

# **SEVENOAKS DISTRICT COUNCIL**

**Financial**

**Procedure**

**Rules**

**January 2024**

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**B. INTRODUCTION**

- i. These Rules govern the conduct of the financial transactions of the Council. Changes to these Rules will require a resolution of the full Council. The Council may, however, waive compliance with any of these Rules in a particular case or any particular class of case.
- ii. These Rules form part of the Council's Constitution. Definitions within the Constitution apply to these Rules.
- iii. These Financial Regulations must be adhered to by all Officers and Members.
- iv. The Chief Executive and Chief Officers must ensure that all Members, Boards, Committees, Cabinet ensure their observance.

Purpose of these Financial Regulations:

- i. provide the framework for managing the Council's financial affairs and seek to ensure that the Council conducts its affairs in a way that complies with specific statutory provisions, generally accepted accounting principles and professional good practice.
- ii. are an integral part of the stewardship of Council funds and adherence ensuring that all financial transactions of the Council are conducted in a manner which demonstrates openness, integrity, and transparency.
- iii. forms a significant part of the Corporate Governance of the Council.

Chief Officers, Heads of Service and Managers are responsible for ensuring that all staff in their areas are aware of the existence and content of these Financial Regulations and other internal regulatory documents and that they comply with them. Non-compliance with these Financial Regulations by any staff, and with any accounting instruction notes and other corporate guidance issued by the s151 Officer, constitutes a disciplinary matter that will be pursued, as appropriate, in accordance with the Disciplinary and Dismissal Policy and Procedure.

The s151 Officer may agree to waive these Financial Regulations in order to proceed in a manner most expedient to the efficient management of the Council. Reasons must be recorded in writing.

## **C. FINANCIAL MANAGEMENT**

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

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.

- i. Chief Officers, Heads of Service and Managers shall consult the s151 Officer with respect to any matter within his/her purview which is liable to affect the finances, other than provided in estimates, of the Council before any provisional or other commitment is incurred or before reporting thereon to the Cabinet.
- ii. The s151 Officer is responsible for ensuring the proper administration of the financial affairs of the Council and that financial management standards and controls are in place and are effectively monitored for compliance.

### **Material Decisions**

- i. Where a matter may have a material effect on the finances of the Council, which is outside the approved budget, no commitment may be entered into by the Council until the relevant Chief Officer has consulted the s151 Officer and reported on it to the Strategic Management Team.
- ii. The s151 Officer has discretion, for the purposes of individual rules, to decide whether matters are "material", "significant", "substantial" or "urgent".
- iii. Where a report to the Strategic Management Team has financial implications, the relevant Chief Officer shall:
  - (a) include a section in the report covering those implications.
  - (b) consult the s151 Officer at the drafting stage.

The s151 Officer shall ensure the financial information is accurate and appropriate before the report is finalised and published.

## C.1 ACCOUNTING

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

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

- i. All accounting procedures, accounting policies, and financial records of the Council and its officers shall be as determined by the s151 Officer. Any financial procedures and records maintained in other Service areas are the responsibility of senior management and shall be subject to the approval of the s151 Officer.
- ii. The s151 Officer shall make proper arrangements for the preparation, publication, and external audit of the Council's accounts in accordance with the most recent Accounts and Audit Regulations. The Audit Committee shall approve the final version of the accounts.
- iii. Chief Officers, Heads of Service and Managers are required to maintain adequate records to provide an audit trail leading from the source of income/expenditure through to the accounting statements and to provide such information as required to enable the Statement of Accounts to be completed in accordance with the guidelines issued by the s151 Officer.

## C.2 MANAGING EXPENDITURE – CASH LIMIT RULES

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

The cash limiting rules are intended to enable the Cabinet and officers to manage budgets with a degree of flexibility within the overall policy framework determined by Council, and therefore to optimise the use of resources.

Key controls for the cash limit rules are:

- (a) the rules are administered by the s151 Officer within the rules set by the Council as part of the annual budget process.

- (b) the overall budget is approved by the Council. Chief Officers, Heads of Service and managers are authorised to incur revenue expenditure in accordance with the estimates that make up the budget.
- (c) virements should not create additional overall budget liability. Chief Officers are expected to exercise their discretion in managing their budgets responsibly and prudently in line with the Financial Procedure Rules.

A virement is where a budget is permanently transferred from one budget line to another for a different purpose. It can be within a cost centre or between costs centres. There has to be a zero change in the budget overall and salary budgets cannot be transferred to fund non salary expenditure.

- i. The s151 Officer is to prepare jointly with the Chief Officer a report to the Cabinet where a virement is over the limit whereby it is required that Chief Officers can exercise their authority.
- ii. The table of Revenue virement limits are detailed below:

Authorisation Level	Change parameters
Chief Executive and Chief Officers (Notify s151 Officer)	Up to £100,000 for any single change within the approved revenue budgets coming under their responsibility.
s151 Officer	From £100,001 to £500,000 for any single change within the approved revenue budgets.
Cabinet	From £500,001 to £1,000,000 for any single change within the approved revenue budgets.
Council	Over £1,000,000 for any single change within the approved revenue budgets.

- iii. The table of Capital virements Limits are detailed below:

Authorisation Level	Virement Limit
s151 Officer	Up to £1,000,000 for any single virement within the approved capital expenditure programme.

Cabinet	From £1,000,001 to £2,000,000 for any single virement within the approved capital expenditure programme.
Full Council	Over £2,000,000 for any single virement within the approved capital expenditure programme.

- iv. Chief Officers are personally responsible for maintaining expenditure within the overall cash limit for their Chief Officer area.
- v. Budget Holders are responsible to the relevant Chief Officer and not directly to the Cabinet. The Council requires Chief Officers to ensure that all Budget Holders are aware of their responsibilities and are monitoring their budgets on a regular basis, to report to committee and highlight exception items, where appropriate.
- vi. An appropriate Chief Officer and Budget Holder will be identified for all budgets. Any change of Budget Holder will require approval by the s151 Officer in agreement with the relevant Chief Officer.
- vii. Any proposals to raise income by increasing fees and charges, or by imposing a new charge where none existed before, should, where possible form part of the budget process and be approved by the Cabinet or appropriate delegated authority before implementation. Such a request for approval must comply with any information requirements needed to satisfy Members.

Where it is not possible for an increase in fees and charges to form part of the budget process then a separate report should be approved by Cabinet.

### C.3 TREATMENT OF YEAR END BALANCES

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

To ensure the integrity of the budget and the financial plan, it is important that year end balances are treated in accordance with agreed policies and guidelines. The rules below cover arrangements for the transfer of resources between accounting years, i.e., a carry-forward. For the purposes of this scheme, a budget heading is a line in the budget book.

- i. The key control in this area is that the appropriate accounting procedures are in operation to ensure that balances and reserves carried forward are correct.

- ii. The s151 Officer is to ensure that balances and reserves are carried forward in accordance with accounting standards and general reserve guidelines agreed by the Council in agreement with the Chief Executive and appropriate Chief Officer.
- iii. The s151 Officer will be responsible for the authorisation and expenditure from reserves in consultation with relevant Chief Officers.
- iv. The s151 Officer is to report jointly with the relevant Chief Officer on over and underspending of 5% or £20,000 (whichever is the greater) on each service budget to Cabinet.
- v. Chief Officers, Heads of Service and Managers must adhere to the guidelines set by the s151 Officer when providing information for the finalising of the end of year accounts and provide any information required by the s151 Officer to report any budget variances to Cabinet.

#### C.4 ACCOUNTING POLICIES

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

The s151 Officer is responsible for the preparation of the Council's statement of accounts, in accordance with proper practices as set out in the format required by the *Code of Practice on Local Council Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC), for each financial year ending 31 March.

The key controls for accounting policies are:

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

The s151 Officer is 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 on 31 March each year.

#### C.5 ACCOUNTING RECORDS AND RETURNS

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

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



statutory responsibility to prepare its annual accounts to present fairly its operations during the year. These are subject to external audit. This audit provides assurance that the accounts are prepared properly, that proper accounting practices have been followed and that quality arrangements have been made for securing economy, efficiency, and effectiveness in the use of the Council's resources.

The key controls for accounting records and returns are:

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

The s151 Officer is to determine accounting procedures and records for the Council. Where these are maintained outside the Finance Team, the s151 Officer should consult the Chief Officer concerned.

The s151 Officer is to arrange for the compilation of all accounts and accounting records under his/her direction and to comply as far as is practical, with the following principles when allocating accounting duties:

- (a) separating the duties of providing information about sums due to or from the Council and calculating, checking, and recording these sums from the duty of collecting or disbursing them.
- (b) employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.

Chief Officers, Heads of Service and Managers must:

- (a) ensure that all claims for funds including grants are made by the due date.
- (b) ensure the proper retention of financial documents in accordance with the requirements set out in the Council's document retention policy.
- (c) consult and obtain the approval of the s151 Officer before making any changes to accounting records and procedures.

- (d) comply with the principles outlined above when allocating accounting duties and maintain adequate records to provide a managerial trail leading from the source of income/expenditure through to the accounting statements.
- (e) Chief Officers, Heads of Service and Managers will supply information required to enable the statement of accounts to be completed in accordance with guidelines by the s151 Officer.

## **D. FINANCIAL PLANNING**

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

Financial planning involves a planning cycle in which managers and Members develop plans over a period longer than one year. As each year passes, another future year will be added to the financial plan. This ensures that the Council is always preparing for events in advance.

The key controls for financial planning are:

- (a) specific budget approval for all expenditure
- (b) 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.
- (c) a monitoring process is in place to regularly review the effectiveness and operation of budget preparation and to ensure that any corrective action is taken.

The s151 Officer will:

- (a) advise Members on budget prospects, including resource constraints set by the Government. Reports should take account of the budget assumptions.
- (b) advise on the financial planning implications of spending decisions and encourage the best use of resources and value for money by working with Managers to identify opportunities to improve economy, efficiency, and effectiveness, and by encouraging good practice on conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.
- (c) advise the Council in accordance with his/her responsibilities under section 151 of the Local Government Act 1972.

Chief Officers, Heads of Service and Managers will in consultation with the s151 Officer and in accordance with the laid-down guidance and timetable prepare detailed draft revenue and capital budgets.

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 Council in the approved policy framework.
- (d) initiatives already under way
- (e) working within budget limits and to utilise resources allocated, and further allocate resources, in the most efficient, effective, and economic way.
- (f) Identifying opportunities to minimise or eliminate resource requirements or consumption without having a detrimental effect on service delivery.

## D.2 BUDGETING

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

The format of the budget determines the level of detail to which financial control and management will be exercised. Budget management ensures that once the budget has been approved by the Council, resources allocated are used for their intended purposes, in line with the Corporate Plan???, and are properly accounted for. Budgetary control is a continuous process, enabling the Council to review and adjust its budget targets during the financial year.

The key controls for the budget format are:

- (a) the format complies with all legal requirements.
- (b) the format complies with CIPFA's Service Reporting Accounting – Code of Practice (SeRCOP)
- (c) the format reflects the accountabilities of service delivery.

Responsibility of the Cabinet and the Finance and Investment Advisory Committee

- To recommend policy on the budget format.

Responsibility of the Cabinet

- To receive, consider, agree, and submit proposals to the full Council in respect of the annual capital and revenue budgets

and implications for the Council's reserves.

#### Responsibilities of the Strategic Management Team.

- To formulate and present a draft budget to the Cabinet and the Finance and Investment Advisory Committee, together with advice on the Council's finances.

#### Responsibilities of the Chief Finance Officer

- To advise Cabinet and the Finance and Investment Advisory Committee on the format of the budget that is to be submitted for approval by the full Council.

#### Responsibilities of Chief Executive and Chief Officers

- To comply with accounting guidance provided by the s151 Officer.

The key controls for the budget management 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.
- (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 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.

The s151 Officer will ensure budget management is exercised within annual cash limits unless the Council agrees otherwise.

The s151 Officer will establish an appropriate framework of budgetary management and control that ensures that:

- (a) each Senior Manager has available timely information on income and expenditure on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities.

- (b) all officers responsible for committing expenditure will comply with relevant guidance, and the Financial Regulations.
- (c) each budget head will have a single named manager, determined by the relevant Chief Officer. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commits expenditure.
- (d) significant variances from approved budgets are investigated and reported by budget managers regularly.

The s151 Officer will:

- (a) administer the Council's cash limit rules.
- (b) submit reports to the Cabinet, in consultation with the relevant Manager/s, where a manager is unable to balance expenditure and resources within existing approved budgets under his/her control.
- (c) The s151 Officer will prepare and submit reports on the Council's projected income and expenditure compared with the budget on a regular basis.
- (d) The s151 Officer will ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and is operating effectively.

Chief Officers will ensure:

- (a) that an accountable budget manager is identified for each item of income and expenditure under the control of the Chief Officer (grouped together in a series of cost centres). As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.
- (b) spending remains within the service's overall cash limit, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast.

Chief Officers, Heads of Service and Managers will ensure prior approval by the 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 Council's services.

Chief Officers, Heads of Service and Managers will maintain budgetary control within their services to ensure that all income and expenditure are properly recorded and accounted for.

### D.3 CAPITAL PROGRAMME

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

Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the Council, such as land, buildings, and major items of plant, equipment, or vehicles. Capital assets shape the way services are delivered in the long term and can create financial commitments for the future in the form of financing costs and revenue running costs.

The Council is restricted in its ability to fund capital expenditure. This means that capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of resources.

The key controls for capital programmes are:

- (a) specific approval by the Council for the capital expenditure budget
- (b) expenditure on capital schemes is subject to the approval of the s151 Officer.
- (c) a process for approving capital projects and monitoring their progress.
- (d) schedules of schemes within the overall budget approved by the Council must be submitted to the Cabinet for approval.
- (e) the development and implementation of an asset management plan
- (f) accountability for each proposal is accepted by a named manager.
- (g) monitoring of progress in conjunction with expenditure and comparison with approved budget

The s151 Officer:

- (a) shall prepare capital estimates jointly with Chief Officers, Heads of Service and Managers and to report them for recommendation with the associated financing requirements to the Council.
- (b) shall prepare and submit reports to the Cabinet on the projected income, expenditure and resources compared with the approved estimates.
- (c) will issue guidance concerning capital schemes and controls, e.g., on project appraisal techniques. The definition of 'capital' will be determined by the s151 Officer having regard to government regulations and accounting requirements.

Chief Officers, Heads of Service and Managers will:

- (a) obtain, authorisation from the Cabinet for individual schemes where the estimated expenditure exceeds the capital programme provision by more than £50,000 or 10% (whichever is the greater). How does this tie in with the virement limits?
- (b) ensure that all capital proposals, above a defined cost level, have undergone a project appraisal in accordance with any guidance issued by the s151 Officer.
- (c) comply with guidance concerning capital schemes and controls issued by the s151 Officer.
- (d) prepare regular reports reviewing the capital programme for their services. They should also prepare a monthly return of schemes in the approved capital programme for submission to the s151 Officer.
- (e) ensure that adequate records are maintained for all capital contracts.
- (f) proceed with projects only when there is adequate provision in the capital programme and with the agreement of the s151 Officer, where required.
- (g) will prepare and submit reports, jointly with the s151 Officer, to Cabinet, of any variation in contract costs in line with the authorisation levels.

- (h) prepare and submit reports, jointly with the s151 Officer, to the Cabinet, on completion of all contracts where the final expenditure exceeds the approved contract sum by more than the specified amount.
- (i) ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the s151 Officer and, if applicable, approval of the scheme through the capital programme.

#### D.4 MAINTENANCE OF RESERVES

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

The Council must decide the level of general reserves it wishes to maintain before it can decide the level of council tax. Reserves are maintained as a matter of prudence. They enable the Council to provide for unexpected events and thereby protect it from overspending, should such events occur. Reserves for specific purposes may also be maintained.

The key controls for reserves are:

- (a) To maintain reserves in accordance with the Code of Practice on Local Council Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC) and agreed accounting policies.
- (b) For each reserve established, the purpose, usage and basis of transactions should be clearly identified.
- (c) Authorisation of expenditure from reserves by the s151 Officer

The s151 Officer will advise the Cabinet and Council on prudent levels of reserves for the Council, and to take account of the advice of the external auditor in this matter.

Chief Officers, Heads of Service and Managers will ensure that resources are used only for the purposes for which they were intended.

#### **E. RISK MANAGEMENT AND CONTROL OF RESOURCES**

##### **E.1 RISK MANAGEMENT**

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



All organisations, whether private or public sector, face risks to people, property, and continued operations. Risk is the chance or possibility of loss, damage, injury, or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk management is the planned and systematic approach to the identification, evaluation, and control of risk. Its objectives are to manage the barriers that might prevent achievement of the key objectives and to secure the assets of the organisation. In essence it is, therefore, an integral part of good business practice. Risk management is concerned with evaluating the measures an organisation already has in place to manage identified risks and then recommending the action the organisation needs to take to control these risks effectively.

It is the overall responsibility of the Audit Committee to approve the Council's risk management strategy and to promote a culture of risk management awareness throughout the Council. The Audit Committee reviews and monitors the Council's arrangements for risk management.

The key controls for risk management are:

- (a) procedures are in place to identify, assess, prevent, or contain material known risks, and these procedures are operating effectively throughout the Council.
- (b) a monitoring process is in place to regularly review the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuous basis.
- (c) managers know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives.
- (d) provision is made for losses that might result from the risks that remain.
- (e) acceptable levels of risk are determined and insured against where appropriate.
- (f) the Council has identified business continuity plans for implementation in the event of disaster that results in significant loss or damage to its resources.

The s151 Officer are responsible for:

- (a) preparing and promote the Council's risk management strategy and to effect corporate insurance cover, through external insurance and internal funding, and to negotiate all claims in consultation with other officers, where necessary.

- (b) The s151 Officer is responsible for developing risk management controls in conjunction with other Chief Officers and Senior Managers who must also take responsibility for risk management, having regard to advice from the s151 Officer and other specialist officers.

Chief Officers must ensure there are regular reviews of risk within their services in accordance with the risk management strategy and they must notify the s151 Officer promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.

Heads of Service and Managers:

- (a) will notify the Head of Finance immediately of any loss, liability or damage that may lead to a claim against the Council, together with any information or explanation required by the s151 Officer (why not Head of Finance?) or the Council's insurers.
- (b) Must notify the Head of Finance and the Head of Legal and Democratic Services on the terms of any indemnity that the Council is requested to give, and not to enter into such indemnity without specific approval.
- (c) Chief Officers, Heads of Service and Managers must ensure that employees, or anyone covered by the Council's insurances, do not admit liability, or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

## E.2 INTERNAL CONTROLS

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

The Council is complex and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives and statutory obligations.

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

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

- (a) efficient and effective operations
- (b) reliable financial information and reporting

- (c) compliance with laws and regulations
- (d) risk management

## **Key controls**

The key controls and control objectives for internal control system are:

- (a) key controls should be reviewed on a regular basis and the Council should make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively.
- (b) managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance, and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities.
- (c) financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems.
- (d) an effective internal audit function that is properly resourced. It should operate in accordance with Public Sector Internal Audit Standards and the principles contained in the CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom and with any other statutory obligations and regulations.

The s151 Officer will assist the Council to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.

Chief Officers will 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.

Chief Officers, Heads of Service and Managers will:

- (a) review existing controls in the light of changes affecting the Council and to establish and implement new ones in line with guidance from the s151 Officer. Chief Officers should also be responsible for removing controls that are unnecessary or not cost or risk effective – e.g., because of duplication.
- (b) ensure staff have a clear understanding of the consequences of lack of control.

## E.3 INTERNAL AUDIT

### Why is this important?

The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit Regulations 2015, regulation 5, more specifically require that “a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

Accordingly, internal audit is an independent and objective appraisal function established by the Council for reviewing the system of internal control. It examines, evaluates, and reports on the adequacy of internal control as a contribution to the proper, economic, efficient, and effective use of resources.

The key controls for internal audit are:

- (a) that it is independent in its planning and operation
- (b) the Audit Manager (Chief Audit Executive) has direct access to the Head of Paid Service, all levels of management and directly to elected Members.
- (c) internal auditors comply with the CIPFA’s Code of Practice for Internal Audit in Local Government in the United Kingdom.

The s151 Officer will ensure that internal auditors have the authority to:

- (a) access Council premises at reasonable times
- (b) access all assets, records, documents, correspondence, and control systems.
- (c) receive any information and explanation considered necessary concerning any matter under consideration.
- (d) require any employee of the Council to account for cash, stores, or any other Council asset under his/her control.
- (e) access records belonging to third parties, such as contractors, when required.
- (f) directly access the Head of Paid Service, the Cabinet???why? Audit Committee don’t report to Cabinet? and Audit Committee

The Audit Manager will also:

- (a) recommend the strategic and annual audits plans and take account of the characteristics and relative risks of the activities involved, for approval by the Audit Committee as appropriate.
- (b) ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

Chief Officers, Heads of Service and Managers will:

- (a) ensure that internal auditors are given access at all reasonable times to premises, personnel, documents, and assets that the auditors consider necessary for the purposes of their work.
- (b) ensure that auditors are provided with any information and explanations that they seek in the course of their work.
- (c) consider and respond promptly to recommendations in audit reports in accordance with the audit protocol.
- (d) ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- (e) notify the s151 Officer immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Council's property or resources. Pending investigation and reporting, the Manager should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- (f) ensure that new systems for maintaining financial records, or records of assets, or changes to systems, are discussed with and agreed by the s151 Officer prior to implementation.

#### E.4 EXTERNAL AUDIT

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

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

Our current external auditors were appointed by the Public Sector Audit Appointments limited (PSAA) in line with the procedures specified in the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.

The s151 Officer will:

- (a) 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.
- (b) To ensure there is effective liaison between external and internal audit.
- (c) To work with the external auditor and advise the Council, Audit Committee and Chief Officers on their responsibilities in relation to external audit.

Chief Officers, Heads of Service and Managers will 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.

Chief Officers, Heads of Service and Managers will ensure that all records and systems are up to date and available for inspection.

To inform the external auditor of any single fraud as part of the management information response .

## E.5 PREVENTING FRAUD AND CORRUPTION

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

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

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

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

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

- (a) the Council has an effective anti-fraud and 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) high standards of conduct are promoted amongst Members by the Audit Committee
- (d) the maintenance of registers of hospitality (Members and Officers) in which any hospitality or gifts accepted must be recorded.
- (e) the maintenance of registers of interest (Members and Officers)
- (f) whistle-blowing procedures are in place and operate effectively.

The s151 Officer will:

- (a) develop and maintain an Anti-fraud and Corruption Policy and Whistleblowing Policy.
- (b) Be responsible for anti-money laundering policies and practices as the anti-money laundering officer.
- (c) maintain adequate and effective internal control arrangements.
- (d) ensure that all suspected irregularities are reported to the Audit Manager and the Head of Paid Service, as appropriate.

Chief Officers, Heads of Service and Managers will:

- (a) ensure that all suspected irregularities are reported to the Audit Manager and the Head of Paid Service, as appropriate.
- (b) instigate the Council's disciplinary procedures or reference to the s151 Officer and Monitoring Officer (for breaches of the Member Code of Conduct) where the outcome of an audit investigation indicates improper behaviour.
- (c) ensure that where financial impropriety is discovered, the s151 Officer is informed, and where sufficient evidence exists to believe that a criminal offence may have been committed, the police are called in to determine with the Crown Prosecution Service whether any prosecution will take place.
- (d) maintain any specific registers of hospitality, where relevant.

## E.6 ASSETS - SECURITY

**Why is this important?**

The Council holds assets in the form of property, vehicles, equipment, furniture, and other items worth 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.

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

- (a) resources are used only for the purposes of the Council and are properly accounted for.
- (b) resources are available for use when required.
- (c) resources no longer required are disposed of in accordance with the law and the regulations of the Council so as to maximise benefits.
- (d) an asset register is maintained for the Council and assets are recorded when they are acquired by the Council and this record is updated as changes occur with respect to the location and condition of the asset.
- (e) all staff are aware of their responsibilities with regard to safeguarding the Council's assets and information, including the requirements of the Data Protection Act 1998 and software copyright legislation.
- (f) all staff are aware of their responsibilities with regard to safeguarding the security of the Council's computer systems, including maintaining restricted access to the information held on them and compliance with the Council's computer e-mail and internet security policies.

The s151 Officer will ensure that an asset register is maintained in accordance with good practice for all fixed assets. The function of the asset register is to provide the Council with information about fixed assets so that they are:

- (a) Safeguarded
- (b) used efficiently and effectively.
- (c) adequately maintained.

The s151 Officer will also receive the information for accounting, costing and financial records from each Chief Officer and ensure that assets are valued in accordance with the CIPFA Code of Practice on Local Authority Accounting.



The responsible Chief Officer shall maintain a property database in a form approved by the s151 Officer for all land and property currently owned or used by the Council.

To be responsible for maintaining a register of the Council's properties, which should show:

- (a) the relevant Portfolio.
- (b) the purpose for which the property is held.
- (c) the location of the asset.
- (d) the size and plan reference.
- (e) purchase details.
- (f) records of any tenancies. and
- (g) Valuation amount and date

Where land or buildings are surplus to requirements, a recommendation for sale should be made to the s151 Officer.

Chief Officers, Heads of Service and Managers are responsible:

- a) To ensure that lessees and other prospective occupiers of Council land are not allowed to take possession or enter the land until a lease or agreement has been established.
- b) To ensure the proper security of all buildings and other assets under their control.
- c) To ensure that any health and safety issues arising from Council owned property are brought to the attention of the Environmental Health Manager.
- d) To ensure that no Council asset is subject to a personal use by an employee without proper authority.
- e) To ensure the safe custody of vehicles, equipment, furniture, stock stores and other property belonging to the Council.
- f) To ensure that the service maintains a register (inventory) of moveable assets in accordance with arrangements defined by the s151 Officer.
- g) To ensure that assets are identified, their location recorded and that they are appropriately marked and insured.

- h) To ensure cash holdings on premises are kept to a minimum.
- i) To ensure that keys to safes and similar receptacles are kept secure at all times; loss of any such keys must be reported to the s151 Officer as soon as possible.
- j) To record all disposal or part exchange of assets that should normally be by competitive tender or public auction, unless the s151 Officer agrees otherwise.
- k) To arrange for the valuation of assets for accounting purposes to meet requirements specified by the s151 Officer.
- l) To ensure that all employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the Council in some way.

## **E.7 Intellectual Property**

Why is this important?

- a) Intellectual property is a generic term that includes inventions and writings if these are created by any employee during the course of their employment, as a general rule, they belong to the employer, not the employee.
- b) Certain activities undertaken within the Council may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property.
- c) Responsibilities of the s151 Officer is to develop and disseminate good practice through the Council's intellectual property procedures.

## **E.8 INVENTORIES**

Chief Officers, Heads of Service and managers will:

- a) Maintain inventories of moveable assets and record an adequate description of furniture, fittings, equipment, plant, and machinery above the value of £10,000.
- b) Carry out an annual check of all items on the inventory in order to verify location, review conditions and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the Council.
- c) Make sure that property is only used in the course of the Council's business, unless the Chief Officer concerned has given permission otherwise.

## E.9 STOCKS AND STORES

Chief Officers, Heads of Service and managers will:

- a) Make arrangements for the care and custody of stocks and stores in the Chief Officer.
- b) Ensure stocks are maintained at reasonable levels and are subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion.
- c) Investigate and recommend removal from the Council's records (i.e., write off) discrepancies as necessary, or to obtain Cabinet approval in line with delegation regarding the writing off of debt. What are the delegation limits?
- d) Seek Cabinet approval to the write-off of redundant stocks and equipment in excess of £10,000.

## E.10 ASSEST DISPOSAL

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

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

Assets for disposal are identified and are disposed of at the most appropriate time, and only when it is in the best interests of the Council, and best price is obtained, bearing in mind other factors, such as environmental issues. For items of significant value, disposal should be by competitive tender or public auction.

These procedures protect staff involved in the disposal from accusations of personal gain.

The s151 Officer will advise on best practice for disposal of assets and ensure appropriate accounting entries are made to remove the value of disposed assets from the Council's records and to include the sale proceeds, if appropriate.

Chief Officers, Heads of Service and Managers will arrange for the disposal of surplus or obsolete materials, stores, or equipment, in accordance with agreed procedures and will ensure that income received for the disposal of an asset is properly banked and coded. Sale Proceeds over £10,000 are deemed to be capital receipts and the Head of Finance should be notified so that the correct accounting treatment can be applied.

## E.11 TREASURY MANAGEMENT AND BANKING

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

Many millions of pounds pass through the Council's books each year. This led to the establishment of codes of practice. These aim to provide assurances that the Council's money is properly managed in a way that balances risk with return, but with the overriding consideration being given to the security of the Council's capital sum.

### **Key controls**

The key controls for Treasury Management are that the Council's borrowings and investments comply with the Treasury Management in the CIPFA: Code of Practice and with the Council's Treasury Management Strategy as approved by the Council.

The s151 Officer will:

- a) Arrange the borrowing and investments of the Council in such a manner as to comply with the CIPFA Code of Practice on Treasury Management and the Council's treasury management strategy.
- b) Report at least two times a year on treasury management activities to the Cabinet including a mid-year and a year-end report. Furthermore, the Council will maintain a Treasury Management Strategy (TMS) as detailed below.
  - A Treasury Management Strategy (TMS), stating the policies and

objectives of its treasury management activities. (Shown in Appendix 1 to these rules.)

- c) Operate bank accounts as are considered necessary – opening or closing any bank account shall require the approval of the s151 Officer.
- d) Ensure that all investments of money are made in the name of the Council or in the name of approved nominees.
- e) Ensure that all securities that are the property of the Council or its nominees and the title deeds of all property in the Council's ownership, are held in the appropriate custody.
- f) Effect all borrowings in the name of the Council.
- g) Act as the Council's registrar of stocks, bonds, and mortgages and to maintain records of all borrowing of money by the Council.

Maximum limits for cash holdings and guidance around record keeping shall be agreed with the s151 Officer. Limits shall not be exceeded without his/her express permission.

Chief Officers, Heads of Service and Managers will:

- a) 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 s151 Officer.
- b) Only use cash for transactions when approved by the s151 Officer.

## E.12 STAFFING

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

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

- i. The key controls for staffing are:
  - a) an appropriate workforce strategy
  - b) procedures are in place for forecasting staffing requirements and cost.
  - c) controls are implemented that ensure that staff time is used efficiently and to the benefit of the Council.

- d) checks are undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced, and trustworthy.
- e) Controls are in place to ensure that only properly authorised appointments are made.

ii. The s151 Officer will:

- a) Ensure that budget provision exists for approved staffing levels.
- b) Act as an advisor to Chief Officers and Senior Managers on areas such as national insurance and pension contributions, as appropriate.

iii. Chief Officers and Senior Managers will:

- a) 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).
- b) monitor staff activity to ensure adequate control over such costs as sickness, overtime, training, and temporary staff.
- c) ensure that the staffing budget is not exceeded and that it is managed to enable the agreed level of service to be provided.
- d) ensure that the s151 Officer are immediately informed if the staffing budget is likely to be materially overspent.

## **F. FINANCIAL SYSTEMS AND PROCEDURES**

### **F.1 CONTROL OF SYSTEMS AND PROCEDURES**

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

Services have many systems and procedures relating to the control of the Council's assets, including procurement, costing and management systems. Services are predominantly 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.

The s151 Officer has a professional responsibility to ensure that the Council's financial systems are sound and should therefore be notified of any new developments or changes.

- i. The key controls for systems and procedures are:
  - a) basic data exists to enable the Council's objectives, targets, budgets and plans to be formulated.
  - b) performance is communicated to the appropriate managers on an accurate, complete, and timely basis.
  - c) early warning is provided of deviations from target, plans and budgets that require management attention.
  - d) operating systems and procedures are secure.
  
- ii. The s151 Officer will:
  - a) issue advice, guidance and procedures for officers and others acting on the Council's behalf.
  - b) determine the accounting systems, form of accounts and supporting financial records.
  - c) establish arrangements for audit of the Council's financial affairs.
  - d) approve any new financial systems to be introduced.
  - e) approve any changes to be made to existing financial systems.
  
- iii. Chief Officers will:
  - a) establish a scheme of delegation identifying officers authorised to act upon the Chief Officer's behalf in respect of payments, income collection and procurement, including variations, and showing the limits of their authorisation.
  - b) supply lists of authorised officers, with specimen signatures and delegated limits, to the s151 Officer, together with any subsequent variations.
  - c) ensure that effective contingency arrangements, including back-up procedures, exist for computer systems.

- d) 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.

iv. Chief Officers, Heads of Service and Managers will:

- a) ensure that accounting records are properly maintained and held securely.
- b) ensure that vouchers??? and documents with financial implications are not destroyed, except in accordance with arrangements approved by the s151 Officer.
- c) ensure that a complete management trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained.
- d) 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.
- e) To ensure that, where practical, the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice.
- f) To ensure that systems are documented, and staff trained in operations.
- g) To consult with the s151 Officer before changing any existing system or introducing new systems.
- h) 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.
- i) To ensure that relevant standards and guidelines for computer systems issued by the relevant Chief Officer are observed.
- j) To ensure that computer equipment and software are protected from loss and damage through theft, vandalism, etc.
- k) To comply with the copyright designs and patents legislation and, in particular, to ensure that:



- only software legally acquired and installed by the Council is used on its computers.
- staff are aware of legislative provisions.

## INCOME AND EXPENDITURE

### F.2 INCOME

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

Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted, and banked properly. It is preferable to obtain income in advance of supplying goods or services as this improves the Council's cashflow and also avoids the time and cost of administering debts.

The key controls for income are:

- a) all income due to the Council is identified and charged correctly.
- b) all income is collected from the correct person, at the right time, using the correct procedures and the appropriate recording equipment.
- c) all money received by an employee on behalf of the Council is paid without delay to the s151 Officer or, as he/she directs, to the Council's bank account, and properly recorded. The responsibility for cash collection should be separated from that:
  - for identifying the amount due
  - for reconciling the amount due to the amount received
- d) effective action is taken to pursue non-payment within defined timescales.
- e) formal approval for debt write-off is obtained.
- f) appropriate write-off action is taken within defined timescales.
- g) appropriate accounting adjustments are made following write-off action.
- h) all appropriate income documents are retained and stored for the defined period in accordance with the document retention schedule.
- i) money not allocated and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.

The s151 Officer will:

- a) agree arrangements for the collection of all income due to the Council and to approve the procedures, systems, and documentation for its collection.
- b) ensure that appropriate accounting adjustments are made following write-off action.

Sundry Debt - The Section 151 Officer will:

- a) agree the write-off of bad debts up to £5,000 in each case and to refer larger sums to the Cabinet.
- b) obtain the approval of the Cabinet in consultation with the relevant Chief Officer for writing off debts in excess of £5,000.

Revenue & Benefits - The Chief Officer Customer & Resources will:

- a) agree the write-off of bad debts up to £5,000 in each case and to refer larger sums to the Cabinet.
- b) obtain the approval of the Cabinet in consultation with the relevant Chief Officer for writing off debts in excess of £5,000.

Revenue & Benefit Debts

Chief Officers, Heads of Service and Managers will:

- a) establish charges for the supply of goods or services, including the appropriate charging of VAT.
- b) separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable.
- c) establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.
- d) issue official receipts or to maintain other documentation for income collection.
- e) hold securely receipts, tickets and other records of income for the appropriate period.

- f) lock away all income to safeguard against loss or theft, and to ensure the security of cash handling. Cash handling should be minimised and the s151 Officer must approve any new arrangements.
- g) ensure that income is paid fully and promptly into the appropriate Council bank account in the form in which it is received. Appropriate details should be recorded on to paying-in slips to provide an audit trail.
- h) raise accounts promptly for work done, goods supplied, services rendered or other amounts due.
- i) ensure that sums due to the Council are recorded correctly, monitor recovery of income, and flag up areas of concern to the s151 Officer. Chief Officers have a responsibility to assist the s151 Officer in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf.
- j) recommend to the s151 Officer all debts to be written off up to £5,000 and to keep a record of all sums written off. Once raised, no bona fide debt may be cancelled, except by full payment or by its formal writing off. A credit notes to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt.
- k) obtain the approval of the s151 Officer and where appropriate Cabinet, when writing off debts in excess of £5,000.
- l) notify the s151 Officer of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the s151 Officer.

### F.3 PROCURING AND PAYING FOR WORK, GOODS AND SERVICES

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

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

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

- ii. Official orders must be in a form approved by the s151 Officer. Official orders must be issued for all work, goods, or services to be supplied to the Council, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions specified by the s151 Officer.
- iii. The normal method of payment to suppliers will be by BACS transfer. Payment by cheque will only be agreed in exceptional circumstances. The use of direct debit requires the prior agreement of the s151 Officer.

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

- a) all goods and services are ordered only by appropriate persons and are correctly recorded.
- b) all goods and services shall be ordered in accordance with the Council's standing orders and contract procedures.
- c) goods and services received are checked to ensure they are in accordance with the order.
- d) payments are not made unless goods have been received by the Council to the correct price, quantity, and quality standards.
- e) all payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method.
- f) all appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the document retention schedule.
- g) all expenditure, including VAT, is accurately recorded against the right budget and any exceptions are corrected.
- h) in addition, processes must be in place to ensure the security and integrity of data transferred in e-business/e-commerce and electronic purchasing transactions.

The s151 Officer will:

- a) ensure that all the Council's financial systems and procedures are sound and properly administered.
- b) approve any changes to existing financial systems and to approve any new systems before they are introduced.
- c) approve the form of official orders and associated terms and conditions.

- d) To make payments from the Council's funds on the budget holder's authorisation that the expenditure had been duly incurred in accordance with Financial Regulations and Standing Orders.
- e) 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.
- f) To make payments to contractors on authorisation of a contract certificate, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.
- g) To provide advice and guidance on making payments by the most economical means.
- h) To ensure that a budgetary control system is established that enables commitments incurred by placing orders to be shown against the appropriate budget allocation so that they can be taken into account in budget monitoring reports.

Chief Officers, Heads of Service and Managers will:

- a) ensure that goods and services are procured in accordance with Financial Regulations and Standing Orders using systems and procedures approved by the s151 Officer.
- b) ensure that orders are only used for goods and services for the Council. Individuals must not use official orders to obtain goods or services for their private use.
- c) ensure that only those staff authorised by him/her originate orders and to maintain an up-to-date list of such authorised staff, including specimen signatures identifying in each case their authorised limits. The authoriser of the order should be satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary. Best value principles should underpin the Council's approach to procurement. Value for money should always be achieved.
- d) ensure that goods and services are checked on receipt to verify that they are in accordance with the order. This check should, where possible, be carried out by a different officer from the person who authorised the order. Appropriate entries should then be made in inventories or stores records.
- e) ensure that all appropriate payment records are retained and stored for the defined period, in accordance with the document retention schedule.
- f) ensure that a two-stage process as below is adopted to authorise any invoice for payment and that the two stages are authorised by separate officers.

## Stage 1

The first stage of the authorisation process, via the Financial Management System means confirmation that:

- the goods works or services have been received and are of the required quantity and quality and fit for the purpose intended.
- that the invoice has not previously been paid
- that expenditure has been charged against the correct budget.
- that prices are arithmetically correct and accord with quotations, tenders, contracts, or catalogue prices, or are otherwise reasonable.
- where VAT is included, it is correct and in the required format.
- that discounts have been taken where available.

## Stage 2

The second stage of the authorisation process, via the Financial Management System, means confirmation that:

- The invoice has passed through the stage 1 process.
- That any Standing Order or Financial Regulation relevant to the purchase of the goods or services has been complied with e.g., rules for quotations and/or tenders.
- The expenditure has been correctly authorised and budget provision exists.
- ensure that payments are only made following receipt of a formal invoice, and that no payment is made on a photocopy or statement.
- ensure that the service obtains best value from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality, having regard to the Procurement Guide. The financial thresholds for procurement are specified in Contract Standing Order 7.

- i. Whilst there is a general presumption in favour of open competition, there will be some circumstances where it may not be appropriate. In such circumstances the requirements of Contract Standing Order 13 should be followed
- ii. If a contractor or consultant is responsible for procuring goods or services on behalf of the Council, then they must abide by the Council's Contracts Standing Orders and Procurement Guide. Chief Officers and Budget Holders responsible for the appointment of contractors or consultants are required to bring this to their attention where relevant.
- iii. Chief Officers will:
  - a) Provide lists to the s151 Officer in order for the organisation to retain a list of staff approved to authorise invoices. This will include names of authorising officers together with specimen signatures and details of expenditure limits.

#### F.4 PAYMENTS TO EMPLOYEES AND MEMBERS

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

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

- i. The key controls for payments to employees and Members are:
  - a) proper authorisation procedures are in place and that there is adherence to corporate timetables for:
    - starters
    - leavers
    - variations
    - additional payments
  - b) frequent reconciliation of payroll expenditure against approved budget and bank account
  - c) all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule.
  - d) Inland Revenue regulations are complied with.

ii. The s151 Officer will:

- a) Arrange for the secure and reliable payment of salaries wages, or other emoluments to employees, in accordance with procedures prescribed by him/her, on the due date.
- b) record and make arrangements for the accurate and timely payment of tax, pension and other deductions.
- c) make arrangements for payment of all travel and subsistence and other claims.
- d) make arrangements for paying Members' allowances in accordance with the scheme approved by the Council.
- e) ensure that there are adequate arrangements to meet any pension administration timescales set by Kent County Council.
- f) ensure appointments are made in accordance with the regulations of the Council and approved establishments, grades, and scale of pay and that adequate budget provision is available.
- g) To ensure that adequate and effective systems and procedures are operated, so that:
  - payments are only authorised to bona fide employees.
  - payments are only made where there is a valid entitlement.
  - conditions and contracts of employment are correctly applied.
  - employees' names on the payroll are checked at regular intervals to verify accuracy and completeness.

iii. Heads of Service and Managers will:

- a) ensure that payroll transactions are processed only through the payroll system. Chief Officers should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. The Inland Revenue applies a tight definition for employee status, and in cases of doubt, advice should be sought from Financial Services??? (payroll).
- b) certify travel and subsistence claims, overtime, and other allowances. Certification is taken to mean that journeys were authorised, and expenses properly and necessarily incurred, and that allowances are properly payable by the Council, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and that the s151 Officer is informed, where appropriate.



iv. Members should:

- a) submit claims for any allowances, that require the completion of a claim form e.g., travel and subsistence allowances, on a monthly basis and, in any event, within one month of the year end.

## **G. TAXATION**

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

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

Key controls for taxation are:

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

The s151 Officer will:

- a) Complete all HMRC returns regarding PAYE.
- b) Complete a monthly return of VAT inputs and outputs to HMRC.
- c) Provide details to the HMRC regarding the construction industry tax deduction scheme.
- d) Maintain up-to-date information for Council employees on taxation issues in the Financial Guidance Manual???

Chief Officers, Heads of Service and Managers will:

- a) ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HMRC regulations, seeking advice when necessary.
- b) ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.
- c) ensure that all employment appointments are carried out using the approved procedures.
- d) follow the guidance on taxation issued in the Financial Guidance.
- e) Obtain the approval of the appropriate Chief Officer Before the appointment of anyone classed as self-employed or someone from an agency.

## **H. EXTERNAL ARRANGEMENTS**

### **H.1 PARTNERSHIPS**

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

Increasingly local authorities are working in partnership to deliver services. With the Localism Act this will extend further with many voluntary and other organisations taking over assets and services previously run by the Council. It is important that the financial arrangements around partnerships are clearly defined, and liabilities and risks are made explicit.

- i. Financial matters relating to arrangements whereby one Council administers funds jointly on behalf of itself and others shall be subject to the Financial Standing Orders and Regulations of the administering council, subject to the s151 Officer considering the rules to be satisfactory.
- ii. The s151 Officer will ensure that the accounting arrangements are satisfactory.
- iii. Chief Officers, Heads of Service and Managers will maintain a record of all contracts entered into with external bodies in accordance with procedures specified by the s151 Officer.
- iv. Chief Officers and Senior Managers will ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared for the Senior Management Team and Cabinet as appropriate.
- v. Chief Officers and Senior Managers will ensure that such agreements and arrangements do not impact adversely upon the services provided by the Council.

- vi. Chief Officers and Senior Managers will ensure that all agreements and arrangements are properly documented and that the appropriate governance arrangements have been approved by the relevant Chief Officer.
- vii. Chief Officers and Senior Managers will provide appropriate information to the Head of Finance to enable a note to be entered into the Council's Statement of Accounts concerning material items.
- viii. Chief Officers and Senior Managers are responsible for ensuring that appropriate approvals are obtained from a Chief Officer before any negotiations are concluded in relation to partnership arrangements with external bodies.

## H.2 EXTERNAL FUNDING

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

Funding from external agencies will remain an important potential source of funding for the Council. Such opportunities need to be maximised whilst ensuring that the Council can meet any financial obligations which may be placed on it.

- i. The Key controls for external funding are:
  - a) to ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood.
  - b) to ensure that funds are acquired only to meet the priorities approved in the policy framework by the Council and the Corporate Plan.
  - c) 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.
  - d) to ensure that when external funding is provided for a limited period only, that the implication of losing the funding is disclosed to Members.

- ii. The appropriate senior manager will ensure that any decisions are made by Strategic Management Team and Cabinet within the appropriate governance framework.
- iii. The s151 Officer will ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts.
- iv. The s151 Officer will ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.
- v. The s151 Officer will ensure that all specified audit requirements are met.
- vi. The appropriate senior manager will ensure that all claims for funds are made by the due date.
- vii. The appropriate senior manager will ensure that the project progresses in accordance with the agreed project timetable and that all expenditure is properly incurred and recorded.
- viii. Terms and conditions for external funding must be agreed by the relevant Chief Officer, in consultation with the Head of Legal Services and the s151 Officer.

### H.3 WORK FOR THIRD PARTIES

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

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

#### Key controls

The key controls for working with third parties are:

- (a) To ensure that proposals are costed properly in accordance with guidance provided by the s151 Officer
- (b) To ensure that contracts are drawn up using guidance provided by the s151 Officer and Head of Legal Services and that the formal approvals processes are adhered to
- (c) To ensure guidance is issued for the financial aspects of third-party contracts

i. The s151 Officer will issue guidance with regard to the financial aspects of third-party contracts.

ii. **Chief Officers and Senior Managers** will:

- a) ensure that the approval of the Cabinet or Officers under delegated authority is obtained before any negotiations are concluded to work for third parties.
- b) maintain a register of all contracts entered into with third parties in accordance with procedures specified by the s151 Officer.
- c) ensure that appropriate insurance arrangements are made.
- d) ensure that the Council is not put at risk from bad debts arising from the arrangements.
- e) ensure that no contract is subsidised by the Council.
- f) ensure that, wherever possible, payment is received in advance of the delivery of the service.
- g) ensure that the unit has the appropriate expertise to undertake the contract.
- h) ensure that such contracts do not impact adversely upon the services provided for the Council.
- i) ensure that all contracts are properly documented and monitored.
- j) provide appropriate information to the s151 Officer to enable a note to be entered into the statement of accounts.

## **I. Miscellaneous - GIFTS AND HOSPITALITY**

Why is this important?

Some members of the public and organisations may claim that they have been treated unfairly by the Council and may suggest that staff have received inducement to give preference to others. Therefore, a register of all gifts and hospitality received should be maintained.

### **1. General**

Guidance Notes relating to the receipt of gifts and hospitality can be found in Appendix 1 to these rules.

### **Responsibilities of the s151 Officer**

To ensure that details of all gifts in kind and hospitality received by Members and Officers are recorded.

#### Responsibilities of the Chief Executive

To maintain an open register of all gifts in kind and hospitality received by Members or Chief Officers. Internal Audit or the Council's external auditors can inspect this register.

#### Responsibilities of the Chief Officers

To maintain a register of all gifts in kind and hospitality received by Officers in their Services. Internal Audit or the Council's external auditors can ask to inspect this register.

## **GIFTS AND HOSPITALITY GUIDELINES**

### **A. THE REASONS FOR THESE GUIDELINES**

- i) The main reason for having these guidelines is to ensure that Members and Officers maintain the highest standards of corporate governance. These high standards are expected of Local Government generally and their maintenance is necessary to uphold the integrity and reputation of the Council. In some areas these standards are more rigorous than those applying to the private sector. This has to be recognised and accepted by all Members and Officers of the Council. The fact that Local Authorities are moving towards more business-like methods of providing services; this does not mean the standards will be compromised.
- ii) All Members and Officers are subject to the provision in the Finance Procedure Rules relating to gifts and hospitality. Officers are also subject to the provisions of their Conditions of Service relating to such matters. All Members and Officers are also subject to their respective Codes of Conduct. The purposes of these guidelines are to reiterate the Finance Procedure Rules and Conditions of Service and to provide practical guidance.
- iii) The most important reason for these guidelines is that failure to follow the rules puts individual Officers at personal risk of disciplinary action and, in certain circumstances, of criminal prosecution. Failure to comply with the Finance Procedure Rules will give rise to disciplinary action that may include dismissal. Criminal proceedings may arise as a failure to declare a pecuniary interest in accordance with the Local Government Act 1972 and under the Prevention of Corruption Acts is a criminal offence. Any criminal proceedings resulting in a conviction could give rise to a term of imprisonment and would inevitably give rise to disciplinary action including dismissal.
- iv) Members can be subject to sanctions imposed by the Council's Standards Committee. In addition, Members can be subject to criminal and civil liability resulting from breach of fiduciary duty.

### **B. SEEK ADVICE/BE OPEN/APPLY COMMONSENSE**

There may be occasions when the hospitality offered is acceptable and will not breach standards. Similarly, there will be occasions when hospitality offered appears to come within the guidelines but nevertheless should be refused.

These are guidelines and are not meant to be a substitute for judgement and common sense. If in doubt seek advice from the Monitoring Officer and always be open about such matters. If you are not prepared to seek advice or be open it is highly likely that whatever it is, you should not be doing it.

### C. POTENTIAL CONFLICT BETWEEN PERSONAL AND JOB ROLES

It is sometimes difficult to differentiate between personal and job roles. On some occasions an offer of hospitality will clearly be personal in that there is no connection whatsoever with your job. On other occasions an offer of hospitality will be clearly made to you in your job role. However, there is an area in which the two roles merge, particularly with senior Officers. It is difficult to give guidance that will cover all circumstances, but the following are examples:

- i) If there is an offer of hospitality purporting to be personal, ask yourself whether it would have been made if you did not hold your office with the Council. If not, then almost certainly it should be treated as job related.
- ii) Does the person or organisation making the offer have any connection or potential connection with the Council? If so, treat it as job related.

If you are in doubt the only safe course is to treat an offer as job related. At the very least seek advice from the Monitoring Officer. If an offer of hospitality is job related these guidelines should be applied to it and the Finance Procedure Rules and your Conditions of Service apply.

### D. ACCEPTANCE OF GIFTS

Gifts should not be accepted other than items of very small intrinsic value such as business diaries and calendars which should be used in the workplace. There are few permissible exceptions to this general rule, but there are occasionally special circumstances such as: -

#### i) Civic Occasions

From time to time there are civic occasions on which personal gifts may be given to Members and Officers. For example, a member or Officer may be given a personal gift by a delegation from abroad which is here as part of a twinning arrangement. To refuse it would cause unnecessary offence.

Therefore, in such circumstances, it is permissible for a member or Officer to accept the gift provided that its value is not excessive. If it is a gift which is not personal, it should be treated as belonging to the Council and dealt with accordingly. The important point is that such matters should be dealt with openly and, if need be, advice sought.

#### ii) Unsolicited Gifts of Value

You may get unsolicited gifts of more than small but still modest value, for example, bottles of spirits at Christmas. If you do you should consider whether they should be returned immediately, if need be, with a note explaining why you cannot accept. If this is impracticable or would cause unnecessary offence, consider presenting the gift for charitable purposes, or take similar appropriate action. In such circumstances, tell the donor what you have done and why. In any event, valuable gifts must be returned.



## E. ACCEPTANCE OF HOSPITALITY

Reasonable hospitality may be accepted where it is secondary to a specific working arrangement (i.e., an integral part of the working arrangement). Caution should be exercised where the invitation is predominantly of a social nature unless it falls into one of the exceptions mentioned later in this guidance.

A test which Members and Officers should apply in considering any offers of hospitality is that of public scrutiny. Would the acceptance of such hospitality, if made public, be open to misrepresentation or doubt as to the integrity and motives of the provider and the recipient?

### i) Lunches, Dinners, and Drinks

They must only be of a reasonable value. Extravagance must be avoided.

### ii) Civic Hospitality

It is permitted to accept Civic hospitality provided by other Local Authorities and similar hospitality provided by other public organisations. On such occasions Members and Officers will receive formal invitations and any such hospitality is open and above board. Similarly, it is acceptable if you are invited in your official capacity to represent the Council at a function or event unless it falls into one of the excluded categories in these guidelines.

### iii) Commercial Organisations

This is an area which requires the utmost care. It can conveniently be divided into two parts.

Firstly, hospitality provided by a commercial organisation with whom the Council has an existing business relationship. Here, modest hospitality is an accepted courtesy of a business relationship. This is likely to fall into two categories.

(a) The kind which is secondary to specific Council business.

(b) The kind which is not specifically business related but which is provided for representatives of the Council as a client. It is reasonable to accept this kind of hospitality as long as it is not extravagant unless: -

- the renewal of the firm's contract with the Council is imminent; or
- the firm is or is likely to be seeking other contracts with the Council in the immediate future.

However, as a general rule business relationship should not become too cosy or too close and a proper distance should be kept.

Another general rule must be to refuse hospitality provided by a commercial organisation with whom the Council does not have an existing business relationship. There may be possible exceptions, for example, a local connection such as a firm with its Headquarters based in Sevenoaks having a Centenary Dinner to which it invites leading Members and Chief Officers of the Council. However, any exceptions should be carefully considered and, if need be, advice sought from the Monitoring Officer of the Council.

**F. CONFERENCES/SEMINARS**

It is the practice at some Conferences/Seminars for the sponsors or interested organisations to lay on hospitality/entertainment for those participating.

Generally, it is permissible for Members and Officers to accept this kind of hospitality, but a distinction needs to be drawn between such hospitality which is generally provided (i.e., all the participants or a large group of them invited) and individual hospitality, for example, you alone are invited by a sponsor or firm. The former is acceptable, but the latter would be unlikely to be acceptable.

**G. STUDY TRIPS**

If these are promoted by commercial organisations or involved commercial organisations, they should be dealt with under Paragraph F. Generally, you should participate only if the invitation to join is one which is general and not confirmed to you and a select few.

**H. EXHIBITIONS/DEMONSTRATIONS**

Care should be exercised before accepting offers to visit Exhibitions and Demonstrations at the expense of other organisations. If there is a good reason to inspect equipment etc. which the Council is considering purchasing, its invitation may be acceptable. Even in such circumstances you should give consideration to the Council meeting the costs. An invitation which is made to a wide range of people is more likely to be acceptable than one which is made to you alone. Hospitality provided in such cases must not be extravagant.

**I. ENTERTAINMENT**

Generally, the guidance given above relating to the acceptance of hospitality also applies to the acceptance of invitations coming under the heading of Entertainment, such as invitations at someone else's expense to sporting occasions, theatre trips etc. Generally, such invitations should not be accepted unless you are able to justify them under one of the various headings in these guidelines.

**J. TRIPS ABROAD**

If you are invited to go abroad at the expense of someone else, for example, a study visit or conference, and wish to accept, you must obtain the approval of Committee.

## K. PRESSURE SELLING

Be aware of the possibility of personal inducements being offered by companies to achieve orders for goods. The acceptance of such a personal inducement would lay you open to criminal prosecution and disciplinary action including dismissal. Any such offers should be reported to your line Manager who, in appropriate cases will alert the Chief Finance Officer and other relevant senior Officers. Care needs to be taken if the Council still wishes to purchase the goods from the firm concerned, notwithstanding that the personal inducement has been refused and reported. It would be appropriate for written representations to be made to the firm concerned to make them aware that the practice was unacceptable and should cease.

## L. REGISTER

The Chief Executive and each Chief Officer maintains a register on behalf of Officers in their services (including themselves) to record: -

- i) Hospitality received. This should cover hospitality whenever and wherever it is received.
- ii) Gifts received (other than items of very low value such as business diaries, pens, pencil, calendars etc.)
- iii) Entertainment, study trips, visits to exhibitions/demonstrations at the expenses of others.
- iv) Conferences and Seminars. Any hospitality or entertainment received during the course of conference and seminar should be recorded in the register.

In addition, the Chief Executive maintains a register on behalf of Members to record similar information.

The register entry should contain the name of the Member or Officer, the date of receipt, the name of the person/organisation providing the gift, hospitality etc. and a brief description of the gift, hospitality etc.

Members are also under an obligation to register with the Monitoring Officer financial interests and gifts and hospitality worth over £25 that Members receive in connection with their official duties.

The registers are subject to review by the Council's External Auditor, and the Chief Executive may consult with the Chairman of the Council over any entry of concern.