

PART 4 (vi) Financial Procedure Rules

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A. INTRODUCTION

- a) Financial Procedure Rules provide the internal framework for managing the Council's financial affairs. These rules apply to every member and officer of Mid Sussex District Council and anyone in the public or private sector who acts on behalf of the Council. It is imperative that the Council has a strong and usable set of Financial Procedure Rules that are accessible to all who are dealing with its financial matters.
- b) Under Section 151 of the Local Government Act 1972, each local authority is required to make arrangements for the proper administration of its financial affairs and arrange for one of their officers to be responsible for the administration of those affairs. For Mid Sussex District Council this officer is the Head of Corporate Resources.
- c) Throughout these Financial Procedure Rules, the title Head of Corporate Resources will be used to denote the designated Section 151 Officer of the Council; in the case of absence or non-availability, the Business Unit Leader – Finance will be the deputy Section 151 Officer.
- d) The Head of Corporate Resources is responsible for maintaining a continuous review of the Financial Procedure Rules and submitting any additions or changes necessary to the Council for approval. He/she is also responsible, where appropriate, for reporting breaches of the Financial Procedure Rules to the Audit Committee.
- e) It is the responsibility of Heads of Service to ensure that all officers in their service are aware of the existence and content of the Council's Financial Procedure Rules, as well as other internal regulatory documents, and also to confirm that they comply with them.
- f) It is the responsibility of the Head of Corporate Resources to provide advice and guidance regarding the Financial Procedure Rules that members, officers and others acting on behalf of the Council are required to follow.

A.1 STATUTORY REFERENCES

- a) Local Government Act 1972
- b) Local Government Act 1999
- c) Local Government Act 2003
- d) Accounts and Audit Regulations 2015

A.2 CODES OF PRACTICE

- a) Code of Practice on Local Authority Accounting in the United Kingdom
- b) Prudential Code for Capital Finance in Local Authorities
- c) Service Reporting Code of Practice for Local Authorities (CIPFA)
- d) Treasury Management Code of Practice (CIPFA)
- e) United Kingdom Public Sector Internal Audit Standards (PSIAS) as interpreted by CIPFA's Local Government Application Note

B. FINANCIAL PLANNING

B.1 FORMAT OF THE BUDGET

B.1.1 Why is this important?

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

B.1.2 Responsibilities of the Head of Corporate Resources

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

B.1.3 Responsibilities of Heads of Service

To comply with accounting guidance provided by the Head of Corporate Resources.

B.1.4 Key controls

The key controls for the budget format are: -

- a) That the format complies with all legal requirements;
- b) That the format reflects the accountabilities of service delivery; and
- c) That, in published statements where it is required, the format complies with CIPFA's *Service Reporting Code of Practice for Local Authorities*.

B.2 BUDGETS AND MEDIUM-TERM PLANNING

B.2.1 Why is this important?

- a) The Council is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and develop systems to enable limited resources to be allocated in accordance with carefully assessed priorities. The budget is the financial statement of the Council's plans and policies.
- b) The revenue and capital budgets must be constructed to ensure that resource allocation properly reflects the service plans and corporate priorities of the Council. Budgets are needed so that the Council can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for the Council to budget for a deficit.
- c) Heads of Service shall prepare annually (normally for submission to Cabinet each January), draft estimates of income and expenditure in a form agreed with the Head of Corporate Resources together with any necessary explanations.

B.2.2 Responsibilities of the Head of Corporate Resources

- a) To prepare and submit reports on budget prospects for Cabinet in accordance with the Constitution, including resource constraints set by the Government. Reports should take account of medium-term prospects and review where appropriate.
- b) To determine the detailed form of revenue estimates and the methods for their preparation, consistent with the budget approved by the Council, and following

consultation with the Cabinet Member for Finance and Performance and Heads of Service.

- c) To prepare and submit reports to the Cabinet Member for Finance and Performance on the overall position, and to the Cabinet on the aggregate spending plans of departments and on the resources available to fund them;
- d) identifying, where appropriate, the implications for the level of council tax to be levied.
- e) To advise on the medium-term implications of spending decisions.
- f) To encourage the best use of resources and value for money by working with Heads of Service to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.
- g) To advise the Council on the Cabinet's proposals on the robustness of budget set and the adequacy of reserves in accordance with the Local Government Act 2003.

B.2.3 Responsibilities of Heads of Service

- a) To prepare estimates of income and expenditure, in consultation with the Head of Corporate Resources to be submitted to the Cabinet.
- b) To prepare budgets which are consistent with any relevant cash limits, with the Council's annual budget cycle and with guidelines issued by the Cabinet. The format should be prescribed by the Head of Corporate Resources in accordance with the Cabinet's general directions.
- c) To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.
- d) To ensure that budget proposals underpin the Council's strategic priorities and objectives.

B.2.4 Key controls

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

- a) Specific budget approval is given 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; and
- 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.

B.3 CAPITAL PROGRAMME

B.3.1 Why is this important?

- a) 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.
- b) Capital assets can shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs.
- c) Capital expenditure can also result in the creation of an intangible asset, for items such as software licenses which have no physical substance.
- d) The Council is required to set its Capital Programme having regard to the *Prudential Code for Capital Finance in Local Authorities*, ensuring that it is affordable, prudent and sustainable. This means that capital expenditure forms part of an investment strategy that is carefully prioritised in order to maximise the benefit of limited resources. The Council must also approve its Prudential Indicators which are used to monitor performance throughout the year.

B.3.2 Responsibilities of the Head of Corporate Resources

- a) To annually prepare for Cabinet a draft capital programme and financing covering three future financial years.
- b) To prepare a list of capital projects to be started in the following financial year.
- c) To ensure that there is a detailed justification statement for each project together with the timetable of steps needed to implement each project identifying any constraints or limitation which might affect the programming of projects.
- d) To identify the revenue consequences of implementing each project together with how the project contributes to achieving the Corporate Plan.
- e) To prepare and submit regular reports to the Cabinet on the projected income, expenditure and resources compared with the approved estimates. Also, to inform Cabinet where estimated expenditure on any scheme exceeds the capital programme provision by more than 10% or £50,000 whichever is lower.
- f) The definition of 'capital' will be determined by the Head of Corporate Resources, having regard to government regulations and accounting requirements.

B.3.3 Responsibilities of Heads of Service

- a) To comply with guidance concerning capital schemes and controls issued by the Head of Corporate Resources.
- b) To ensure that all estimates and programmes prepared in connection with capital expenditure shall include reference to the estimated revenue implications of such expenditure in each of the development years and in a full cost year as agreed with the Head of Corporate Resources.
- c) To review the capital programme provisions for their services and the estimated final costs of schemes in the approved capital programme.

- d) To ensure that adequate records are maintained for all capital contracts.
- e) To proceed with projects/contracts only when there is adequate provision in the capital programme and guarantees of any external funding are in place.
- f) To notify the Head of Corporate Resources immediately if the total value of a contract or its annual sum is likely to be different from the original figure by more than the approved limits and associated Cabinet Member decision.

B.3.4 Key controls

The key controls for capital programmes are: -

- a) Specific approval by the Cabinet for the planned programme of capital expenditure;
- b) Each capital project must be subject to a project appraisal and assessed against the Council's strategic objectives, prior to approval by the relevant Cabinet Member;
- c) Proposals for improvements and alterations to buildings and land must be approved by the appropriate Heads of Service;
- d) Monitoring of progress in conjunction with expenditure and comparison with approved budget; and
- e) Monitoring of Prudential Indicators throughout the year.

B.4 MAINTENANCE OF RESERVES

B.4.1 Why are these important?

The Council holds reserves for one of three purposes:

- a) Working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing (general reserve);
- b) A contingency to cushion the impact of unexpected events or emergencies (general reserve); and
- c) A means of building up funds (earmarked reserve) to meet known or predicted liabilities.

It is the responsibility of the Section 151 Officer to advise the Council on the level of general reserves.

B.4.2 Responsibilities of the Head of Corporate Resources

To advise the Cabinet and/or the Council on prudent levels of reserves for the Council, having regard to advice from the external auditor.

B.4.3 Responsibilities of Heads of Service

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

B.4.4 Key controls

- a) To maintain reserves in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom* and agreed accounting policies.
- b) For each reserve established the following must be provided:
 - i. The reason for / purpose of the reserve
 - ii. How and when the reserve can be used
 - iii. Procedures for the reserve management and control
 - iv. A process and timescale for review of the reserve to ensure continuing relevance and adequacy.
- c) Authorisation and expenditure from reserves by the relevant Heads of Service in consultation with the Head of Corporate Resources.

C. FINANCIAL MANAGEMENT

C.1 BUDGETARY CONTROL

C.1.1 Why is this important?

- a) Budgetary control is the means by which the Council manages its finances and ensures their effective use in accordance with the approved budget. Budgetary control is a continuous process, enabling the Council to monitor and review its financial performance during the financial year.
- b) By continuously identifying and explaining variances against budgetary targets, the Council can identify changes in trends and resource requirements at the earliest opportunity.
- c) To ensure that the Council in total does not overspend, each service is required to manage its own expenditure within the cash-limited budget allocated to it.
- d) For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure for a service area or cost centre.

C.1.2 Responsibilities of the Head of Corporate Resources

To administer an appropriate framework of budgetary management and control that ensures:

- (a) Budget management is exercised within annual cash limits;
- (b) Each Head of Service has available timely information on receipts and payments on each budget;
- (c) Expenditure is only committed against an approved budget;
- (d) All officers responsible for committing expenditure comply with relevant guidance, and these Financial Procedure Rules;
- (e) Each budget heading has a single named manager, determined by the relevant Head of Service. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commit expenditure;
- (f) Significant variances from approved budgets are investigated and reported by budget managers regularly.

- (g) To administer the Council's Scheme of Virement (**see C.2**).
- (h) To submit reports to the Cabinet and to the Council, in consultation with the relevant Heads of Service, where it is not possible to balance expenditure and resources within existing approved budgets under his/her control.
- (i) To prepare and submit regular monitoring reports to Cabinet on the Council's projected income and expenditure compared with the budget.
- (j) To authorise the carry forward of revenue budgets subject to a maximum of £10,000 for each Head of Service.
- (k) To report on any emergency expenditure approved by the Chief Executive to the next meetings of the Cabinet and the Council.

C.1.3 Responsibilities of Chief Executive/Heads of Service

- a) To maintain budgetary control within their departments and to ensure that all income and expenditure is recorded and accounted for properly.
- b) To ensure that an accountable budget manager is identified for each item of income and expenditure.
- c) To ensure that spending remains within the service's overall cash limit, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast.
- d) To prepare and submit reports to the Cabinet on the service's projected expenditure compared with its budget, in consultation with the Head of Corporate Resources.
- e) To ensure compliance with the Scheme of Virement (**see C.2**).
- f) To agree with the relevant Heads of Service where it appears that a budget proposal, including a virement proposal, may impact materially on another service area.
- g) To submit requests for the carry forward of revenue budgets to the Head of Corporate Resources subject to a maximum of £10,000 for each Head of Service.
- h) The Chief Executive, after consultation with the Leader of the Council, may authorise emergency expenditure of up to £100,000.

C.1.4 Key controls

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

- a) Budget managers should be responsible only for income and expenditure that they can influence;
- b) There is a nominated budget manager for each budget heading;
- c) Budget managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities;
- d) All budgets are appropriately profiled through the financial year;
- e) Budget managers follow an approved certification process for all expenditure;

- f) Income and expenditure are recorded and accounted for properly.

C.2 SCHEME OF VIREMENT

C.2.1 Why is this important?

- a) Virement is the transfer of a revenue budget from one specific area to another. Virement can be a temporary (in-year) or permanent transfer of budget. Support services, recharges and capital charges budgets are excluded from the scheme of virement.
- b) The Scheme of Virement is intended to enable Cabinet Members together with Heads of Service and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by the Council, and, therefore, to optimise the use of resources.

C.2.2 Responsibilities of the Head of Corporate Resources

- a) To ensure that the Cabinet authorises virement on budgets up to a maximum of £50,000 in total on any one occasion up to a maximum of £200,000 in a financial year.
- b) To ensure that the Council authorises virement on budgets in excess of £100,000 in total on any one occasion.
- c) To ensure that all requests for virement are evidenced in writing (including email).
- d) To ensure that all virements are included in budget monitoring reports to the Cabinet.

C.2.3 Responsibilities of Chief Executive/Heads of Service

- a) The Chief Executive may authorise virement on budgets up to a maximum of £50,000 in total on any one occasion up to a maximum of £100,000 in a financial year.
- b) Heads of Service may authorise virement on budgets under their control of up to a maximum of £10,000 in total on any one occasion up to a maximum of £50,000 in a financial year.
- c) Virements against future anticipated fees and charges or other uncertain sources of income will not be allowed.
- d) Savings of a non-recurring nature (temporary) cannot be used to justify the incurring of expenditure with a continuing commitment into later years (permanent).
- e) Virement that is likely to impact on the level of service activity of another department should be implemented only after agreement with the relevant Head of Service.
- f) To ensure that all requests for virement are evidenced in writing and sent to the Head of Corporate Resources.

C.2.4 Key controls

Key controls for the Scheme of Virement are: -

- a) It is administered by the Head of Corporate Resources within guidelines set by the Council. Any variation from this scheme requires the approval of the Cabinet;

- b) The overall budget is recommended by the Cabinet and approved by the Council. Heads of Service are authorised to incur expenditure in accordance with the estimates that make up the budget.
- c) Virement does not create a net increase in budget. Heads of Service are expected to exercise their discretion in managing their budgets responsibly and prudently.

C.3 ACCOUNTING POLICIES

C.3.1 Why are these important?

- a) The Council is required to follow proper practices in preparing its Statement of Accounts.
- b) The Council's Accounting Policies are a key part in ensuring that this is done and these are detailed in the Statement of Accounts.

C.3.2 Responsibilities of the Head of Corporate Resources

- a) To establish suitable accounting policies and to ensure that they are applied consistently.
- b) To ensure that the accounting policies are consistent with proper practices as set out in the *Code of Practice on Local Authority Accounting in the United Kingdom*, for each financial year. The accounting policies are set out in the annual Statement of Accounts, and cover such items as: -
 - i. Any significant estimates included in debtors and creditors at year-end;
 - ii. Details on material provisions and reserves;
 - iii. Fixed assets;
 - iv. Receipts from sale of fixed assets;
 - v. Depreciation;
 - vi. Capital charges;
 - vii. Repayment of borrowing;
 - viii. Government grants;
 - ix. Leasing; and
 - x. Pensions.

C.3.3 Responsibilities of Heads of Service

To adhere to the accounting policies and guidelines approved by the Head of Corporate Resources.

C.3.4 Key controls

The key controls for accounting policies are:

- (a) Systems of internal control are in place to ensure that financial transactions are lawful;
- (b) Suitable accounting policies are established 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; and
- (e) Accounting policies are set out in the Statement of Accounts and are subject to external audit.

C.4 ACCOUNTING RECORDS AND RETURNS

C.4.1 Why are these important?

- a) Maintaining proper accounting records is one of the ways in which the Council discharges its responsibility for stewardship of public resources.
- b) The Council has a statutory responsibility to prepare annual accounts that present its operations during the financial year fairly.
- c) These annual accounts 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.

C.4.2 Responsibilities of the Head of Corporate Resources

- a) To determine the accounting policies, procedures and the method for recording transactions for the Council.
- b) To arrange for the compilation of all accounts and accounting records under his/her direction.
- c) To make proper arrangements for the audit of the Council's annual accounts in accordance with the Accounts and Audit Regulations 2015.
- d) To ensure that all claims for funds (including grants) are made accurately and by the due date.
- e) To prepare and publish the audited annual accounts of the Council for each financial year, in accordance with the statutory timetable.
- f) To ensure the proper security and retention of financial documents in accordance with the requirements set out in the Council's Document Retention Policy.
- g) To ensure that an asset register is maintained and assets are appropriately revalued and categorised in accordance with *Code of Practice on Local Authority Accounting in the United Kingdom*.

C.4.3 Responsibilities of Heads of Service

- a) To ensure that a copy of any approved funding from a third party, including government grant, is immediately passed to the Head of Corporate Resources.
- b) To ensure that all necessary service related information is available to support all claims for funds, including government grants.
- c) To maintain adequate records to provide a management/audit trail leading from the source of income/expenditure through to the accounting statements.
- d) To supply information required to enable the statement of accounts to be completed and published in accordance with the timetable and guidelines issued by the Head of Corporate Resources.

C.4.4 Key controls

The key controls for accounting records and returns are:

- (a) All finance employees 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) Prime documents are retained in accordance with legislative and other requirements, as set out in the Council's Document Retention Policy; and
- (f) The central accounting system of the Council, administered by the Head of Corporate Resources, is the prime system upon which the financial position of the council, or any part of the Council, will be assessed.

C.5 THE ANNUAL STATEMENT OF ACCOUNTS

C.5.1 Why is this important?

- a) The Council has a statutory responsibility to prepare its own accounts to present its operations during the financial year in a fair manner.
- b) The Council is responsible for approving the statutory annual statement of accounts, through delegation to the Audit Committee.

C.5.2 Responsibilities of the Head of Corporate Resources

- a) To establish suitable accounting policies and to apply them consistently.
- b) To make judgements and estimates which are reasonable and prudent.
- c) To comply with the *Code of Practice on Local Authority Accounting in the United Kingdom*.
- d) To sign and date the statement of accounts, stating that it presents fairly the financial position of the Council at the accounting date and its income and expenditure for the financial year.
- e) To draw up the timetable and requirements for final accounts preparation and to advise employees and the external auditor accordingly.

C.5.3 Responsibilities of Heads of Service

To comply with accounting guidance provided by the Head of Corporate Resources and to supply the Head of Corporate Resources with information when required.

C.5.4 Key controls

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

- (a) The Council is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the

administration of these affairs. In this Council, that officer is the Head of Corporate Resources; and

- (b) The Council's statement of accounts must be prepared in accordance with proper practices as set out in the *Code of Practice on Local Authority Accounting in the United Kingdom*.

D. RISK MANAGEMENT AND CONTROL OF RESOURCES

D.1 RISK MANAGEMENT

D.1.1 Why is this important?

- a) 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, event or outcome.
- b) Risk management is a planned and systematic approach to identifying, evaluating and controlling risk. Its objectives are to secure the assets of the organisation and to ensure the continued financial and organisational wellbeing of the Council. It is, therefore, an integral and essential part of good business practice.
- c) Risk management is concerned with evaluating the measures an organisation already has in place to manage identified risks and then recommending the action needed to control these risks effectively. Such action could include the following:
 - i. Transferring risk (where it is insurable or is better managed by an external partner);
 - ii. Terminating risk (prevent the risk from occurring by doing things differently);
 - iii. Treating risk (put in place measures to reduce risk to an acceptable level); and
 - iv. Tolerating risk (accept that risk cannot be avoided at a reasonable cost and, if necessary, put in place contingency plans)
- d) It is the overall responsibility of the Cabinet to approve the Council's Risk Management Strategy, and to promote a culture of risk management awareness throughout the Council.

D.1.2 Responsibilities of the Head of Corporate Resources

- a) To prepare and promote the Council's Risk Management Strategy.
- b) To develop risk reduction strategies (including continuity planning) in conjunction with other
- c) Heads of Service and to monitor their effectiveness.
- d) To include all appropriate employees of the Council in a suitable fidelity guarantee insurance policy.
- e) To effect corporate insurance cover, through external insurance and internal funding, and to negotiate all claims, in consultation with other officers where necessary.

D.1.3 Responsibilities of Heads of Service

- a) To notify the Head of Corporate Resources immediately of any injury, loss, liability or damage that may lead to a claim against the Council, together with any information or explanation required by the Head of Corporate Resources or the Council's insurers.
- b) To take responsibility for risk management and minimising exposure to loss, having regard to advice from the Head of Corporate Resources and other specialist advisers (e.g. health and safety, emergency planning).
- c) To ensure that there are regular reviews of Corporate and Departmental risk registers to identify and evaluate risk and to determine the ways in which risk can be managed. The risks and the mitigating actions should be recorded and monitored on an ongoing basis.
- d) To notify the Head of Corporate Resources promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.
- e) To consult the Head of Corporate Resources on the terms of any indemnity that the Council is requested to give.

D.1.4 Key controls

The key controls for risk management are: -

- a) Procedures are in place to identify risks, to evaluate their likely impact and probability of occurring, and to determine suitable risk reduction strategies. The risk management process operates continually to ensure that changes in circumstances and new risks are identified, evaluated and managed;
- b) Corporate and Departmental Risk Registers are produced and are regularly reviewed and action taken when appropriate;
- c) Risk management procedures are communicated effectively throughout the Council. Managers know that they are responsible for managing risks in their areas and are provided with relevant information on risk management initiatives;
- d) Acceptable levels of risk are determined and insured against where appropriate; and provision is made through balances or reserves for losses where insurance is not appropriate;
- e) The Council has identified business continuity plans for implementation in the event of disaster that results in significant loss or damage to its resources.

D.2 INTERNAL CONTROLS

D.2.1 Why are these important?

- a) The Council has statutory obligations, and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations.
- b) The Accounts and Audit Regulations 2015 requires the Council to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement on internal control with any statement of accounts.
- c) The Council faces a wide range of financial, operational, legal and commercial risks, both from internal and external factors, which threaten the achievement of its objectives.

- d) Internal controls are necessary to manage these risks and minimise the occurrence of significant control failings and weaknesses.
- e) The system of internal controls is established in order to provide measurable achievement of:
 - i. Efficient and effective operations;
 - ii. Reliable financial information and reporting;
 - iii. The accomplishment of goals, objectives and targets;
 - iv. The safeguarding of assets;
 - v. Compliance with laws and regulations; and
 - vi. The management of risks.

D.2.2 Responsibilities of the Head of Corporate Resources

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

D.2.3 Responsibilities of Heads of Service

- a) To manage processes to check that established controls are being adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.
- b) To review existing controls in the light of changes affecting the Council and to establish and implement new ones in line with guidance from the Head of Corporate Resources.
- c) Heads of Service should also be responsible for removing controls that are unnecessary or not cost or risk effective – for example, because of duplication.
- d) To report annually on the systems of control in place within their Department.
- e) To ensure employees have a clear understanding of the consequences of lack of control.

D.2.4 Key controls

The key controls are: -

- a) Key controls should be reviewed on a regular basis and the Council should make a formal statement annually in the Statement of Accounts 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, taking appropriate anticipatory and remedial action and ensuring that personnel are competent, suitably qualified and trained. 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; and
- d) An effective internal audit function that is properly resourced. It should operate in accordance with the principles contained in the *United Kingdom Public Sector Internal Audit Standards (PSIAS)* as interpreted by CIPFA's *Local Government Application Note* and with any other statutory obligations and regulations.

D.3 INTERNAL AUDIT

D.3.1 Why is this important?

- a) 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.
- b) The Accounts and Audit Regulations 2015 more specifically require that a relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control. All auditing activity within the Council is accountable to the Audit Committee.
- c) 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.
- d) However, it is the responsibility of management to establish and maintain an effective system of internal control, irrespective of the Internal Audit function.

D.3.2 Responsibilities of the Head of Corporate Resources

- a) To ensure that internal auditors have the authority to: -
 - i. Access all Council utilised premises as and when required;
 - ii. Access all assets, records, documents, and correspondence and control systems;
 - iii. Request and receive any information and explanation considered necessary concerning any matter under consideration;
 - iv. Require any employee or contractor of the Council to account for cash, equipment or any other council asset under his/her control;
 - v. Access or have sight of relevant records of external parties (e.g. contractors) as may reasonably be required; and
 - vi. Directly access the Chief Executive, Cabinet Members and Scrutiny Members.
- b) To ensure that strategic and annual audit plans, an annual activity report and an annual opinion on internal control are prepared by the Head of Corporate Resources or his representative and approved by the Audit Committee.
- c) To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

D.3.3 Responsibilities of Heads of Service

- a) To ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.
- b) To ensure that auditors are provided with any information and explanations that they seek in the course of their work.
- c) To consider and respond promptly to recommendations in audit reports.
- d) To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.

- e) To notify the Head of Corporate Resources, the Chief Executive or Internal Audit immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Council's property or resources.
- f) To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Head of Corporate Resources or his representative prior to implementation.

D.3.4 Key controls

The key controls for Internal Audit are: -

- a) That it is independent in its planning and operation;
- b) The Head of Corporate Resources or his representative has direct access to the Chief Executive, all levels of management and directly to elected members; and
- c) The internal auditors comply with the *United Kingdom Internal Audit Standards* as interpreted by CIPFA's *Local Government Application Note*.

D.4 PREVENTING FRAUD AND CORRUPTION

D.4.1 Why is this important?

- a) The Council will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Council.
- b) The Council expects all members and employees to act with propriety and accountability. It expects them to lead by example in adhering to legal requirements, rules, procedures and practices.
- c) The Council also expects that individuals and organisations with whom the Council comes into contact (for example, suppliers, contractors and service providers) will act towards the Council with integrity and without thought or actions involving fraud and corruption.

D.4.2 Responsibilities of the Head of Corporate Resources

- a) To develop and maintain an anti-fraud and corruption policy.
- b) To develop and maintain a whistleblowing policy
- c) To maintain adequate and effective internal control arrangements.
- d) To ensure that all suspected irregularities are reported to Internal Audit.
- e) To ensure that procedures are in place to respond to National Fraud Initiatives.

D.4.3 Responsibilities of Heads of Service

- a) To ensure that all suspected irregularities are reported to the Head of Corporate Services.
- b) To instigate the Council's disciplinary procedures when the outcome of an investigation indicates improper behaviour.

- c) To ensure that where financial impropriety is discovered, the Head of Corporate Resources is informed.
- d) To maintain a departmental register of interests recording potential conflicts of interest (financial or otherwise) between employees and organisations or individuals that the Council deals with (for example, suppliers, contractors, voluntary organisations).

D.4.4 Key controls

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

- 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 employees act with integrity and lead by example;
- c) Senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the Council or who are corrupt;
- d) High standards of conduct are promoted amongst members by the Audit Committee, in accordance with the Code of Conduct for Members;
- e) The maintenance of both a register of interests (to record potential conflicts of interest between employees or members and the Council) and a register of hospitality (to record any hospitality or gifts accepted);
- f) Compliance with the Council's Contract Regulations and procurement processes;
- g) Whistleblowing procedures in place and operate effectively; and
- h) Compliance with legislation

D.5 ASSETS – (LAND, BUILDINGS, EQUIPMENT ETC.)

D.5.1 Acquisitions

D.5.2 Why are these important?

As the Council is funded by public monies, it is publicly accountable for the way that it spends its money. Value for money must be demonstrated, therefore, the Council has to exercise control over its purchasing activity, including asset acquisition (e.g. property, vehicles, plant and equipment, furniture).

D.5.3 Responsibilities of the Head of Corporate Resources

- a) To issue guidelines on the best practice in respect of asset acquisition.
- b) To periodically review all guidelines to ensure that they still reflect best practice.
- c) To ensure that all expenditure is properly recorded in the Council's accounts and records.

D.5.4 Responsibilities of Heads of Service

- a) To ensure that the Council's policies and procedures are complied with.

- b) To ensure that the necessary separation of duties is observed.
- c) To ensure that assets purchased are necessary.

D.5.5 Key controls

The key controls for asset acquisition are:

- a) Council policies in respect of the acquisition of assets are complied with at all times. This includes compliance with Contract Regulations for all asset acquisitions.
- b) There are at least two employees involved in the process of acquisition, with a separation of duties between employees involved in the different parts of the process.
- c) Procedures protect employees involved in the acquisition of assets from accusations of impropriety.

D.5.6 Asset disposal and transfer

D.5.7 Why is this important?

- a) It would be uneconomic and inefficient for the cost of maintaining assets to outweigh their benefits. Obsolete, non-repairable or unnecessary resources should be disposed of in accordance with the law and the Council's policies and procedures.
- b) Assets are sometimes used by or transferred to an external party, for example as part of an outsourced contract or partnership arrangement.
- c) It is important that the legal and financial basis for the transfer is determined and properly documented, so that the interests of the Council are protected.

D.5.8 Responsibilities of the Head of Corporate Resources

- a) To issue guidelines representing best practice for disposal of assets.
- b) To ensure appropriate accounting entries are made to remove the value of disposed or transferred assets from the Council's records and to include the sale proceeds, if appropriate.

D.5.9 Responsibilities of Heads of Service

- a) To seek advice from the Head of Corporate Resources on the disposal of surplus or obsolete materials, equipment and vehicles.
- b) To seek advice from the Head of Corporate Resources where assets are to be transferred or predominantly used by an external party.
- c) To ensure that income received for the disposal of an asset is properly banked and coded.
- d) To authorise the write off and disposal of obsolete or surplus materials and equipment.
- e) To ensure that the disposal of obsolete or surplus materials and equipment, is by competitive quotation or auction, unless, following consultation with the Head of Corporate Resources, the Cabinet decides otherwise.

D.5.10 Specifically relating to the disposal or acquisition of land and buildings: -

- a) To ensure that all disposals of land and buildings are in accordance with the Council's land sale policy current at the time.
- b) Where disposal of land and buildings is allowed, it shall be conducted in accordance with the provisions detailed in (a) (i) – (vi) below.
 - i. Approved methods of disposal shall be by:-
 - (i) Private Treaty;
 - (ii) Auction;
 - (iii) Tender;
 - (iv) Sealed Offer;
 - (v) Exchanges of land; or
 - (vi) Compulsory Purchase Order
 - ii. To ensure that where land is to be disposed of by the Council, the Head of Corporate Resources shall ensure compliance with Financial Procedure Rules and S123 of the Local Government Act 1972.

D.5.11 Key controls

- a) Assets for disposal or transfer are identified and are disposed of or transferred at the most appropriate time, and only when it is in the best interests of the Council, and the best price or contract terms are obtained, bearing in mind other factors, such as environmental issues. For items of significant value, disposal should be by competitive tender or public auction.
- b) Procedures protect employees involved in the disposal of assets from accusations of personal gain.

D.5.12 Security – (Including Inventories)

D.5.13 Why is this important?

- a) The Council holds assets in the form of property, vehicles, equipment, furniture and other items worth many millions of pounds. Information held by the Council is also a key asset.
- b) It is important that assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of assets required for service operations.
- c) An up-to-date asset register is a prerequisite for proper fixed asset accounting and sound asset management.

D.5.14 Responsibilities of the Head of Corporate Resources

- a) To ensure that an asset register is maintained in accordance with good practice for all assets with a value in excess of £10,000,
- b) To receive the information required for accounting, costing and financial records from each Head of Service.
- c) To ensure that assets are valued in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom*.

D.5.15 Responsibilities of the Head of Digital and Customer Services

- d) To maintain a central register of IT equipment.

D.5.16 Responsibilities of Heads of Service/Head of Corporate Resources

- a) The Head of Corporate Resources is responsible for the maintenance of an asset register of all land and properties owned by the Council. The function of the asset register and inventory is to provide the Council with information about fixed assets so that they are: -
 - i. safeguarded;
 - ii. used efficiently and effectively;
 - iii. adequately maintained; and
 - iv. accounted for.
- b) To ensure the proper security of all employees, buildings and other assets under their control.
- c) To pass title deeds to the Head of Regulatory Services who is responsible for custody of all title deeds.
- d) To ensure the safe custody of vehicles, equipment, furniture, and other property belonging to the Council.
- e) To ensure that assets are identified, their location recorded and that they are appropriately marked and insured.
- f) To ensure that keys to safes and similar receptacles are carried on the person of those responsible at all times; loss of any such keys must be reported to the Head of Corporate Resources as soon as possible.
- g) To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Head of Corporate Resources.
- h) To carry out an annual check of all items on the inventory in order to verify location, to review condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly.
- i) To make sure that property is only used in the course of the Council's business, unless the Heads of Service concerned has given permission otherwise.

D.5.16 Key controls

- a) Assets are valued on an annual basis in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom*.
- b) Procedures prevent the unauthorised disposal of theft of assets.

D.6 TREASURY MANAGEMENT

D.6.1 Why is this important?

- a) Many millions of pounds pass through the Council's books each year. The scale of the local authority treasury activity and issues such as the Icelandic banking collapse has led to the development of CIPFA's *Code of Practice on Treasury Management*

and Prudential Code for Capital Finance in Local Authorities (Prudential Code). 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.

D.6.2 Responsibilities of Head of Corporate Resources

- a) To arrange the borrowing and investments of the Council, including bank overdrafts, in such a manner as to comply with the CIPFA *Code of Practice on Treasury Management, the Prudential Code*, the Council's Treasury Management Strategy and the Council's Treasury Management Practices.
- b) To report on treasury activities to the Audit Committee, with recommendations (including adoption of the Treasury Management Strategy Statement & Annual Investment Strategy) referred for approval by Full Council.
- c) To operate bank accounts as are considered necessary. All arrangements with the Council's approved bankers regarding the Council's bank accounts, and the terms on which they are conducted shall be made by the Head of Corporate Resources.
- d) To ensure that detailed arrangements are made regarding the Council's bank accounts and for the issue of cheques and cards. All cheques or cards shall be ordered only on the authority of the Head of Corporate Resources who shall advise on proper arrangements for their safe custody.
- e) All of the Council's bank accounts must be in the name of "Mid Sussex District Council".
- f) To ensure that all investments or utilisation of monies and other accumulations and the sale or realisation of investments are made in the name of the Council or in the name of nominees approved by the Cabinet.
- g) To effect all borrowings in the name of the Council.
- h) To act as the Council's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money and investment by the Council.
- i) To ensure that in circumstances where the Council has decided to finance capital expenditure by way of leasing, deferred purchase, or similar arrangements, the Head of Corporate Resources or his/her authorised representative shall so far as possible, obtain competitive quotations from relevant funding sources and such arrangements shall be subject to approval by the relevant Cabinet Member.

D.6.3 Responsibilities of Heads of Service

- a) To follow the instructions on banking issued by the Head of Corporate Resources.
- b) To ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the Cabinet, following consultation with the Head of Corporate Resources.
- c) To ensure that Heads of Service advise the Head of Corporate Resources of the disposal of any vehicle or item of equipment that is subject to a lease.

D.6.4 Key controls

The key controls are: -

- a) A Treasury Management Strategy that is produced in accordance with the requirements of the *Code of Practice on Treasury Management*;
- b) Treasury Management Procedures are in place and are reviewed on an annual basis.

D.7 WORKFORCE

D.7.1 Why is this important?

The Council sees its employees as a valuable asset to running its business. In order to provide the highest level of service, it is essential that the Council recruits and retains high calibre, knowledgeable employees, who are qualified to an appropriate level.

D.7.2 Responsibilities of the Head of Corporate Resources

- a) To ensure that Heads of Service have identified budget provision for all existing and new employees.
- b) To act as an advisor to Heads of Service on areas such as National Insurance and pension contributions, as appropriate.

D.7.3 Responsibilities of the Head of Digital and Customer Services

- a) To develop a workforce strategy, policy and procedures and ensure they are disseminated and enforced.

D.7.4 Responsibilities of Heads of Service

- a) To produce an annual workforce budget.
- b) To ensure that the workforce budget is an accurate forecast of workforce levels and is equated to an appropriate revenue budget provision (including on-costs and overheads).
- c) To ensure that the workforce budget is not exceeded without due authority and that it is managed to enable the agreed level of service to be provided.
- d) To comply with, and ensure employees comply with, the Council's Human Resource policies (for example: recruitment, training and flexible working policies).
- e) To seek the advice of the Head of Corporate Resources on the VAT liabilities of any income received via payroll deductions or salary sacrifice.

D.7.5 Key controls

The key controls for employees are: -

- a) An appropriate workforce strategy and policy exists, in which employee requirements and budget allocation are matched;
- b) Procedures are in place for forecasting workforce requirements and cost;
- c) Controls are implemented that ensure that employee time is used efficiently and to the benefit of the Council; and
- d) Checks are undertaken prior to appointing new employees to ensure that they are appropriately qualified, experienced and trustworthy.

E. FINANCIAL SYSTEMS AND PROCEDURES

E.1 GENERAL

E.1.1 Why is this important?

- a) As an organisation in receipt of public funding the Council is governed by a number of laws requiring that it makes proper arrangements for the administration, reporting and safeguarding of those funds and act in a way that is open and accountable as to how those funds are used.
- b) Whilst all Council Officers and Members have a general financial responsibility, Section 151 of the Local Government Act 1972 requires that a suitably qualified officer must be responsible for the financial administration of the organisation. This officer is referred to as the Responsible Financial Officer (RFO).

E.1.2 Head of Corporate Resources

- a) The Head of Corporate Resources is be the RFO and will be responsible for the proper administration of the Council's financial affairs, prescribe appropriate financial systems, protocols, procedures and policies, maintain an internal audit service and report to the Council in the event of any decision or action leading to, or may lead to, unlawful expenditure, loss, deficiency or accounting entry and;
 - i. will be responsible for ensuring the final accounts are completed and published in accordance with statute and accepted public sector accounting requirements and the reporting to members of any material amendments specified by external audit,
 - ii. will have unrestricted access to all Council assets, systems, documents, information, data, employees and members held by the Council,
 - iii. issue guidance, advice or instruction on the application of these financial systems and procedures as appropriate,
 - iv. recommend to Council the addition, alteration or deletion to the Financial Procedure Rules.

E.1.3 Chief Executive/Heads of Service (Senior Management Team)

- a) The Chief Executive and Heads of Service Heads being the Senior Management Team of the Council;
 - i. will manage budgets and financial activity within their area of responsibility including the planning and control of budgets and prevention of fraud and corruption to ensure efficient and effective use of resources,
 - ii. shall consult with the Head of Corporate Resources and obtain approval on any matter that may have a material effect, advantageous or detrimental, on the Councils financial position or financial strategy,
 - iii. comply with any instruction given by the Head of Corporate Resources regarding the form and method of financial record keeping or the operation of any financial procedures.

E.1.4 Cabinet, Committees and Sub-Committees

All Members of Cabinet, any Committee or Sub-Committee will ensure that decisions taken are within their remit and relevant budgets, are compliant with adopted policies, and consistent with achievement of the Council's service or corporate plans

E.1.5 Council

The Council will;

- a) determine the Medium Term Financial Strategy (MTFS)
- b) approve an annual budget and determine the level of local taxation and other statutory charges
- c) approve the Treasury Management Strategy (TMS) and prudential indicators
- d) approve changes to these financial procedures

E.1.6 Officers and Members

All Officers and Members will contribute to the general stewardship of the Council's financial affairs in compliance with the Council Constitution and any systems, procedures, policies prescribed by law or the Head of Corporate Resources relating to the Council's financial management. They will bring to the attention of the Head of Corporate Resources any matter that is contrary to the provisions of these Financial Procedure Rules code or the high standard of financial probity expected of the Council or may bring the Council into disrepute or legal challenge.

E.2 INCOME

E.2.1 Why is this important?

- a) Income can be vulnerable to loss, delay, theft or misappropriation.
- b) Effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly.
- c) It is preferable to obtain income in advance of supplying goods or services as this improves the Council's cash flow and also avoids the time and cost of administering debts.

E.2.2 Responsibilities of the Head of Corporate Resources

- a) To agree arrangements for the collection of all income due to the Council and to approve the procedures, systems and documentation for its collection in accordance with the requirements of the Accounts and Audit Regulations 2015.
- b) To agree the write-off of bad debts up to an approved limit in each case. The Head of Corporate Resources is approved to write-off a debt (or combination of debts) in relation to any individual debtor in any one financial year of up to **£10,000**.
- c) To ensure that the write-off of amounts over **£10,000 up to £25,000** are agreed by the Cabinet Member for Finance and Performance with responsibility for resources.
- d) To ensure that the write-off of amounts over **£25,000** are agreed by Full Council.
- e) In cases of bankruptcy or liquidation, to agree debt write-offs of any amount.

E.2.3 Responsibilities of Heads of Service

- a) To establish a charging policy, in consultation with the Head of Corporate Resources, for the supply of goods or services by the Council, including the appropriate charging of VAT, and to review it regularly, in line with corporate policies and robust budget proposals.
- b) To ensure that all invoices and credit notes are raised promptly in accordance with instructions provided by the Head of Corporate Resources.
- c) To establish and initiate appropriate recovery procedures, including legal action, with the assistance of the Head of Corporate Resources, where necessary, for debts that are not paid promptly.

- d) To securely hold receipts, tickets and other records of income for the appropriate period, in accordance with the Document Retention Policy.
- e) To recommend to the Head of Corporate Resources all debts to be written off, and to keep a record of all such debts, up to the approved limit.

E.2.4 Key controls

The key controls associated with income are: -

- a) All income due to the Council is identified and charged correctly, in accordance with an approved charging policy, which is regularly reviewed;
- b) All income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery;
- c) All money received by an employee on behalf of the Council is paid without delay to the Head of Corporate Resources or, as he directs, to the Council's bank, and properly recorded.
- 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 after all avenues are exhausted;
- g) Appropriate accounting adjustments are made following write-off approval;
- h) All appropriate income documents are retained and stored for the defined period in accordance with the document retention policy; and
- i) Money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.

E.3 EXPENDITURE

E.3.1 Why is this important?

- a) The Council spends a significant amount each financial year on procuring goods, works and services, and public money so spent should demonstrate probity and be in accordance with the Council's policies.
- b) The Council has a duty under Section 3 of the Local Government Act 1999 to ensure it achieves best value and continuous improvement in relation to the procurement process.
- c) Every officer and Member of the Council has a responsibility to declare any interests they have in contracts (whether financial or non-financial), in accordance with S.117 of the Local Government Act 1972 and the Officer Code of Conduct and Code of Conduct for Members.

E.3.2 Responsibilities of the Head of Corporate Resources

- a) To ensure that all the Council's financial systems and procedures are sound and properly administered.

- b) To approve any changes to existing financial systems and to approve any new systems before they are introduced.
- c) To approve the form of official orders.
- d) To monitor the aggregate value of goods, works and services purchased across the Council.
- e) To maintain an up-to date list of employees authorised to approve orders, payments, certificates and letters of intent, including specimen signatures, identifying in each case the limits of authority.
- f) 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.

E.3.3 Responsibilities of Heads of Service

- a) To ensure that unique pre-numbered official orders are used for all goods, works and services, other than any authorised exceptions.
- b) To ensure that two authorised employees are involved in the ordering, receiving and payment process.
- c) To ensure that only appropriate employees are given approval to authorise orders and payments and to sign letters of acceptance or otherwise commit the Council to contracts. Such approval should be reviewed periodically to ensure its ongoing suitability.
- d) To forward the names of authorising officers together with specimen signatures and details of the limits of their authority to the Head of Corporate Resources.
- e) To ensure that no authorised signatory shall approve his / her own claim for reimbursement of expenditure.
- f) To ensure that employees are aware of the Officer Code of Conduct, the Procedure Rules for contracts and other Council policies or documents affecting procurement.
- g) To ensure that contracts, loans, leasing or rental arrangements are not entered into without prior agreement from the Head of Corporate Resources.
- h) To ensure that all appropriate payment records are retained and stored for the defined period, in accordance with the Document Retention Policy.

E.3.4 Key controls

The key controls associated with expenditure are: -

- a) All orders for goods, works and services are placed only by authorised persons and are correctly recorded;
- b) All purchases (contracts) of goods, works and services are made in accordance with the Council's Procedure Rules for contracts;
- c) Goods received are checked, and works and services are monitored, to ensure they are in accordance with the order, are of appropriate quality and have been performed or received at the correct time.

- d) At least two employees are involved in the ordering, receiving and payment process.
- e) Payments should be certified by someone other than the person who received the goods, works or services or who checked the payment details. This shall include a check that an appropriate and valid VAT invoice has been submitted.
- f) Payments are not made unless goods, works and services have been delivered, provided or performed for the Council at the correct price, time, quantity and quality standards;
- g) All payments are made to the correct organisation or person for the correct amount and are properly recorded;
- h) All appropriate evidence of the procurement transaction (for example, orders, payment documents and contract documents) are retained and stored for the defined period, in accordance with Council's Procedure Rules for contracts and the Document Retention Policy;
- i) All expenditure, including VAT, is accurately recorded against the right budget.

E.3.5 Payments to Employees and Members

E.3.6 Why are these important?

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

E.3.7 Responsibilities of the Head of Corporate Resources

- a) To arrange the secure payment of salaries, wages, compensation or other emoluments to existing and former employees, in accordance with procedures prescribed by him or her, on the due date.
- b) To make redundancy and severance payments in accordance with statutory requirements.
- c) To record and make arrangements for the accurate and timely payment of tax, pension and other deductions in respect of employees and members.
- d) To make arrangements for payment of all travel and subsistence claims or allowances for employees and members upon receiving the prescribed form, duly completed and authorised in accordance with authorised signatory lists (for employees) or with the Members' Allowances Scheme.

E.3.8 Responsibilities of Heads of Service

- a) To ensure appointments are made in accordance with Council procedures and approved establishments, grades and scale of pay, and that adequate budget provision is available.
- b) To notify the Head of Corporate Resources of all appointments, terminations or variations which may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Head of Corporate Resources.

- c) To ensure that adequate and effective systems and procedures are operated, so that: -
 - i. Payments are only authorised to bona fide employees;
 - ii. Payments are only made where there is a valid entitlement;
 - iii. Conditions and contracts of employment are correctly applied; and
 - iv. Employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.
- d) To send an up-to-date list of the names of officers authorised to sign records (for example timesheets, expense claims, and starter and leaver forms) to the Head of Corporate Resources, together with specimen signatures.
- e) To ensure that payroll transactions are processed only through the payroll system.
- f) Heads of Service should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. HMRC applies a tight definition for employee status. All decisions regarding the method of paying self-employed persons, including those operating as companies, should be referred to the Head of Corporate Resources.
- g) To certify travel and subsistence claims and other allowances on a form approved by the Head of Corporate Resources, together with all relevant VAT receipts.
- h) To ensure that the Head of Corporate Resources is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.
- i) To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the Document Retention Policy.
- j) To ensure that all members' claims submitted are signed by the Head of Regulatory Services or such officer as he/she shall designate within his/her department.

E.3.9 Responsibilities of Members

To submit claims for members' travel and subsistence allowances to the Head of Regulatory Services on forms agreed by the Head of Corporate Resources, on a monthly basis and, in any event, within one calendar month of the year end.

E.3.10 Key controls

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 in relation to: -
 - i. starters;
 - ii. leavers;
 - iii. variations;
 - iv. enhancements; and
 - v. that payments are made on the basis of timesheets or claims;
- b) An authorised establishment structure exists that is maintained accurately and is up to date;
- c) Frequent reconciliation of payroll expenditure against approved budget and bank account;

- d) All appropriate payroll documents are retained and stored for the defined period in accordance with the document retention policy; and
- e) That Her Majesty's Revenue and Customs (HMRC) regulations are complied with.

E.4 TAXATION

E.4.1 Why is this important?

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.

E.4.2 Responsibilities of the Head of Corporate Resources

- a) To complete all HMRC returns regarding PAYE.
- b) To complete a monthly return of VAT inputs and outputs to HMRC.
- c) To monitor the Council's level of expenditure on VAT exempt activities, and to report on action taken or needed to remain within the 5% threshold level.
- d) To provide details to HMRC regarding the construction industry tax deduction scheme.
- e) To maintain up-to-date guidance for Council employees on taxation issues.
- f) To ensure systems are in place to record other tax due to HMRC, and to complete the necessary returns.

E.4.3 Responsibilities of Heads of Service

- a) To ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HMRC regulations.
- b) To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax registration requirements.
- c) To ensure that all persons employed by the Council are added to the Council's payroll, and that tax is deducted from any payments, except where the individuals are employed by a recognised employment agency.
- d) To follow the guidance on taxation issued by the Head of Corporate Resources.

E.4.4 Key controls

The key controls for taxation are: -

- a) Heads of Service are provided with relevant information and kept up to date on tax issues;
- b) Heads of Service 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; and
- e) Returns are made to the appropriate authorities within the stipulated timescale.

E.5 INSURANCE

E.5.1 Why is it 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. Insurance is one method of mitigating risk by ensuring that the Council can continue to provide services.

E.5.2 Responsibilities of the Head of Corporate Resources

- a) To arrange insurance cover in all appropriate cases.
- b) To negotiate all insurance claims made on the Council's insurers.
- c) To review, as necessary, all insurances in consultation with Heads of Service as appropriate.
- d) To ensure that all employees of the Council are included in a suitable fidelity guarantee insurance.

E.5.3 Responsibilities of the Heads of Service

Heads of Service will ensure prompt notification to the Head of Corporate Resources;

- a) Of any incidents that may give rise to a claim against the Council the costs of which may be indemnified by the Council's insurances,
- b) Of loss of or damage to any Council property or asset under its ownership, responsibility, custody or control,
- c) Of any change in risk or ownership of or responsibility for any asset or property.

E.5.4 Key Controls

The key controls for insurance are: -

- a) Insurable losses are reported to the Head of Corporate Resources;
- b) Claims are made to the relevant insurance company in a timely fashion;
- c) A regular review of insurable assets is undertaken; and
- d) Insurance is undertaken in accordance with the Council's Risk Management Strategy.

E.6 EXTERNAL FUNDING

E.6.1 Why is this important?

- a) External funding is potentially a very important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Council.
- b) Local authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers.

- c) Funds from external agencies such as the National Lottery provide additional resources to enable the Council to deliver services to the local community. However, in some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the Council's aims and objectives.

E.6.2 Responsibilities of the Head of Corporate Resources

- a) To ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts.
- b) To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements or an exit strategy is agreed.
- c) To ensure that audit requirements are met.
- d) To ensure that all claims are submitted by the due date.
- e) To action budget transfers in relation to approved bids.

E.6.3 Responsibilities of Heads of Services

- a) To ensure that the Head of Corporate Resources is advised, at the earliest possible time, of all applications for external funding.
- b) To submit reports to the relevant Committee or Cabinet.
- c) To give the Head of Corporate Resources a copy of all approvals received from government departments or other sources of external funds.
- d) To ensure that all supporting information is kept to support claims for funds.
- e) To ensure that the project progresses in accordance with the agreed conditions and that all expenditure is properly incurred and recorded.

E.6.4 Key controls

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;
- 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 or an exit strategy is agreed;
- d) To ensure risks are identified, within acceptable limits and are capable of being managed;
- e) To ensure monitoring and reporting frameworks are established and followed; and
- f) To ensure adequate controls and governance arrangements are in place and are followed