
- Details
- Receipts (cash and bank)
- Payments (cash and bank)
- Cash in Hand
- Bank Balance

Whenever transactions take place an entry is made thus:-

a) Petty cash payments (cash or cheque)
Increase payments and reduce cash or bank balance

b) Petty cash reimbursements
Increase receipts Increase cash or bank balance

c) Withdrawal of cash from bank
Increase cash in hand Reduce bank balance

Regular reconciliations should be carried out, at least each time a claim for reimbursement is made, as follows:-

Cash in hand	X
ADD Cash at bank	X
ADD Outstanding Claims	X
ADD Vouchers not yet claimed	X
Imprest Total	X

NB. Cash-in-hand should be counted and agreed.

The bank balance should be reconciled each time a bank statement is received as follows:-

Balance per statement	X
ADD item paid in since date of statement	X
LESS unpresented cheques	X
Balance per petty cash account	X

Notes

1. The imprest account is opened with £200 paid into the bank account.
2. £50 cash is withdrawn from the bank reducing the bank balance to £150 and giving a cash in hand figure of £50
3. A cash payment of £5.50 is made for stamps, reducing the cash in hand to £44.50
4. A cash payment of £17.25 is made for stationery, reducing the cash in hand to £27.25
5. A cheque payment of £47.50 is made to the Post Office, reducing the bank balance to £102.50
6. A cash payment of £3.40 is made for bus fares, reducing the cash in hand to £23.85
7. Reimbursement claim no.1 is made for £73.65, being total payments to date
8. The imprest is reconciled
9. A cash payment of £11.00 is made for stamps, reducing the cash in hand to £12.85
10. £50 cash is withdrawn from the bank reducing the bank balance to £52.50 and increasing the cash in hand to £62.85
11. A cheque payment of £13.25 is made for stationery reducing the bank balance to £39.25
12. A cash payment of £1.75 is made for bus fares, reducing the cash in hand to £61.10
13. Reimbursement claim no.2 is made for £26.00, being total payments not claimed to date
14. The imprest is reconciled. Claims outstanding total £99.65 being claim no.1 (£73.65) and claim no.2 (£26.00)
15. Claim no.1 is reimbursed, increasing the bank balance to £112.90
16. A cash payment of £12.95 is made to P.Smith, reducing the cash in hand to £48.15

17. £40 cash is repaid to the bank, reducing the cash in hand to £8.15 and increasing the bank balance to £152.90
18. Reimbursement claim no.3 is made for £12.95, being total payments not claimed to date
19. The imprest is reconciled. Claims outstanding total £38.95; claim no.2 (£26.00) and claim no.3 (£12.95). Claim no.1 is no longer outstanding as it was reimbursed.

Imprest Account Records

Date	Details	Receipts	Payments	Cash in Hand	Bank Balance	Note
01/04/06	Imprest issued	200.00			200.00	1
02/04/06	Cheque for Cash			50.00	150.00	2
03/04/06	Stamps		5.50	44.50	150.00	3
03/04/06	Stationery		17.25	27.25	150.00	4
05/04/06	Post Office		47.50	27.25	102.50	5
06/04/06	Bus fares		3.40	23.85	102.50	6
07/04/06	CLAIM 1		73.65			7
	Reconciliation:					8
	Cash in Hand	23.85				
	Cash at Bank	102.50				
	Claims outstanding	73.65				
	IMPREST	200.00				
08/04/06	Stamps		11.00	12.85	102.50	9
09/04/06	Cheque for Cash			62.85	52.50	10
10/04/06	Stationery		13.25	62.85	39.25	11
11/04/06	Bus Fares		1.75	61.10	39.25	12
14/04/06	CLAIM 2		26.00			13
	Reconciliation:					14
	Cash in Hand	61.10				
	Cash at Bank	39.25				
	Claims outstanding	99.65				
	Imprest	200.00				
17/04/06	Reimbursement	73.65		61.10	112.90	15
22/04/06	P Smith - Gardener		12.95	48.15	112.90	16
25/04/06	Cash repaid to Bank			8.15	152.90	17
29/04/06	Claim 3		12.95			18
	Reconciliation:					19
	Cash in Hand	8.15				
	Cash at Bank	152.90				
	Claims outstanding	38.95				
	Imprest	200.00				

FINANCIAL REGULATIONS

GUIDANCE NOTE 9 – RETENTION OF RECORDS

Record	**Minimum Period to be Retained**
Cash Income	
Receipts, including Cashier/Rent	Six Years (V.A.T. requirement)
Collectors collection sheets	As Above
Records relating to the issue of tickets	As Above
Till Rolls	As Above
Paying-in Books	As Above
Supporting Records:-	As Above
Records of Remittances Received	As Above
Daily Income Records, e.g. Catering Sales Sheets	As Above
Records of Overs and Shorts	As Above
Scales of Charges	As Above
Credit Income	
Primary Debtors Records:-	
Assessment/Usage Records	)
Details of Debit, Copy Accounts	)
Raised Credit Notes	)
Authority for Write-offs etc.	) As Above
Income received by instalments over a period of years:- e.g. Housing Act advances, Car Loan repayments	Basic information to be retained 12 months after completion of payment .

Record		**Minimum Period to be Retained**
Expenditure		
Requisitions for supplies / works	)	
Official Copy Orders	)	Six Years
Delivery Notes	)	
Paid Invoices (inc Electronic) / Credit Notes		As Above
Paid Cheques		As Above
Petty Cash Voucher	)	As Above
Cheque Requisition Books	)	
Stores Prime Records	)	Last financial year signed off by External Auditor
Stores Ledger	)	plus the preceding financial year.
Issues, Transfer and Return Notes	)	Six Years
Goods Received Notes	)	
Stock Adjustment Notes	)	Last financial year signed off by External
Transport Prime Records	)	Auditor plus the preceding financial year.

Other

Rate Records

Valuation Lists	Indefinitely
Valuation Officer's Directions	Indefinitely
Primary Rate Records	Six Years
Supporting Documents	Last financial year signed off by External Auditor plus the preceding financial year.

Record	**Minimum Period to be Retained**
Contracts	
Contracts Register	Indefinitely
Register of Tenders and Quotations	Indefinitely
Contract documents (where contract is under seal)	Twelve Years
Contract documents (where contract is not under seal)	Six Years
Contract final account documents	Twelve Years
Investments	
Register of Holdings	Indefinitely
Bought and Sales Notes (When holdings discontinued)	Six Years
Loans	
General	
P.W.L.B. Money Bills	) Six Years after redemption
Negotiable Bonds, Local Bonds	)
Temporary Loans Register and Supportive Data	Last financial year signed off by External Auditor plus the preceding financial year.
Ledgers and Supporting Information	Indefinitely
Register of Members Allowances	Indefinitely
Controlled Stationery Register	Indefinitely
Insurance Policies	Indefinitely
Bank Statements	Six Years
Timesheets/Clock Cards inc. Bonus Sheets	Six Years

Record	**Minimum Period to be Retained**
Other Staff Returns, e.g. (Overtime / Allowances) Copy Payroll	As Above
Details of Appointments, Changes, Leavers etc.	Six Years
Personal Records	Indefinitely
PAYE	Current financial year plus proceeding 3 financial years
Monthly Summary of Tax Paid to Inland Revenue	Last financial year signed off by External Auditor plus the preceding financial year
P45's, P60's	As Above
Externally Funded Projects	Note each funding regime may have its own data retention requirement. Retention periods would typically not commence until the scheme had been completed. Where any doubt exists reference should be made to the relevant funding body before disposing of any documentation.

Miscellaneous

Annual Accounts (inc. Profit + Loss A/C)	Six Years
VAT Account	As Above
Authenticated Receipts	As Above
Import and Export Documentation (From / To EC Members + Others)	As Above
Certificates Received / Issued (re. VAT Concessions)	As Above

FINANCIAL REGULATIONS

GUIDANCE NOTE 10 – UNOFFICAL FUNDS

See also Appendix C, section 6 of the Financial Regulations

1. This guidance note is issued in accordance with the requirements of the Council's Financial Regulations. Unofficial funds are defined as any funds, other than official funds of the Council, which are controlled wholly or in part by officers because of their employment with the Council, including monies held by the Council under the terms of a trust deed or Charity Commission Scheme.

2. The Council has an overall obligation to ensure that all unofficial monies under the control of employees and arising from activities connected with their employment are correctly recorded and adequately controlled and that the Council discharges its duties as trustee, where it has been appointed trustee of a trust fund or scheme.

3. It is important that Service Directors are aware of the existence of any unofficial funds under the control of officers in their directorate, and that satisfactory arrangements are in place for these funds to be audited. Where the Council is holding and administering funds on behalf of a charity or in accordance with a Charity Commission Scheme, the Service Director concerned with administering the funds shall –

   (a) Arrange for suitably qualified officers to administer and account for the funds;

   (b) Ensure that the funds are managed in accordance with any terms under which the Council is holding them, including obtaining prior written approval to expend the funds;

   (c) Ensure that, having regard to the size and turnover of the funds, measures are taken for appropriate internal controls and accounting records to be kept in respect of the funds;

   (d) Ensure that there is an independent audit of the funds within nine calendar months of the end of the accounting period for the funds; and

   (e) Upon request supply a copy of the audited accounts to the Director of Financial Services; and

   (f) Complete or arrange for the completion of the Charity Commission's annual return in respect of the charity or scheme, and forward the completed return and a copy of the audited accounts, in respect of the charity or scheme, to the Charity Commission.

4. Securities belonging to a trust shall be kept secure either in accordance with the terms of the trust.

5. Service Directors should consult with the Director of Internal Audit and Asset Management on the type and extent of audit required. This will be dependent upon the nature of the activity and the degree of risk involved. As a minimum requirement all unofficial funds should be independently audited on an annual basis.

6. Accounting records and cash-in-hand relating to unofficial funds must, at all times, be kept separate from official accounting records and monies. It is therefore desirable that officers with responsibility for official Council monies do not have any involvement in the operation of unofficial funds. However, it is acknowledged that circumstances may render this separation of duties impracticable.

7. Adequate security measures should be in place to safeguard all cash and records belonging to unofficial funds. Under no circumstances should cash be left in unattended rooms or unlocked drawers. Where a fund accumulates a substantial balance, consideration should be given to opening and paying monies into a bank/building society account.

8. Under no circumstances should it be permissible for officers to cash personal cheques out of unofficial funds. All cheques or postal orders received for payment into unofficial funds should be banked at the earliest opportunity.

9. Bank accounts in respect of unofficial funds should not be held in the names of members of staff. Arrangements should be made for a small number of cheque signatories to be nominated with a minimum of any two persons being required to sign cheques or make withdrawals.

10. The method of keeping accounts should be kept as simple as possible. A clear, complete and detailed record of all receipts and payments, supported by documentary evidence together with bank statements, is required to provide the basis from which accounts can be prepared and audited. Accounts should be completed with a year-end of 31st March. (Detailed notes on the method of keeping accounts for unofficial funds can be found below).

11. Audited accounts should be made available for inspection by interested parties and publicly placed on display at establishments.

12. The Council requires assurance that all unofficial funds are properly accounted for and audited. It is therefore a requirement that officers-in-charge of establishments shall, as soon as possible, after the 31st March each year, complete and return, to their Service Director, a signed certificate confirming that the fund has been kept separate from official monies and accounting records, that the fund has been duly audited and that the audited accounts have been made publicly available for inspection by all interested parties. The format of this certificate should be similar to the example attached to these guidance notes.

13. Audited accounts together with the supporting documentation should be retained at establishments for a minimum period of six complete financial years.

Accounting records for unofficial funds

14. The method of keeping accounts should be as simple as possible. The minimum requirement is for a cash book to be kept recording every item of income and expenditure. For all entries in the cash book it is essential that documentary evidence is available in support of all transactions. These will be required by the fund's auditors to enable transactions to be verified. In certain circumstances this documentation may also need to be made available for inspection by the Director of Internal Audit and Asset Management.

15. It is important that receipts are issued for income received (receipt books may be obtained from most stationery suppliers, official Council receipts should not be use for this purpose). For certain types of fund raising activities e.g. raffles, jumble sales, sponsored walks etc., it is recommended that separate records are kept for these activities. It is acceptable for the total income figure raised from these activities to be entered in the cash book, provided that independent records are kept by an officer other than the officer with responsibility for keeping the fund's accounting records. In these circumstances a receipt should be made out for the total sum of money handed over.

16. Wherever possible, invoices and/or receipts should be obtained and kept for all payments made. However, in the absence of invoices or receipts, a record of the payment should be made to include details of the amount, the date and what the payment relates to, and the payee's signature obtained, to confirm that the payment has been received.

17. Officers paying monies into a bank must complete bank paying-in-slips and counterfoils. In addition to entering particulars of cash, all cheque details must be individually entered on both copies. Cheque details must include the name of the drawer, bank sort code and amount.

18. Cheque stubs and paying-in counterfoils together with copies of all bank statements or pass books should be retained for audit purposes.

19. Based on the entries in the cash book, final accounts should be prepared as soon as possible after the end of each financial year. Normally this should be at the 31st March. Unless a detailed analysis of receipts and payments is kept in the cash book, then at the year end, all the transactions will need to be analysed and from this a statement of receipts and payments (or income and expenditure) prepared. For larger funds as well as the revenue account it is also necessary for a balance sheet to be drawn up detailing all the assets and liabilities of the fund at the year-end.

20. All records relating to the fund should be retained at establishments. The audited accounts, signed by the auditors, together with the supporting documentation should be retained at the establishment for a minimum period of six complete financial years.

Example of an Unofficial Fund Certificate

Rotherham Borough Council ______________________________Department
Certification of Unofficial Fund for the financial year ended 31 March 20__

1. Title of Fund ____

2. Name of Bank where the fund is held ____

3. Branch address of Bank.____

4. Fund administered by:

Name and designation ____

5. Fund audited by:

Name and designation ____

6. This is to certify that in accordance with the Council's Financial Regulations:-

(a) All accounting records and monies held in respect of this fund have been kept separately from official monies and accounting records.
(b) The monies and records belonging to the fund have been duly audited and found correct by persons not connected with the keeping of the fund's account.
(c) The audited statements of account for the fund have been publicly displayed and made available for inspection.

Signed _______________________________________ Date _________________

Establishment____

NB. This certificate should be returned to ____
together with a copy of the audited statements of account as soon as possible after 31 March.

FINANCIAL REGULATIONS

GUIDANCE NOTE - 11 VIREMENT

See also Appendix A, section 2 of the Financial Regulations

1. Virement is defined by CIPFA as "the transfer of resources from one budget head to finance additional spending on another budget head, in accordance with an Authority's Financial Regulations".

2. Cabinet/Council will agree a total budget for the Council prior to the commencement of the financial year. This will be based on:-

   - An allocation for each Directorate
   - Agreed corporate/political priorities
   - In some instances, a specific allocation of resources for specific purposes.

3. Strategic Directors/Service Directors will prepare a detailed budget, balancing to the given total. This will be tied into the annual Service Plan for the Directorate (and Service Area Plans as appropriate) and will be agreed with the Cabinet Member and recorded. It will be consistent with the information outlined at paragraph 2 above.

4. The detailed budget will be submitted to the Director of Financial Services for input to the Financial Information System (CedAr). Input to CedAr will be checked for accuracy – corrections of input will not constitute virement for the purpose of the Regulations. The Director of Financial Services will be the arbiter of what is or is not an input error for this purpose.

5. The budget, as input and agreed, will then become the base budget against which the financial performance of the Directorate is monitored and in the context of which virement requests are prepared and considered.

6. Reports to Members on proposals which have financial implications should, as a matter of course, include details of any proposed / necessary virement. Members will be asked to approve any virement required as an integral part of their approval of the proposal itself.

7. The following will constitute virement for the purposes of these Regulations:-

   (a) A transfer of resources across more than one Directorate.

   (b) A transfer of resources across more than one "budget head" within a Directorate. ("The definition of Budget head" in this context will be agreed in consultation with the Director of Financial Services – e.g. main code or cost centre).

(c) A transfer of resources, within one budget head, between more than one CIPFA standard category (i.e. Employees, Premises, Supplies and Services, Income etc.).

(d) Any proposal which would transfer resources into or out of a specific Council priority (as set out in the Corporate Plan) or would affect, positively, or negatively, a specific financial allocation agreed by the Council for a specific purpose.

(e) Any proposal resulting from an unanticipated windfall or shortfall in Government (or other) grant/subsidy income.

8. Approval for Virement requests/proposals (including Revised Estimate proposals) shall be in accordance with the following provisions:-

(a) All virement requests which involve changes in resources allocated specifically to a Council priority will require the formal approval of the Cabinet (progressed through the Strategic Leadership Team).

(b) It will be a requirement that approval by Members of policy/operational proposals with resource/virement implications will, as appropriate, simultaneously include approval of the virement. (N.B. Subject to the following points, (c) – (g), virement requests require the approval of Cabinet upon a recommendation of Strategic Leadership Team or, exceptionally, on the advice of the Chief Executive/Director of Financial Services).

(c) Virements wholly within one Service Area:-
Service Directors may approve individual virements of up to £100,000,subject to a maximum virement within any financial year of 10% of their net overall revenue budget - including virements at (d) and (e) below – such virements must be reported to the Strategic Director and the appropriate Cabinet Member.

(d) Virements wholly within one Directorate:-
Subject to the agreement of the Strategic Director and all Service Directors involved, two (or more) Service Directors may approve individual virements of up to £100,000 subject to a maximum virement within any financial year – including virements at (c) above and (e) below - of 10% of each of their net overall revenue budgets. Such virements must be reported to the appropriate Cabinet Member(s).

(e) Virements affecting more than one Directorate:-
Subject to the agreement of both (or all) Strategic Directors, and the approval of both (or all) relevant Cabinet Members, two (or more) Service Directors may approve individual virements of up to £100,000, subject to a maximum virement within any financial year – including virements at (c) and (d) above – of 10% of each of their net overall revenue budgets.

(f) All other virements will require the specific approval of the Cabinet (progressed through the Strategic Leadership Team).

(g) All virements will require the completion of a standard virement form (as prescribed by the Director of Financial Services and incorporating a summary of his comments on the proposed virement) which will be used for the updating of budget information on the Financial Information System.

9. Regular monitoring and reporting of performance against budget will, on occasions, lead to actions/proposals by Strategic Directors or Service Directors which require the exercise and approval of virement in order to bring the budget into balance and/or to realign resources. Such actions/proposals will be considered in accordance with paragraphs 10 and 11 of this guidance note.

10. Where a projected unbalanced outturn position is anticipated, the Strategic Director and Cabinet Member will agree a course of action designed to bring the budget back into balance. Whether or not these proposals constitute the basis for a virement of budget will be decided in accordance with the provisions of this guidance note. Having established this, the approval of any identified virement needs will be conducted in accordance with the provisions of paragraph 8 of this guidance note.

11. Where a balanced outturn overall is projected, but this involves an overspending on one or more heads of account, with compensating underspending on one or more other heads of account, the Strategic Director and Cabinet Member will ensure that this is an acceptable way of keeping the Directorate budget in balance. Whether or not these proposals constitute the basis for a virement of budget will be decided in accordance with the provisions of this guidance note. Having established this, the approval of any identified virement needs will be conducted in accordance with the provisions of paragraph 8 of this guidance note.

FINANCIAL REGULATIONS

GUIDANCE NOTE 12 - USE OF RMBC CORPORATE CREDIT CARDS USE OF RMBC CORPORATE CREDIT CARDS

Introduction

1. This guidance note documents the procedures to be followed for procurement of goods and services on behalf of the Council by use of the RMBC corporate credit card - use of the RMBC corporate credit card does not replace the Council's Contract and Procurement systems and procedures; this guidance should be read in conjunction with Guidance Note 3 - Contract and Procurement.

2. For the purposes of this guidance note, the RMBC corporate credit card is the credit card that on the authorisation of the Strategic Director of Neighbourhoods and Adult Services is procured and distributed by the Corporate Procurement Category Management Team for use only by Council employees that have been nominated as cardholders.

   In carrying out this function

   - Corporate Procurement shall:
     - Arrange the credit card agreement with the credit card supplier
     - Liaise with Directorates and the credit card supplier to issue/delete cards to authorised users
     - Issue cards to authorised card holders for use in the procurement process
     - Be responsible for control of usage, accountability and charging of expenditure on the cards held by Council employees
   - Directorates, (acting under authorisation of the Strategic Director of Neighbourhoods and Adult Services :
     - liaise with Corporate Procurement Category Management Team for issue/deletion of cards to authorised employees
     - are responsible for usage, accountability and charging of expenditure on the cards held by its employees.

3. The holding and usage of the RMBC corporate credit card is intended to complement the Council's procurement process, being made available to authorised cardholders for the following purposes:

- To obtain 'best value' by taking advantage of offers from suppliers via the internet

- To enable a more convenient method of managing foreign travel and accommodation whilst abroad - however it should be noted that advance bookings of travel and accommodation must be made via Corporate Procurement Purchase to Pay Team.

4. Directorate's holding and usage of the RMBC corporate credit card, by authorised cardholders only, is intended to provide a more convenient method of managing foreign travel and accommodation whilst abroad*. Usage is intended to be on a strictly limited needs only basis for key employees whose duties require this facility. It is not intended to be used for the purchasing of bought in goods and services for which the usual first course of action should be that these are procured directly through the Council's e-procurement system - for example advance bookings of travel and accommodation must be made via Corporate Procurement Purchase to Pay Team.

   *Note however the credit card is available for 'emergency' usage at the cardholder's discretion.

Limitation of use

5. Use of the RMBC corporate credit card is restricted to the authorised credit card holder only and should not be given for use by someone else even under the authority of the credit card holder.

6. Personal usage of the RMBC corporate credit card is prohibited.

7. Use of the card for cash advances is prohibited.

Use of cards by cardholders

8. Strategic Directors of Directorates operating RMBC corporate credit cards are required to nominate for their Directorate the authorised RMBC corporate credit card holders who are required to:

   - sign to acknowledge receipt of the card and a copy of these guidelines

   - submit formal receipts in support of their RMBC corporate credit card expenditure (when payment is made on-line internet screen prints are not a substitute for actual receipts)

   - examine and submit the individual RMBC corporate credit card statement of expenditure with the original copies of all receipts and credit card transaction receipts for examination by a nominated senior officer who will arrange for photocopy and return of the originals

   - immediately inform the RMBC corporate credit card supplier and the nominated Directorate administrator if the credit card is lost or stolen

   - observe Council policies in respect of travel and subsistence.

Control of cards and examination of expenditure

9. Strategic Directors of Directorates operating RMBC corporate credit cards are required to nominate for their Directorate a senior officer separate from the authorised credit card holder to be responsible for:

- Control of issue of the card by retaining the signature of the card holder acknowledging receipt of the card together with a copy of these guidelines

- Examination and authorisation by signature of usage of the RMBC corporate credit card retrospectively and in a timely manner by:

  - Ensuring receipt of a copy of the RMBC corporate credit card consolidated statement from Financial Services and ensuring its continuity from the previous month

  - Receiving the RMBC credit card holder statement and corresponding receipts.

  - Comparison and reconciliation of the consolidated and individual RMBC corporate credit card statements

  - Examination of the individual RMBC corporate credit card expenditure with a view to its verification as proper expenditure

  - Providing a short narrative on the records explaining the examination of unusual transactions on the RMBC corporate credit card statement and verification that these constitute properly authorised expenditure

  - Checking the RMBC corporate credit card transactions with the Council's approved allowances/rates

  - Ensuring that any expenditure in default of these regulations is brought to the attention of the Strategic Director of the Directorate and the Director of Financial Services, and paid back to the Council without delay by the authorised credit card holder.

Expenditure and VAT coding

10. Strategic Directors of Directorates operating RMBC corporate credit cards are required to nominate an administrative officer separate from the authorised RMBC corporate credit card holders, to be responsible within their Directorate for:

- Recording separately the authorised card holder's relevant transaction details - card holder, amount and cost code, and any recoverable VAT using the VAT recovery cost code

- Completion of the system documentation (SD5's and Batch Header Cards)

- Application of the correct expenditure codes to the card holder expenditure to record the expenditure against the correct expenditure head in the Financial Information System (CedAr)

- Casting and cross checking of the amounts as follows:

  - individual Visa card statement total
  - consolidated Visa card statement total
  - Internal Recharge Sheet (SD5) total
  - the batch total of the batch card

- Passing these charging details to another officer in the Directorate or to the administrative officer in Financial Services for input to the Financial Information System (CedAr).

Bill payment and accounting procedures

11. The Director of Financial Services is required to nominate an officer within Financial Services to:

- Oversee the payment of the monthly RMBC corporate credit card via direct debit to the RMBC main account

- Verify receipt of the RMBC corporate credit card consolidated statement monthly and to pursue the bank if a statement is not received

- Send copies of the monthly RMBC corporate credit card consolidated statement to the nominated senior officers in the Directorates

- 'Journal' (input to the Financial Information System (CedAr)) the documented and coded (completed batched SD5's) RMBC corporate credit card transactions received from the Directorates.

Changes in procedures with respect to RMBC corporate credit cards

12. In accordance with Financial Regulations, Appendix D - Financial Systems and Procedures, General, paragraphs 2 and 12, prior approval of the Director of Financial Services is required for new systems, new developments or any changes to existing system and procedures for the use of RMBC corporate credit cards or the like facilities

FINANCIAL REGULATIONS
GUIDANCE NOTE 13 – EX-GRATIA PAYMENTS

1. Introduction.

1.1 Ex-gratia payments are payments made that are not legally necessary under the terms of a contract and are made as a moral obligation, with no legal liability admitted by the Council when making such a payment. This guidance note identifies the procedures to be followed with respect to requests for ex-gratia payments.

2. Ex-gratia Payments – Essential Criteria.

2.1 The scheme **only** applies to the loss or damage of the uninsured personal effects of Members and employees. It does not apply to service users or any other third parties.

2.2 The scheme **only** relates to the loss or damage to property which has been brought onto the Council's premises or is lost or damaged whilst any Member or employee is carrying out authorised duties away from the Council's premises.

2.3 An ex-gratia payment will only be considered where the claimant has not been responsible for either the loss or damage. The following questions could help to assess the reasonableness of any claim:-

- Was it essential; reasonable or sensible for the property to be on the premises or with the Member or employee?
- Was the property properly secured?
- Has the individual's behaviour been a significant factor in the loss being incurred by acting recklessly or negligently?

2.4 An ex-gratia payment will only be considered where other means of obtaining compensation or replacement do not exist or have been refused. Where an alternative remedy of compensation is readily available, i.e. via court action or insurance, then these avenues should be explored in the first instance before submitting a claim for an ex-gratia payment.

2.5 Accidental damage to motor vehicles is normally excluded from the scheme although claims may be considered where a motor vehicle has been deliberately damaged by a service user or third party. Claims **will not**, however, be considered in respect of any acts of vandalism, by unknown persons in circumstances where the vandalism was away from the Council's premises and not as a result of the Member of officer carrying out Council business.

2.6 Claims will not normally be considered in respect of personal medical treatment, for example dental bills or personal injury caused by a third party, which may be covered by the Council's insurance arrangements.

2.7 Ex-gratia payments will not normally be made in respect of cash lost or stolen whilst on official duty. However, in exceptional circumstances they could be made where:-

- The amount claimed is verifiable, **and**
- The Member or officer needed to have the cash while on Council business, **and**
- There was no negligence on the part of the claimant.

2.8 Ex-gratia payments will be up to a maximum of £500 and only one claim can be made for any incident.

3. Ex-gratia Payments – Additional Criteria Influencing Priority.

3.1 The following criteria provide some indication of the types of loss that might be supported for an ex-gratia payment:

High Priority

3.1.1 Damage as a result of hostile or aggressive behaviour directed by a service user towards the property of a Member or employee.

Medium Priority

3.1.2 Theft of the property of a Member or employee while on Council business.

3.1.3 Accidental damage to clothing or possessions by a third party.

Low Priority

3.1.4 Accidental damage to clothing caused by faulty furniture, equipment or fittings, or by slipping, spillage or falling items, which could not have reasonably been foreseen.

3.2 A payment is unlikely to be made in respect of accidental damage to clothing or possessions caused by catching clothing on handles, drawers etc. or in situations of accidental loss.

4. **Claims and Payment**.

4.1 Directorates are required to meet the costs of any ex-gratia payments from their budgets and all claims should initially be considered by Directorate Management Teams.

4.2 The Director of Financial Services should be consulted on any cases where there is uncertainty about eligibility or where an initial claim might set a precedent giving rise to further claims by other officers. If there is any uncertainty in this regard it would be advisable to consult.

4.3 Decisions on payments to Members will be made by the Deputy Leader in consultation with the Director of Financial Services.

4.4 All ex-gratia claims must be made in writing and, to facilitate this, a claim form will be available on the Intranet via the HR A-Z of Information. A copy of the form is also attached to this guidance note and is labelled Appendix A.

4.5 The relevant Service Director will authorise payment of any agreed ex-gratia payment for their staff. The Director of Financial Services will authorise any agreed payment to Members.

4.6 A copy of the Authorised claim form should be retained within the Directorate and the original passed for payment.

EX-GRATIA PAYMENTS – CLAIM FORM

1. Name ………………………………………..

2. Post Title ………………………………………..

3. Normal Work Base ………………………………………..

4. Contact Details Tel…………………… e-mail……………………..

5. Line Manager ………………………………………..

6. Details of Claim:

Please give brief details outlining the circumstances which led to the loss or damage, the property lost or damaged, the value of the loss or damage and the amount claimed. **Please also state whether the item can be repaired and, if so, the cost of repair.**

7. Have the Police Been Notified?

N.B. In the case of lost cash, the Police MUST be notified In ALL Cases.

YES ☐ NO ☐

8. Is the Loss / Damage Covered by Personal Insurance?

YES ☐ NO ☐

If YES please state the policy excess	**Excess on Policy £…………………..……**

9. Is the Loss/Damage Covered by a Claim Against a 3rd Party Other Than RMBC?

YES ☐ NO ☐

If YES please state what actions are being taken to claim from the 3rd party.

10. Has the Item Been Replaced?

YES ☐ NO ☐

If YES, please give details and provide documentary evidence of purchase. If NO, please provide two estimates of the cost of replacement.

11. Loss or Theft of Cash.

13.1 Amount Lost / Stolen £…………………
(Please Submit Documentary Evidence as Verification)

13.2 Crime Reference Number ……………………

Please give details for reason for requiring cash to be carried on duty.

12. **Please give any other details which you feel would support your claim.**

Additional Information:-

Signed……………………………………………… Date……………………
(Claimant)

Signed……………………………………………… Date……………………
(Line Manager)

Authorised………………………………………….. Date……………………
(Service Director)