

FINANCIAL REGULATIONS

To: All Members and Employees

In any organisation it is essential to ensure sound financial administration. For Derbyshire County Council the Chief Executive has overall responsibility for management and control of all resources – finance, human resources issues and property as well as legal services and information technology. The Director of Finance has legal responsibilities for the financial administration of the Council's affairs and for determining the procedures and systems (whether electronic or not) to achieve this.

Financial Regulations and Procedures apply to all Members and employees and to all transactions. There are separate regulations under Local Management of Schools (LMS). Where subsidiary rules are made, these will be published. It has not been possible to foresee every eventuality so, should any doubt arise, you should consult the Director of Finance. The Council Tax payers and citizens will expect everyone involved with the Council's affairs to treat the Council's resources with care and seek to obtain value for money – economy, efficiency and effectiveness – at all times.

The Regulations deal with control of resources in a devolved environment ie where finance, human resource issues and IT are managed by Strategic Directors in their departments. The responsibilities of the Chief Executive, the Director of Finance and Strategic Directors are separately listed through the document.

It is important that all employees are familiar with the detail that applies to their daily role. Those whose responsibilities extend to routine aspects of budgeting, record keeping, ordering, income and payments will need to understand the relevant Appendices in detail.

Andrew Lewer
Leader of the Council

Chris Jackson
Deputy Leader of the Council

Nick Hodgson
Chief Executive

Peter Handford
Director of Finance

Guide to Main Financial Constraints on Decision Making

Awarding of Contracts

- Selection Process
- Orders/contracts up to £50,000 - Require at least 3 Quotations be sought
- Contracts in excess of £50,000 - Require at least three Tenders be Sought
- Selection of Firms to Tender - As detailed in Standing Orders Relating to Contracts Nos. 4, 5 & 6

***Any other method of selection requires approval of the relevant Cabinet Member**

- Acceptance & Reporting of Contracts
 - Within Limit of approved estimate Strategic Director Approval
 - Up to 25% (or £50,000 – which ever is the lower) above the approved estimate & capable of containment within overall programme budget Relevant Cabinet Member Approval
 - In excess of the above Cabinet Approval required

***Quarterly standard summary Reports on all contracts awarded under Standing Orders should be submitted to the relevant Cabinet Member.**

- Please note that for Passenger Transport Services special rules apply

Virement

- Of up to £50,000 on any one Budget Head¹ - May be authorised by the Strategic Director
- Over the above limit - Cabinet Approval required

*** 3 Monthly Standard Summary report on all virements to be submitted to Cabinet.**

Carrying Forward Of Underspent Budget Allocation

- Up to £50,000 within Budget Head - May be Approved by Strategic Director
- Over £50,000 - Requires Cabinet Approval

*** An Annual Standard Summary Report on all Carry Forwards to be submitted to Cabinet**

¹ In this context Budget Head is a specifically identified area of expenditure identified in the Service Plan and against which expenditure and/or income is specifically monitored.

• Write-off of Outstanding Debt

- Debts up to £3,000 - May be written off by the Strategic Director
- Debts of more than £3,000 and up to £5,000 - May be written off by the responsible Cabinet Member
- Debts of over £5,000 - May only be written off with Cabinet approval

***6 Monthly Summary Report on all write-offs to be submitted to the relevant Cabinet Member.**

Write-off of Stocks and Stores

- Deficiencies up to £3,000 - May be written off by the Strategic Director
- Above £3,000 - May only be written off with Cabinet approval
- Redundant stock up to £5,000 - May be written off by the Strategic Director
- Above £5,000 - May only be written off by Cabinet

Placing of Orders for Routine or Consumable Items

- Within routine & consumable Budget items specifically approved by Members and, where available, from the Approved Procurement List - Strategic Director May Authorise
- Where such purchases are not identified within the Service Plan - Cabinet Authorisation required

Placing of Orders for Other than Routine or Consumable Items

- With a value up to £20,000 and, where available, from the Approved Procurement List - Strategic Director may Authorise
- With a value of £20,001 - £100,000 - Cabinet Member may Authorise
- With a value of £100,000 or more - Cabinet Authorisation Required

Authorisation of Grants to Voluntary Organisations

All Grant arrangements to be approved by the Cabinet Member.

Inventories

Items of furniture and equipment, including IT, plant and machinery and other movable assets, of a value above £250 must be entered. Additionally all items deemed to be attractive, portable and desirable should be recorded and security marked.

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A. INTRODUCTION

FINANCIAL REGULATIONS

- 1 To conduct its business efficiently a local authority needs to ensure that it has sound financial management policies in place and that they are strictly adhered to. Part of this process is the establishment of financial regulations, which set out the financial policies of the Authority.
- 2 The County Council has produced this updated set of financial regulations, which reflects best practice and provides a practical source of advice to assist the 'modern' council.
- 3 The financial regulations provide clarity about the accountabilities of individuals – Cabinet Members, the Chief Executive, the Monitoring Officer, the Director of Finance and Strategic Directors. Each of the financial regulations sets out the overarching financial responsibilities.
- 4 Departments should link the financial regulations with other internal regulatory frameworks which form part of the council's constitution, for example – contract standing orders, schemes of delegation, the role of both Audit and Improvement and Scrutiny committees and Employee Codes of Conduct, which include specific issues such as hospitality and gifts. Departments may also wish to supplement this handbook with their own more detailed financial procedures, guidance and instructions. There is a separate version of financial regulations for Schools.
- 5 Derbyshire County Council is one of the largest local authorities in England. It serves a population of 747,500 and an area of 255,071 hectares. It provides a diverse range of services to its residents. It works in partnership with 8 district councils, parish and town councils and a number of other organisations.

The Council provides the following services:

- learning and development
 - social care
 - strategic planning
 - economic development
 - roads and highways
 - cultural and community including libraries, museums & archives
 - public transport facilities
 - public protection
 - countryside services
 - environmental management
 - registration of births, deaths and marriages
 - coroners
 - emergency planning
 - asset management
- 6 The Council's governance structure is laid down in its Constitution. This document contains the:
 - scheme of delegation
 - standing orders in proceedings
 - standing orders on contracts
 - financial regulations

- codes of conduct and other protocols.

FINANCIAL PROCEDURES

7 Each section of the financial procedures follows the format set out below;

- why is this important?
 - this sets the context for the financial procedures
- key controls
 - this explains the key internal controls which set the framework for ensuring financial regulations are operating effectively
- responsibilities of the Chief Executive, Director of Finance, and Monitoring Officer
- responsibilities of Strategic Directors
 - these last two sections clarify the responsibilities of operational managers in relation to financial management. This is distinct from the role of finance employees. Strategic Directors are, of course, free to delegate functions within their departments in which case the responsibilities apply to their managers.

B. STATUS OF FINANCIAL REGULATIONS

- 1 Financial regulations provide the framework for managing the Authority's financial affairs. They apply to every Member and officer of the Council and anyone acting on behalf of the Council.
- 2 The regulations identify the financial responsibilities of Council, Cabinet, Audit Committee, Improvement and Scrutiny Committees, the Chief Executive, the Monitoring Officer, the Director of Finance and Service Strategic Directors. Cabinet Members and Strategic Directors should maintain a written record where these responsibilities have been delegated to their employees including devolved employees (see Protocol on Devolved Financial Management). Where responsibilities have been delegated or devolved to other responsible officers, such as governors, references to the Strategic Director in the regulations should be read as referring to them.
- 3 All Members and officers have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of all Council resources is legal, is properly authorised and provides value for money.
- 4 The Council's Audit Committee is responsible for ensuring a continuous review of the financial regulations and advising the Cabinet and Council of any additions or changes necessary. The Director of Finance is responsible for reporting, where appropriate, any breaches of the financial regulations to the Council and/or to the Cabinet Members.
- 5 The Authority's detailed financial procedures setting out how the regulations will be implemented are contained in the Appendices to the Financial Regulations.
- 6 Strategic Directors are responsible for ensuring that all employees in their Departments are aware of their responsibilities according to the financial regulations and other internal regulatory documents and comply with them.
- 7 The Director of Finance is responsible for issuing advice and guidance to underpin the financial regulations which Members, officers and others acting on behalf of the Council are required to follow.
- 8 Throughout this document all references to authorisation/signatories apply to both hardcopy and electronic records. A digital signature/authorisation carries no less weight or imposes no less responsibility on the authorising officer than a handwritten signature. Designated authorising officers must ensure that they maintain the security of their personal user identity and password details as these identifiers will be taken as the equivalent of a personal, handwritten signature for purposes of authorisation.

C FINANCIAL REGULATIONS FOR DERBYSHIRE COUNTY COUNCIL

C(1) FINANCIAL REGULATION 1 – FINANCIAL MANAGEMENT & CONTROL

Overview of financial accountabilities in relation to:

The Council

- 1 The Council is responsible for adopting the Authority's Constitution and Code of Conduct and for determining the budget and policy framework within which the Cabinet operates. It is also responsible for setting and monitoring compliance with the Authority's overall framework of accountability and control. The framework is set out in a written Constitution. Together with the Cabinet, the Council is responsible for monitoring compliance with policies and Cabinet decisions.

The Cabinet

- 2 The Cabinet is responsible for proposing to the Council the policy framework and budget, for delivering services and discharging functions in accordance with the policy framework and budget.
- 3 The extent to which decisions of the Cabinet can be delegated is set out within the body of these regulations. Joint Committees or responsible Cabinet Members have authority to decide certain matters.
- 4 Together with the Council, the Cabinet is responsible for monitoring compliance with policies, Cabinet decisions and the framework of accountability and control.

Committees

Improvement and Scrutiny Committees

- 5 The Council has four Improvement and Scrutiny Committees whose role is to scrutinise Cabinet or individual decisions before or after they have been implemented. These Committees are also responsible for making recommendations on future policy options and reviewing the general policy and service delivery of the Council.
- 6 The Improvement and Scrutiny Committees have a right to be involved in the Budgetary Process of the Authority.

Audit Committee

- 7 The County Council has an Audit Committee whose role is to independently contribute to the Council's overall process for ensuring that effective internal control systems are adequately maintained.

Audit Matters

- 8 The County Council's Auditors, both Internal and External act in an independent advisory capacity and report to the Audit Committee, Cabinet

and Council. The Audit Committee have rights of access to obtain all the information they consider necessary and to consult directly with internal and external auditors. The Audit Committee is responsible for reviewing the external auditor's statutory report and internal audit's annual report.

Standards Committee

- 9 The Standards Committee is responsible for promoting and maintaining high standards of conduct amongst councillors. In particular, it has responsibility for advising on the adoption of the Code of Conduct, for its operation and its updating.

Other Committees

- 10 Regulatory functions such as planning and licensing together with the administration of the County Council's Pensions Fund are not the responsibility of the Cabinet and are exercised through the multi-party committees which report to the Council.

Officers

- 11 It is the duty of all officers of the County Council to serve all Members of the Council equally.

The Statutory Officers

Chief Executive

- 12 The Chief Executive is responsible for the strategic management of the Authority as a whole. He/she must report to and provide information for the Council, the Cabinet, the Improvement and Scrutiny Committees and other committees. He/she is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation.

Monitoring Officer

- 13 The County Secretary, in the capacity of Monitoring Officer is responsible for promoting and maintaining high standards of conduct and therefore provides support to the Standards Committee. The Monitoring Officer is also responsible for reporting any breaches of the law to the Council and the Cabinet.

The Director of Finance

- 14 The Director of Finance has statutory duties in relation to the financial administration and stewardship of the Authority. This statutory responsibility cannot be overridden. The statutory duties arise from the:

- **Local Government Act 1972, Section 115 Legal responsibilities of Officers**

Every officer employed by a local authority, whether under this Act or any other enactment, shall at such times during the continuance of his office or within three months after ceasing to hold it, and in such a manner as the local authority direct, make out and deliver to the Authority, or in accordance with their directions, a true account in writing of all money and property committed to his charge, and of his receipts and payments, with vouchers and other documents and records supporting the entries therein, and a list of persons from whom or to whom money is due in connection with this office, showing the amount due from or to each.

Every such officer shall pay all money due from him to the proper officer of the local authority or in accordance with their directions.

- **Local Government Finance Act 1988 - Section 114**

The Director of Finance is also the responsible officer under Section 114 of the Local Government Finance Act 1988 for reporting to Council if the Authority: -

- (a) has made or is about to make a decision which involves or would involve the Authority incurring expenditure which is unlawful
- (b) has taken or is about to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency on the part of the Authority, or
- (c) is about to enter an item of account the entry of which is unlawful.

In addition, the Director of Finance is under a duty to report to Council if it appears to him that the expenditure of the Authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure

- **Section 117, Local Government Act 1972 Disclosure by Officers of Interest in Contracts**

Employees should be aware of the provisions of Section 117(1) of the Local Government Act 1972, which provides that “if it comes to the knowledge of an officer employed whether under this Act or any other enactment by a local authority that a contract in which he/she has any pecuniary interest whether direct or indirect (not being a contract to which himself is a party), has been or is proposed to be entered into by the authority or any committee thereof, he/she shall as soon as practicable give notice in writing to the authority of the fact that is interested therein.”

An indirect pecuniary interest for these purposes is as follows: -

- (a) if the officer or any nominee of the officer is a member of a Company or other body with which the contract was or is proposed to be made
- (b) if the officer is a partner or is in the employment of a person with whom the contract is or is proposed to be made

- (c) in the case of married persons living together the interest of one spouse, if known to the other, is deemed to be the interest of the other spouse.

Section 117(2) states that “an officer of a local authority shall not, under colour of his office or employment, accept any fee or reward whatsoever other than his proper remuneration”.

Any officer who has direct or indirect interest in any contract, or who is offered any fee or reward shall write to the Chief Executive immediately. Any person who fails to comply with Section 117(1) and/or (2) may render themselves liable to a fine of £1,000.

- **Section 151 of the Local Government Act 1972**

Under Section 151 “Every local authority shall make arrangements for the proper administration of their financial affairs, and shall secure that one of their officers has responsibility for the administration of those affairs”.

The County Council have appointed the Director of Finance as the responsible officer.

No item having financial consequences shall be placed on a Council or Cabinet agenda without obtaining the Director of Finance's financial assessment. Any report containing new proposals shall include an independent financial assessment by the Director of Finance.

- **Local Government Act 2003**

The Local Government Act 2003 requires that the Director of Finance has:

- (a) a statutory duty to advise the Council on Cabinet proposals in accordance with their responsibilities under section 151 of the Local Government Act 1972 and the Local Government Act 2003.
- (b) responsibilities in relation to the level of the Authority's reserves and protocols for their use.
- (c) responsibilities to take into account matters as specified in CIPFA's Prudential Code for Capital Finance in Local Authorities (2003).

The annual investment strategy is an annual statement prepared in accordance with the Local Government Act 2003. Section 15(1), states that all Authorities must “have regard to guidance on investments issued by the Secretary of State”, when investing surplus cash.

- **Late Payment of Commercial Debts (Interest) Act 1998**

In order to fulfil the Late Payment of Commercial Debts (Interest) Act 1998, the Council is required to pay all invoices which are not the subject of dispute within 30 days of the invoice date, unless other contractual conditions apply.

- 15 The Director of Finance will support these financial regulations by the issue of more detailed instructions to Strategic Directors from time to time.

Responsibilities of Strategic Directors

- 16 All Strategic Directors shall be responsible for ensuring that all employees of their departments comply with all standing orders, financial regulations, and any other financial instructions the Director of Finance may issue from time to time.
- 17 They shall also ensure that:
- (a) existing and new employees are informed of their responsibilities under Financial Regulations and Standing Orders relating to Contracts and are familiar with these documents
 - (b) all financial regulations or contracts and award procedures are followed by everyone in their department
 - (c) relevant records are maintained and retained
 - (d) particular care is necessary to ensure that officers whose responsibilities extend to routine aspects of budgeting, record keeping, ordering, income and payments are fully aware of the detailed requirements of the relevant Appendices to these regulations.
- 18 To consult the Director of Finance on any matter, which is liable materially to affect the finances of the Council, before any provisional or other commitment is incurred.
- 19 To be responsible for securing value for money in relation to their activities and for achieving financial performance targets.

The Decision Making Process

- 20 The Cabinet is responsible for establishing protocols to ensure that individual Cabinet Members consult with relevant officers before taking a decision within his / her delegated authority. In doing so he/ she must take account of legal and financial liabilities and risk management issues which may arise from the decision.
- 21 The Monitoring Officer must ensure that Cabinet decisions and the reasons for them are made public. He/she must also ensure that Council Members are aware of decisions made by the Cabinet and of relevant decisions made by officers under the terms of any specifically delegated Cabinet responsibility.
- 22 The Monitoring Officer is responsible for advising the Council, Cabinet and officers regarding who has authority within the Council to take a particular decision.

Key Decisions

These are the decisions, which must, wherever possible, be included in the Cabinet's Forward Plan, which is published four-monthly in advance. These decisions are subject to the access to information requirements for open government.

- 23 The Monitoring Officer and Director of Finance are responsible for advising the Chief Executive, Cabinet or Council whether a decision is likely to be considered contrary or not wholly in accordance with the policy framework or budget. In this context "contrary to the budget" may be as a result of:
- (a) initiating a new policy
 - (b) committing expenditure in future years to above the budget level
 - (c) incurring interdepartmental transfers (or above virement limits if at a lower level)
 - (d) incurring additional expenditure funded from additional income or grants.
- 24 It is ultimately the responsibility of Strategic Directors to consult with the Director of Finance on any matter, which is liable to affect the Council's finances materially, before any commitments are incurred. The Director of Finance has a legal duty to provide financial advice to the Council. Strategic Directors should not, therefore, appoint financial consultants or outside advisers without consulting the Director of Finance.

Virement

- 25 The Council is responsible for agreeing procedures for virement (transfer) of expenditure between budget headings.
- 26 Strategic Directors are responsible for agreeing in-year virements within delegated limits, in consultation with the Director of Finance where required. They must notify the Director of Finance of all virements.

Treatment of year-end balances

- 27 The Council is responsible for agreeing procedures for carrying forward under and overspendings on budget headings.

C(2) FINANCIAL REGULATION 2 – FINANCIAL PLANNING

Introduction

1 The Council is responsible for approving the following, which will be proposed by the Cabinet:

- the policy framework
- the Council Plan
- the Council's Financial strategy
- the budget
- the capital programme and borrowing plan

Policy framework

2 The Council is responsible for determining a policy framework proposed by the Cabinet. The framework includes:

- Community strategy
- Council Plan
- Local Area Agreement
- education inclusion strategy
- caring for people joint policy
- community safety strategy
- Derbyshire education strategy
- food standards enforcement plan
- local transport plan
- youth justice plan

The Council is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies which form the policy framework.

- 3 The Council is also responsible for determining when a decision will be deemed contrary to the budget or policy framework and should therefore be referred to the Council by the Chief Executive, Director of Finance and/or Monitoring Officer.
- 4 The Council is responsible for setting the level at which the Cabinet may reallocate budget funds. The Cabinet is responsible for taking in-year decisions on resources and priorities in order to deliver the budget policy framework within the financial limits set by the Council.

Preparation of the corporate plan

- 5 The Chief Executive is responsible for proposing the Council Plan to the Cabinet for consideration before its submission to Council for approval.

BUDGETING

Budget guidelines

- 6 The Director of Finance will issue guidelines on budget preparations to Members and Strategic Directors in accordance with Council and Cabinet requirements. The guidelines will take account of:
 - legal requirements
 - medium term planning prospects
 - available resources
 - spending pressures
 - best value and other relevant Government guidelines
 - cross-cutting issues (where relevant).

Budget preparation

- 7 The Director of Finance is responsible for ensuring that a revenue budget is prepared on an annual basis for consideration by the Cabinet before 8th February, and subsequent submission to the Council. The Council may amend the budget or ask the Cabinet to reconsider it before approving it. The Budget must, however, be approved and precepts notified to billing authorities prior to 1st March.
- 8 The Director of Finance is responsible for preparing a report in accordance with the Local Government Act 2003 which the Authority must consider when it is making its statutory calculations required to determine its precept. The report must deal with the robustness of the estimates included in the budget and the adequacy of reserves for which the budget provides. The Department for Communities and Local Government advise that the professional advice of the Chief Finance Officer is required on these two questions, and that they are connected with matters of risk and uncertainty.

- 9 The Cabinet is responsible for issuing guidance on cash limits and the general content of the budget in consultation with the Director of Finance as soon as possible following approval by the Council.
- 10 It is the responsibility of Strategic Directors to ensure that annual revenue estimates reflecting agreed service plans and including all necessary resource plans and financial estimates are prepared in consultation with the Director of Finance and are reported to the Cabinet.

Preparation of the capital programme and borrowing plan

- 11 The Chief Executive in consultation with the Director of Finance, Director of Property and other Strategic Directors is responsible for ensuring that a capital programme is prepared on an annual basis in accordance with the requirements of CIPFA's Prudential Code for Capital Finance in Local Authorities (2009) for consideration by the Cabinet, before submission to the Council.

Preparation of the Local Area Agreement

- 12 The Chief Executive is responsible for proposing the Local Area Agreement to the Cabinet for consideration before its submission to Council for approval.

Resource allocation

- 13 The Chief Executive is responsible for securing a resource allocation process, which ensures due consideration of the Council's policy.

C(3) FINANCIAL REGULATION 3 – CONTROL OF RESOURCES INCLUDING EMPLOYEES

Internal control

- 1 Internal control refers to the system of control devised by management to help ensure the Authority's objectives are achieved in a manner which promotes effective, efficient and economical use of resources and that the Authority's assets and interests are safeguarded.
- 2 The Audit Committee is responsible for reporting to Cabinet and Council on matters arising from its review of internal control and governance and the Annual Governance Statement.
- 3 It is the responsibility of the Strategic Directors to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve efficiency, effectiveness and economy and for achieving their financial performance targets.

Employees

- 4 The Chief Executive is responsible for providing overall management of employees. He/she is also responsible for ensuring that there is proper use of the job evaluation or other agreed systems for determining the grade and remuneration of a job.
- 5 Strategic Directors are responsible for controlling total employee numbers by:
 - advising the Cabinet on the budget necessary in any given year to cover estimated numbers of employees.
 - adjusting the employee numbers to that which can be funded within approved budget provision, varying the provision as necessary within that constraint in order to meet changing operational needs and in line with the Council's HR Strategy.
 - the proper use of appointment procedures as defined in the Recruitment and Selection Guidelines.

Budget monitoring

- 6 The Director of Finance is responsible for providing appropriate financial information to enable budgets to be monitored effectively. He/she must monitor the control of income and expenditure against budget allocation and report to the Cabinet on variances.
- 7 It is the responsibility of Strategic Directors to control income and expenditure within their area and to monitor performance. They should also take any action necessary to avoid exceeding their financial allocation.

Register of Members' interests

The Monitoring Officer is responsible for ensuring that the procedures agreed by Council for the registration of Members' interests comply with statutory requirements.

Risk Management - Code of Audit Practice Requirements

- 9 The Council and Cabinet are jointly responsible for approving the Authority's risk management policy statement (after receiving a report from the Audit Committee on risk management, internal control and governance and the Annual Governance Statement) and for effecting proper insurance.
- 10 The Council's Audit Committee considers, at each meeting, a report on the Authority's Risk Register and is charged to consider any significant changes in risk and with monitoring the effectiveness with which key risks identified are managed.
- 11 The Chief Executive is responsible for preparing the Council's risk management policy statement and for promoting it throughout the Authority and for advising the Cabinet on proper insurance cover.
- 12 The Director of Finance shall be responsible for effecting all necessary insurance within the policy determined from time to time by the Authority. Strategic Directors will be responsible for notifying to him/her changes in any insurable risks and will submit claims in accordance with the approved arrangements.
- 13 Strategic Directors shall consult the Director of Finance/County Secretary before giving any indemnity on behalf of the Council.
- 14 Strategic Directors shall notify the Director of Finance immediately of any loss, liability or damage, which may lead to a claim against the Council.

Security

- 15 Strategic Directors should ensure that appropriate records, whether held in a manual or electronic format, are properly maintained and securely held. They are also responsible for ensuring that all business critical systems are identified, that systems so identified are adequately documented and that sound arrangements for the security and continuity of service in the event of disaster are in place and have been tested in advance where practicable.

C(4) FINANCIAL REGULATION 4 – SYSTEMS AND PROCEDURES

Decision making procedures

- 1 The Council is responsible for approving procedures for reporting its decision-making processes and the financial information associated with them. The Chief Executive should provide a system for the recording of the Authority's decisions and for the secure storage of media used to record those decisions.

Income and expenditure

- 2 It is the responsibility of Strategic Directors to ensure that a proper scheme of delegation has been established within their Departments and is operating effectively. It should identify employees authorised to act on behalf of the Cabinet, Cabinet Member or the Strategic Director, in respect of payments, income collection and for placing orders together with the limits of their authority. The Council is responsible for approving procedures for writing off debts as part of its overall control framework of accountability and control.

Financial systems and procedures

- 3 The Director of Finance is responsible for the operation of the Council's accounting system, the form of accounts and the supporting financial records. Any proposed changes by Strategic Directors to existing financial and/or control systems or the establishment of new systems must be approved and formally signed-off by the Assistant Director of Finance (Audit) and RIPA Monitoring Officer and RIPA Monitoring Officer. All consultations prior to such amendments being considered for approval should be undertaken through the Assistant Director of Finance (Audit) and RIPA Monitoring Officer.
- 4 Strategic Directors are responsible for the proper and effective operation of financial processes and control systems within their own departments.
- 5 Any changes to financial instructions and procedure notes by Strategic Directors, to meet their own specific service needs, should be agreed by the Director of Finance, who will seek Cabinet approval where appropriate.
- 6 Strategic Directors must ensure that they have sufficient, appropriately qualified employees and other resources to meet their responsibilities and must consult the Director of Finance to ensure that such employees have received appropriate financial training.

Data protection

- 7 Strategic Directors should ensure that, where appropriate, computer and other systems are notified in accordance with Data Protection legislation and that employees are aware of their responsibilities under the Freedom of Information Act 2000 and Environmental Information Regulations 2004.

C(5) FINANCIAL REGULATION 5 – EXTERNAL ARRANGEMENTS

- 1 The Council provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders.
- 2 The Cabinet is responsible for approving delegations, including frameworks for partnerships. The Cabinet is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs. It is responsible for ensuring that the contractual arrangements for any work for third parties or external bodies comply with Corporate Strategy.
- 3 The Cabinet will decide on Member representation and the Chief Executive will decide on Officer representation of the Authority on partnership and external bodies, as required by statute or the Council.
- 4 The Monitoring Officer is responsible for promoting and maintaining the same high standards of conduct with regard to financial affairs and governance in partnerships that apply throughout the Authority.
- 5 The Director of Finance must specify the accounting and auditing arrangements to be adopted relating to partnerships and joint ventures and consider the overall corporate governance arrangements when arranging contracts with external bodies. Auditing arrangements should include, as a minimum, guaranteed rights of access for the County Council's auditors at all times to all documents, records and those employees who relate to, or are provided by, the Authority's contributions to the partnership. He/she must ensure that the risks have been fully appraised before agreements are entered into with external bodies.
- 6 Strategic Directors are responsible for:
 - ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies and third parties
 - maintaining a register of all contracts/partnership agreements entered into with external bodies in accordance with procedures approved by the County Secretary which must include details of :
 - the aims and objectives of the contract /partnership
 - its approved duration
 - the Council's commitment in terms of finance and other resources
 - the framework by which the performance of the contract/partnership is to be monitored
 - exit strategy on completion or termination of the contract/partnership
 - ensuring that before entering into agreement with external bodies, a risk management appraisal has been prepared for the Chief Executive
 - ensuring that such agreements and arrangements do not impact adversely upon the services provided for the Council

- ensuring that all agreements and arrangements are properly documented
- providing appropriate information to the Director of Finance to enable a note to be entered into the Council's Statement of Accounts
- ensuring that all Council employees designated/seconded to work on the contract/partnership are aware that throughout such work they continue to be bound by the policies, contractual requirements and financial regulations of the County Council and remain accountable to the County Council for their actions.

D STANDING ORDERS RELATING TO CONTRACTS

<u>PART I</u>	<u>Application and Exemption</u>	
	SO1	Application
	SO2	Exemption
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PART I – APPLICATION AND EXEMPTION

SO1 Application Every contract made by or on behalf of the Council shall comply with the law of England, these Standing Orders, the Council's Financial Regulations, the EC Treaty and with any relevant Directives of the EC.

SO2 Exemption Any requirement of these Standing Orders may be waived by the Council, Cabinet or Cabinet Member only where they are satisfied that there are special circumstances justifying exemption and such exemption shall be recorded in the Minutes.

PART II CONTENT OF CONTRACTS

SO3 Contract Conditions

(1) Every contract shall be:

- (a)
 - (i) in writing in a form approved by the County Secretary
 - (ii) executed under seal when required by the County Secretary
- (b) specify the subject matter, price (and any discount or deduction), contract period and such other terms as are agreed
- (c) contain a clause permitting cancellation in circumstances of corruption, such clause having the same effect as that set out in the Appendix - Clause Concerning Corruption.
- (d) require compliance with any appropriate British Standard Specification or Code of Practice or other equal and approved European standard
- (e) indemnify the Council against any claim which may be made in respect of personal injury to any person unless due to the negligence of the Council and against any claim for damage to property due to the negligence of the contractor and the contractor shall when required produce satisfactory evidence that he/she is insured against such claims
- (f) include the following clause:- "the award of this contract shall not entitle the contractor to endorse its products by reference in any way to the Derbyshire County Council nor shall the contractor exhibit or display for advertisement or otherwise any goods, equipment or vehicles to be supplied under the contract to the Council and which can be identified with the Council (whether the property in such goods, equipment or vehicles shall have passed to the Council or not) without the written consent of the Council"

(2) Where, following consultation with the County Secretary and Director of Finance, it is considered appropriate a contract shall:

- (a) contain a clause requiring payment of liquidated damages if the contractor fails to complete the contract in time
- (b) be supported by sufficient security for due performance.

PART III COMPETITION

SO4 Invitation of Tenders

- (1) Where the estimated value or amount of a proposed contract/sub contract exceeds £50,000 tenders shall be invited from firms on lists compiled under the selective tendering procedure in accordance with the procedure set out in Standing Order 5 or by public notice in accordance with the open tendering procedure set out in Standing Order 6.
- (2) For the purposes of this Standing Order a proposed contract includes any series of contracts:
 - (a) awarded under an annual or periodic standing arrangement with one firm, or
 - (b) which should reasonably be treated as one contract.
- (3) Where the estimated value of a proposed contract does not exceed £50,000 alternative quotations shall be invited from at least three firms considered competent to perform the contract, in addition to any in-house bid. Officers will be required to include, where possible/appropriate, Derbyshire suppliers within their range of bidders. Where the Strategic Director considers that this is impractical, arrangements for inviting tenders or negotiating contracts under competitive conditions shall be in accordance with procedures agreed with the Director of Finance.
- (4) Where no Corporate contract exists quotations and tenders over £25,000 will be required to be advertized on Source Derbyshire.
- (5) Where works can only be performed by one specialist firm or are required urgently, they shall be regarded as exempt from this Standing Order but the making of the contract shall be reported to Cabinet Member.

SO5 Selective Tendering

- (1) For the purposes of this Standing Order:
 - (a) a Standing List is a list of firms considered technically competent and financially able (refer to SO12) to perform contracts of the types and values specified in the list, such competence and ability to be reviewed at least every five years.
 - (b) a Select List is a list compiled for specific proposed works after at least four weeks public notice has been published specifying details of those works and inviting applications for inclusion.
 - (c) a Specialist List is a list of firms which the Strategic Director considers competent to provide specialist goods or services.
- (2) Tenders shall be invited from not fewer than three firms included on the appropriate Standing, Select or Specialist List of Approved Contractors, in addition to any in-house bid.

- (3) The selection of firms invited to tender shall be made by the automatic rotation of Suppliers on the standing list as approved by Members. Any other method of selection of tenderers requires the approval of the relevant Cabinet Member.
- (4) Any list shall contain the name and address of each firm approved for a contract or type of contract and, in the case of contracts for the execution of work, any maximum value of contract for which that firm may be invited to tender.

SO6 Open Tendering by Public Notice

Tenders shall be invited by giving at least 10 days prior, public notice. The notice shall express the nature and purpose of the contract, state where further details may be obtained, and state the last date and time when tenders will be received. The notice shall be posted on the Source Derbyshire Website and any other appropriate media.

SO7 Submission and Opening of Tenders

- (1) An invitation to tender shall state clearly the closing date and time for receipt of tenders and that:
 - (a) the Council do not bind themselves to accept the lowest or any tender
 - (b) no tender will be accepted unless it is enclosed in the special envelope (bearing the distinctive label supplied with the tender form) properly sealed and addressed to the Chief Executive and either sent by post or delivered by hand to the Chief Executive's Office, or has been sent electronically using the Council's approved e-tendering procedures.
 - (c) proof of posting will not be accepted as proof of delivery if the tender fails to arrive at the address shown on the tender envelope label before the closing date and time.
- (2) No tender received after the closing date and time shall be considered. (Any such tender will be returned to the tenderer by the Chief Executive).
- (3) Tenders shall be kept in the custody of the Chief Executive or within the secure area of the Council's e-tendering system until the time and date specified for their opening.
- (4) Opening of Tenders will follow the following protocol(s)
 - (a) where only written (hard copy) tenders are received the tenders shall be opened at one time, which shall be as soon as possible after the closing time, and only in the presence of three officers appointed by the Chief Executive. Those officers shall certify a list of tenders received.
 - (b) where tenders are received solely through the Authority's approved e-tendering system, they are subject to the electronic security protocols within that system which require tenders to be opened electronically by a designated group of officers.

- (c) where both electronic and hard copy tenders are submitted for the same contract, all tenders received by both means must be brought together for formal tender opening at one time, and ALL tenders received must be recorded on a list certified by the Tender Opening Panel members.
- (5) The Chief Executive may nominate another officer to discharge his responsibilities under this Standing Order.

SO8 Acceptance of Tenders

- (1) Where tenders have been received in accordance with Standing Order 7 the Strategic Director may accept a tender where it is within the limit of the approved estimate. Where the value of the tender is up to 25% higher than the approved estimate or £50,000, whichever is the lower, and is capable of being contained within the overall programme budget, the acceptance of the tender may be approved by the relevant Cabinet Member. Above these limits Cabinet approval is required. If payment is to be received by the Council, the reference is to the highest tender.
- (2) A list of tenders received identifying the tender accepted shall be reported each quarter to the relevant Cabinet Member.

SO9 Alteration of Tenders

Once opened tenders shall not be altered except that a tenderer may be given an opportunity to have an error in calculation corrected. When such an opportunity is given, the tenderer shall be given no information about other tenders or the likelihood of his tender being accepted.

SOPTN Post-Tender Negotiations

- (1) Post-Tender Negotiations will only be undertaken in exceptional circumstances, where the law allows and in consultation with the relevant Strategic Director, County Secretary and County Procurement Officer. It is essential that such negotiations are conducted professionally and with demonstrable probity.
- (2) Post-Tender Negotiation takes place after the formal receipt of tenders and before the formal award of contracts. Its purpose is to secure some improvement in price, delivery or quality. It is a quite different process from that of clarifying points with tenderers about aspects of their bids. It also differs from claim negotiations with contractors.
- (3) Before engaging in Post-Tender Negotiation, the following criteria must be met:
 - (a) there must be a considered and soundly based prospect of improving value for money
 - (b) it must be possible to justify the resource costs
 - (c) it must be subject to senior management's prior approval
 - (d) trained and experienced purchasing officers must conduct negotiations
 - (e) negotiations must be fully documented, so that a clear audit trail is left.
- (4) The use of Post Tender Negotiation must be justified and shown to have been conducted in a fair manner. The relevant contract files etc should clearly show the:
 - (a) justification for the use of Post Tender Negotiation

- (b) approval for Post Tender Negotiation
- (c) aim of the negotiations
- (d) methods used
- (e) precise record of all exchanges, written and verbal, including officers involved
- (f) management approval for the award of contract.

SOCD Competitive Dialogue

- (1) Competitive dialogue is used in the award of complex contracts, where there is a need for the Authority to discuss all aspects of the proposed contract with potential suppliers and such dialogue is not possible under open or restricted procedures.
- (2) European Commission Directive 2004/18/EC sets out that contracts can be considered as particularly complex where contracting authorities:-
 - (a) are not objectively able to define the technical means capable of satisfying their needs or objectives and/or
 - (b) are not objectively able to specify the legal and/or financial make-up of a project.
- (3) Competitive dialogue should only be undertaken where the Authority undertakes a particularly complex project and it is objectively impossible to define the means of satisfying the needs or of assessing what the market can offer in the way of technical solutions and/or financial/legal solutions through existing procedures.
- (4) The following protocols should be followed prior to and during the competitive dialogue process:-
 - (a) the project must be suitably complex to justify the use of competitive dialogue procedures
 - (b) the project must be subject to Member approval
 - (c) trained and experienced procurement officers should lead and conduct the dialogue process
 - (d) negotiations must be fully documented, so that a clear audit trail is maintained

PART IV Interpretation

SO10 Interpretation in the Standing Orders - the meaning of the following terms is as set out:

"Contract"

Means a contract for the execution of works or the supply of goods, materials or services.

"Firm"

Includes any company, partnership, co-operative or other business entity or person.

"Public Notice"

Means a notice published in at least one local newspaper, the Source Derbyshire Website, and, where appropriate, one trade newspaper or journal circulating

among such firms who undertake such contracts, and "published" shall be interpreted accordingly.

PART V Contracts for the Provision of Passenger Transport Services

SO11 General Conditions

- (1) In respect of any contracts sought for the provision of passenger transport services by, or on behalf of, the County Council the requirements for Selective Tendering shall not apply and Standing Orders 4, 5, and 8 are hereby excluded.
- (2) In respect of any contract for the provision of passenger transport services, the following should apply:

(a) Invitation of Tenders

- (i) Where a contract requires a public service vehicle, ambulance or hackney carriage (it if is operating as a local service) tenders shall be invited for a register of operators by public notice in accordance with the open tendering procedure detailed in Standing Order 6 and shall be on such terms and conditions as are set out in the County Council's Public Transport Policies and Standards document, as approved.
- (ii) Where a private hire car is required for the carrying of non-fare paying passengers, an invitation to tender shall be sought from at least 3 operators on the standing list.

(b) Tender Acceptance

- (i) Where tenders have been received in accordance with Standing Order 12(2)(a) the tender may be accepted by the Cabinet Member on advice of Strategic Director where the tender value is £15,000 or more in a full year or by the Strategic Director of Environmental Services where the value of the contract is less.
- (ii) Private hire agreements for private hire work for non repetitive journeys made by schools and other County Council establishments are not within the provisions of the Standing Order, but are otherwise subject to all other Standing Orders and regulations of the County Council.
- (iii) For the purposes of this Standing Order:
 - (a) The Register of Operators is the list of persons who have notified the County Council that they wish to receive tender invitations appropriate to the service being sought.
 - (b) The Standing List is the list of licensed private hire car operators, or in those areas of the County Council where licensing is not applied, those firms approved by the Public Transport Officer.

PART VI Financial Vetting

SO12

The financial vetting of contractors is an integral part of the procurement process and is designed to ensure that the contractor is financially able to perform the requirements imposed by the contract. In the context of this process, financial vetting should form part of the selection (not award) criteria and is designed to identify financial risks to be assessed alongside other qualitative and quantitative factors that can be grounds for selecting a preferred supplier. The financial vetting procedure is the responsibility of the Director of Finance, and is distinct from the

technical vetting of contractors which is the responsibility of appropriate technical and professional officers.

APPENDIX

Clause Concerning Corruption

If the contractor shall have offered or have given, or agreed to give to any person any gift or consideration of any kind as an inducement or reward for doing or forbearing to do, or for having done or forborne to do any action in relation to the obtaining or execution of this contract or any other contract with the Council, or for showing or forbearing to show favour or disfavour to any person in relation thereto, or if the like acts shall have been done by any person employed by it or acting on its behalf (whether with or without the knowledge of the contractor) or if in relation to any contract with the Council the Contractor or any person employed by it or acting on its behalf shall have committed any offence under the Prevention of Corruption Acts 1889 to 1916 or shall have given any fee or reward the receipt of which is an offence under sub-section (2) of Section 117 of the Local Government Act 1972 the Council shall be entitled to cancel this contract and to recover from the contractor the amount of any loss resulting from such cancellation.

APPENDIX 1: FINANCIAL MANAGEMENT AND CONTROL

1. Financial management standards
2. Managing and controlling spending
 - (a) revenue budget
 - (b) scheme of virement
 - (c) treatment of year end balances
3. Accounting policies
4. Accounting records and returns
5. Format of the accounts

1. FINANCIAL MANAGEMENT STANDARDS

Objectives

- 1 All Members and officers have a duty to abide by the highest standards of probity in dealing with financial issues. This is achieved by ensuring every one is clear about the standards to which they are working, and the controls that are in place to ensure that these standards are met.

Responsibilities of Director of Finance

- 2 To ensure the proper administration of the Council's financial affairs.
- 3 To set the financial standards, and to monitor their compliance.
- 4 To ensure proper professional practices are adhered to, and to act as head of profession in relation to the standards, performance and development of employees engaged in financial work throughout the Authority.
- 5 To advise on the key strategic controls necessary to secure sound financial management.
- 6 To ensure that financial information is available to enable accurate and timely reporting of comparisons of national and local financial performance indicators.

Responsibilities of Strategic Directors

- 7 To promote and ensure adherence to the financial management standards set by the Director of Finance in their departments.
- 8 To promote and ensure adherence to proper financial practices in relation to the standards, performance and development of employees in their Departments.

2. MANAGING AND CONTROLLING SPENDING

A Revenue Budget

Objectives

- a.1 Budget management ensures that resources allocated by Members are used for their intended purposes and that these resources are properly accounted for. Budgetary control is a continual process enabling the Authority to review and adjust its budget targets during the financial year. It also provides the mechanism to call to account managers responsible for defined elements of the budget.
- a.2 By identifying and explaining variances against budgetary targets, the Council can identify changes in trends and resource requirements at the earliest opportunity. The Council itself operates within an annual cash limit, approved in setting the overall budget. 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.

Key controls

- a.3 The key controls for managing and controlling the revenue budget are:
 - (i) budget holders will be responsible for the expenditure on budget heads for which they have been assigned responsibility
 - (ii) each “£” of budgeted expenditure is allocated to a named budget manager
 - (iii) budget managers accept accountability for their budgets and the level of service to be delivered
 - (iv) budget managers follow an approved certification process for all expenditure
 - (v) income and expenditure is properly recorded and accounted for
 - (vi) performance levels/levels of service are monitored in conjunction with the budget and necessary action taken to align service outputs and budget.

Responsibilities of Director of Finance

- a.4 To establish an appropriate framework of budgetary management and control which ensures that:
 - (i) budget management is exercised within annual cash limits unless the Council agrees otherwise
 - (ii) each Strategic Director has available timely information on income and expenditure on each budget heading, to enable managers to fulfil their budgetary responsibilities

- (iii) expenditure is committed only against an approved budget head
 - (iv) all officers responsible for committing expenditure must comply with corporate guidance and financial regulations and standing orders
 - (v) each budget head has a single named manager, determined by the Strategic Director. Budget responsibility should be aligned as closely as possible to the decision-making which commits expenditure
 - (vi) significant variances from approved budgets are promptly investigated and the reasons for such variances are pursued with the responsible managers.
- a.5 To administer and ensure adherence to the Council's scheme of virement.
 - a.6 To submit reports to the Cabinet and to Council, in consultation with the Strategic Director, where a Strategic Director is unable to balance expenditure and resources within existing approved budgets under his or her control.
 - a.7 To prepare and submit reports on the Council's projected expenditure compared with the budget.

Responsibilities of Strategic Directors

- a.8 To maintain budgetary control within the department, in adherence to the principles in 2a.4 and to ensure that all income and expenditure is promptly and properly recorded and accounted for.
- a.9 To ensure that a single accountable budget officer is identified for each item of expenditure under the control of the Strategic Director.
- a.10 To ensure that spending remains within the service overall cash limit, and that individual budget heads are not overspent, by monitoring the budget and, where it appears that areas of the budget are likely to be over or underspent, taking appropriate corrective action.
- a.11 To ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the service plan and that any necessary action is taken.
- a.12 To prepare and submit to the Cabinet, where required, reports on the service's projected expenditure compared with its budget, in consultation with the Director of Finance.
- a.13 To ensure prior approval by the Council for new proposals* not included in the agreed budget or service plan, which:
 - (i) create material financial commitments in future years
 - (ii) initiate new policy or cease existing policies
 - (iii) materially extend or reduce the Council's services

- (iv) creates or identifies new sources of income
 - (v) where services are to be financed from government grant, or other external services, which are time limited, the proposal must contain an exit strategy that does not rely on future finance from Council Tax.
- a.14 To ensure compliance with the Council's scheme of virement.
- a.15 To consult with the relevant Strategic Director where it appears that a budget proposal, including a virement proposal may impact materially on another service or Strategic Director's level of activity.

* A report on new proposals should explain the full financial implications, after consultation with the Director of Finance. Unless the Council has agreed otherwise, Strategic Directors must plan to contain the financial implications of such proposals within their cash limit.

2. MANAGING AND CONTROLLING SPENDING

B Scheme of Virement

- b.1 The Council's scheme of virement is monitored by the Director of Finance to ensure compliance with guidelines set by Council. Any variation from this scheme requires the approval of Council.
- b.2 The Council approves detailed budget heads and Strategic Directors and the budget holders are therefore authorised to incur expenditure in accordance with those estimates. The rules below cover virement, which is switching resources between heads of expenditure. For the purposes of this scheme, a budget head is considered to be a line in the Service Plan, or, as a minimum, at an equivalent level to the standard service sub-division as defined by CIPFA.
- b.3 The scheme of virement is intended to enable Strategic Directors and their employees to manage budgets with a degree of flexibility within the overall policy framework determined by the Council, and therefore optimise the use of resources. Strategic Directors are expected to exercise their discretion in managing their budgets responsibly and prudently. In particular, they should aim to avoid supporting recurring expenditure from one-off sources of savings or additional income, or creating future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. Strategic Directors must plan to fund such commitments from within their own budgets.

Responsibilities of Director of Finance

- b.4 To prepare a report to the Cabinet where virements in excess of £50,000 are proposed.

Responsibilities of Strategic Directors

- b.5 A Strategic Director may exercise virement on budgets under his/her control for amounts up to £50,000 during the year.
- b.6 Amounts greater than £50,000 require the approval of the Cabinet, following a joint report of the Director of Finance and the Strategic Director which must specify the proposed expenditure and the source of funding, and must explain the implications in the current and future financial year.
- b.7 The prior approval of the Cabinet is required to any virement, of whatever amount, where it is proposed to:
- vire between budgets of different accountable Cabinet Members
 - vire between budgets managed by different Strategic Directors.
- b.8 Virement, which is likely to impact on the level of service activity of another Strategic Director, should be implemented only after consultation with the relevant portfolio holders, Director of Finance and Strategic Director.

- b.9 No virement relating to a specific financial year should be made after 31 March of that year.
- b.10 Where an approved budget heading is designated by the Director of Finance as a lump sum budget or contingency intended for allocation during the year, its allocation will not be treated as a virement, provided that:
- (i) the amount is used in accordance with the purposes for which it has been established
 - (ii) the Cabinet has approved the basis and the terms, including financial limits, on which it will be allocated. Individual allocations in excess of the financial limits should be reported to the Cabinet.
- b.11 Reports on all virements, in the standard summary format, must be made to the Cabinet at three monthly intervals.

2. MANAGING AND CONTROLLING SPENDING

C Treatment of end of year balances

Objectives

- c.1. The Director of Finance administers the Council's scheme of end of year balances within guidelines set by the Council. Any variation from the scheme requires the approval of Council.
- c.2. The rules below cover arrangements for the transfer of resources between accounting years, ie a 'carry forward'. For the purposes of this scheme a budget heading is a line in the Service Plan, or as a minimum, at an equivalent level to the standard service sub-division as defined by CIPFA.

Key controls

- c.3. Appropriate accounting procedures are in place to ensure that carried forward totals are correct.

Responsibilities of Director of Finance

- c.4. To administer the scheme of 'carry forward' within guidelines set by the Council.
- c.5. To report the extent of overspendings and underspendings on service estimates carried forward to the Cabinet and to Council.

Responsibilities of Strategic Directors

- c.6. Any overspending on service estimates in total on budgets under the control of the Strategic Director must be carried forward to the following year, and will constitute the first call on service estimates in the following year. The Director of Finance will report the extent of overspendings carried forward to the Cabinet and to the Council.
- c.7. Net underspendings of up to £50,000 on service estimates, on budgets controlled by the Strategic Director may be carried forward without the need to seek any further approval subject to;
 - (i) reporting the outcome for the financial year to the Cabinet
 - (ii) the total to be carried forward not exceeding total net underspending by that service on budgets under the Strategic Director's control.

The approval of Cabinet is required in all cases where the under spending exceeds £50,000.

- c.8. Schools' balances shall be available for carry forward to support the expenditure of the school concerned. Any overspend will be treated either as a licensed deficit or an LEA loan. Full details of the arrangements are contained within the LMS scheme.

3. ACCOUNTING POLICIES

Objectives

- 1 The Director of Finance is responsible for the preparation of the Council's Statement of Accounts, in the format required by the CIPFA Code of Practice on Local Authority Accounting in Great Britain, for the financial year ending 31 March. The Audit Committee is responsible for reporting to Cabinet and Council on matters arising from its review of the accounting policies and annual accounts of the Council, and will play a pro-active role in promoting discussion on both the content of the annual accounts and ongoing financial statements.

Key controls

- 2 The key controls for accounting policies are:
 - (a) suitable accounting policies are selected and applied consistently
 - (b) judgements are made and estimates prepared which are reasonable and prudent
 - (c) statutory and other professional requirements are observed to maintain proper accounting records
 - (d) all reasonable steps have been taken for the prevention and detection of fraud and other irregularities.

Responsibilities of Director of Finance

- 3 To select suitable accounting policies and to ensure that they are applied consistently. The accounting policies will be set out in the statement of accounts which is prepared at 31 March each year, and will cover such items as:
 - (a) the basis on which debtors and creditors at year end are included in the accounts
 - (b) details on substantial provisions and reserves, and contingent liabilities
 - (c) fixed assets
 - (d) depreciation
 - (e) capital charges
 - (f) debt redemption
 - (g) work in progress
 - (h) stocks and stores
 - (i) deferred charges
 - (j) government grants
 - (k) leasing
 - (l) pensions
 - (m) allocation of central support services
 - (n) capital receipts

- 4 To identify any significant changes in accounting policies, and to ensure that they are reported to, and considered by, the Audit Committee, prior to being reported to Cabinet and Council.

Responsibilities of Strategic Directors

- 5 To adhere to the accounting policies approved by the Director of Finance.

4. ACCOUNTING RECORDS AND RETURNS

Objectives

- 1 Proper accounting records are 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 provides assurance that the accounts are properly prepared and proper accounting practices have been followed.

Key controls

- 2 The key controls for accounting records and returns are:
 - (a) all Cabinet Members, finance employees and budget managers operate within the required accounting standards of the Council
 - (b) all the Authority's transactions, material commitments, and contracts and other essential accounting information have been recorded completely, accurately and on a timely basis
 - (c) procedures are in place to enable accounting records to be reconstituted in the event of failure
 - (d) balances and reconciliation procedures are carried out to ensure transactions are correct
 - (e) the duty imposed on the Council by the Accounts and Audit Regulations to maintain an adequate and effective audit of its accounting records and its system of internal control.

Responsibilities of Director of Finance

- 3 To determine the accounting procedures and form of financial records for the Council. Where these are maintained outside the Finance Division of the Office of The Chief Executive Department, the Strategic Director concerned should consult the Director of Finance.
- 4 To compile all accounts and accounting records, or ensure that they are compiled under his/her direction.
- 5 To comply 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 shall not themselves be engaged in these transactions.
- 6 To prepare and publish the audited accounts of the Council for each financial year, in accordance with the statutory timetable, and with the requirement for

the Council to approve the Statement of Accounts before the statutory deadline.

- 7 To ensure that retention periods for financial records are specified and promulgated throughout the County Council. The periods for which documents are to be retained are separately specified.

Responsibilities of Strategic Directors

- 8 To consult and obtain the approval of the Director of Finance before making any changes to the format of the accounting records and procedures.
- 9 To comply with the principles outlined in paragraph 4.5 when allocating accounting duties.
- 10 To maintain adequate records to provide an audit trail leading from the source of income/expenditure through to the accounting statements.
- 11 To supply information required to enable the Statement of Accounts to be completed, in accordance with guidelines issued by the Director of Finance.

5. FORMAT OF THE ACCOUNTS

Objectives

- 1 The format of the budget will determine the level of detail on which financial control and management will be exercised. The format will shape how the rules around virement will operate, the operation of cash limits and set the level at which funds may be re-allocated within the budgets.

Key controls

- 2 The key controls for the budget format are:
 - (a) the format complies with all legal requirements
 - (b) the format complies with CIPFA Code of Practice on Local Authority Accounting in Great Britain.

Responsibilities of Director of Finance

- 3 To advise the Council on the format of the budget.

Responsibilities of Strategic Directors

- 4 To comply with accounting guidance provided by the Director of Finance.

APPENDIX 2: FINANCIAL PLANNING

- 1 Local Area Agreement
- 2 Financial Strategy
- 3 Budgeting
 - (a) resource allocation
 - (b) capital programmes
 - (c) preparing revenue budgets and medium term planning
- 4 Use of reserves

1. LOCAL AREA AGREEMENT

Objectives

- 1 Each “responsible local authority” has a statutory responsibility arising from the Local Government and Public Improvement in Health Act 2007 to coordinate, prepare and submit a draft of a local area agreement to the Secretary of State specifying :-
 - (a) local improvement targets
 - (b) the persons to whom the target is to relate
 - (c) the period for which the local area agreement is to have effect.
- 2 As a responsible Local Authority there is a duty to consult and co-operate with each partner authority and non-partner authorities, neighbouring authorities, local businesses, local citizens and other bodies where appropriate.

Key controls

- 3 The key controls for Local Area Agreements are:
 - (a) to produce a Local Area Agreement in accordance with statutory requirements
 - (b) to achieve collective consensus via the Local Strategic Partnership to the content of the Local Area Agreement
 - (c) for the Local Area Agreement to be approved by full council.
 - (d) to publish a memorandum relating to the Local Area Agreement which contains:-
 - the period of time for which the Local Area Agreement has effect
 - a description of each LAA target
 - whether each target is designated or not
 - which partners have a statutory duty to have regard to those targets
 - which partners have agreed to help deliver a target on a voluntary basis
 - (e) to meet the timetables set.

Responsibilities of Director of Finance / Chief Executive

- 4 To co-ordinate, advise and supply the information that needs to be included in Local Area Agreement in accordance with statutory requirements and agreed timetables
- 5 To contribute to the development of corporate/service targets and objectives, and associated performance information.
- 6 To obtain full council approval for the Local Area Agreement.

Responsibilities of Strategic Directors

- 7 To contribute to the development of the Local Area Agreement in line with statutory requirements.

- 8 To contribute to the development of corporate/service targets and objectives, and associated performance information.

2. FINANCIAL STRATEGY

Objectives

1. The aim of the Financial Strategy is to set out the framework for the financial operation of the Council in support of its strategic and policy objectives as set out in the Council Plan. The Financial Strategy serves to drive, in conjunction with the Council Plan and Service Plans, the Medium Term Financial Plan, Capital Programme and Annual Revenue Budget. The Financial Strategy's aim is to maximise, within existing policies, the resources available to the Council and assist in the provision of cost effective and affordable service delivery that is continually improving.

Key Controls

2. The key controls for the Financial Strategy are:
 - (a) to ensure it is driven by the Council Plan
 - (b) to ensure it is reviewed annually to remain consistent with the Council Plan
 - (c) to ensure the Financial Strategy drives the Medium Term Financial Plan, Capital Programme and Annual Revenue Budget.

Responsibilities of Director of Finance

- (a) to produce and update annually the Financial Strategy for approval by Cabinet and Council
- (b) to ensure Financial Regulations, the Medium Term Financial Plan, Capital Programme and Annual Revenue Budget together with any other financial policies, plans and guidance are consistent with the Financial Strategy.

Responsibilities of Strategic Directors

- (a) to contribute to the development of the Financial Strategy
- (b) to ensure all financial policies, plans and guidance within Departments are consistent with the Financial Strategy.

3. BUDGETING

A Resource allocation

Objectives

- a.1 A mismatch often exists between those resources available and those required. A common scenario is that the available resources are not adequate to fulfil need/desire. It is therefore imperative that resource allocation is carefully prioritised and those resources are fairly allocated, in order to fulfil all legal responsibilities. Resources will include employees, money, equipment (including IS/IT facilities, vehicles and plant) goods, materials, land and accommodation.

Key controls

- a.2 The key controls for resource allocation are:
- (a) budget managers obtain appropriate resources for the specified level of service delivery
 - (b) resources are acquired using an approved authorisation process
 - (c) resources are only used for the purpose intended by the Council, to achieve the approved policies and objectives, and are properly accounted for
 - (d) resources are secured for use when required
 - (e) resources are used with the minimum level of waste, inefficiency or loss for other reasons.

Responsibilities of Director of Finance

- a.3 To advise on methods available for the funding of resources, such as grants from central government and borrowing requirements.
- a.4 To assist in the allocation of resources to managers.

Responsibilities of Strategic Directors

- a.5 To work within budget limits and to utilise resources allocated and further allocate resources in the most efficient, effective and economical way.
- a.6 To identify opportunities to minimise or eliminate resource requirement or consumption without a detrimental effect on service delivery.

3. BUDGETING

B Capital programmes

Objectives

- b.1 Capital expenditure involves acquiring or enhancing fixed assets with a long term value to the Authority, such as land, buildings and major items of plant and equipment or vehicles. Capital assets shape the way services are delivered for the long term and create financial commitments for the future in the form of financing costs and revenue running costs.
- b.2 The Government places strict controls on the financing capacity of the Council. This means that capital expenditure should form part of an investment strategy, should be carefully prioritised in order to maximise the benefit of scarce resources and comply with CIPFA's Prudential Code for Capital Finance in Local Authorities (2009).
- b.3 The Government's Single Capital Pot initiative with specific requirements for Asset Management Plans (AMPs) and Performance Indicators (PIs) provides a defined framework to maximise the use of assets.
- b.4 The content of the AMP shall be derived from the objectives of the Council Plan and Service Plans.

Key controls

- b.5 The key controls for capital programmes are:
 - (a) specific approval by the Council of its Capital Strategy and Asset Management Plan
 - (b) expenditure on capital schemes subject to approval and monitoring as set out in the AMP
 - (c) the preparation of a scheme and estimate, including associated revenue expenditure, for each capital project, for appraisal and recommendation by the Corporate Officers Capital Group and approval by the Cabinet
 - (d) schemes to be financed from the revenue budget, up to £10,000 must meet Capital Strategy principles and be approved in the AMP
 - (e) proposals for improvements and alterations to buildings must be approved by the Director of Property.

Responsibilities of Director of Finance / Director of Property

- b.6 To prepare the capital strategy and AMP jointly with the Chief Executive and Strategic Directors and to report them to the Cabinet for approval. The Cabinet will make recommendations on the capital estimates and on any associated financing requirements to the Council. Cabinet approval is required where a bid is made for additional funding for schemes not envisaged when the capital programme was approved.
- b.7 To prepare and submit reports to the Council on the projected expenditure and resources compared with the approved estimates, on a quarterly basis.

- b.8 To issue guidance concerning capital schemes and controls for example on project appraisal techniques eg the Authority's project appraisal and management toolkit. The definition of 'capital' will be determined by the Director of Finance, having regard to Government regulations and accounting requirements.
- b.9 To obtain authorisation by the Cabinet for individual schemes where the estimated expenditure exceeds the capital programme provision by more than 5%. Such excesses may be met either by virement from within the service's own programme, or on a supplementary estimate.
- b.10 To report to the Cabinet on capital expenditure compared to estimates, including all contracts where the final expenditure exceeds the approved estimate by more than 5%. Such excesses may be met either by virement from within the service's own programme, or on a supplementary estimate.

Responsibilities of Strategic Directors

- b.11 To comply with guidance concerning capital schemes and controls issued by the Director of Finance.
- b.12 To ensure that all capital proposals have undergone a project appraisal in accordance with guidance issued by the Director of Finance and contained in the Authority's project appraisal and management toolkit.
- b.13 To prepare regular reports reviewing the capital programme provisions for their services. They should also prepare a quarterly return of estimated final cost of schemes in the approved capital programme for submission to the Corporate Capital Officers' Group.
- b.14 To ensure that adequate records are maintained in respect of all capital contracts.
- b.15 To prepare and submit reports, jointly with the Director of Finance, to the Cabinet, of any variation in contract costs greater than the approved limits. The Cabinet may meet cost increases by virement from savings elsewhere within their capital programme.
- b.16 To monitor and submit reports on the agreed capital programme against estimated and out-turn costs, jointly with the Director of Finance, to the Cabinet.
- b.17 To ensure that they do not enter into credit arrangements, such as borrowing or leasing arrangements, without the prior approval of the Director of Finance and, if applicable, approval of the scheme through the capital programme.
- b.18 To consult with the Director of Finance and to seek Cabinet approval where the Strategic Director proposes to bid for additional borrowing approvals to be issued by Government departments to support expenditure which has not been included in the current year's capital programme.

3. BUDGETING

C Preparing revenue budgets in accordance with the Authority's Financial Strategy

Objectives

- c.1 The Council is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with carefully weighed priorities. The budget is the financial expression of the Council's plans and policies.
- c.2 The revenue budget must be constructed so as to ensure that resource allocation properly reflects the spending plans and priorities of the Council Budgets (spending plans), are needed so that the Council can plan, authorise, monitor and control the way money is allocated and spent.
- c.3 Medium term planning (or a 3 to 5 year planning system) involves a planning cycle in which the Authority develops its plans. As each year passes, another future year will be added to the Medium term plan. Medium term planning ensures that the Council is always preparing for events in advance.

Key controls

- c.4 The key controls for budget preparations are:
 - (a) specific budget approval for all expenditure
 - (b) budget managers 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 review regularly the effectiveness and operation of budget preparation and that any corrective action is taken.

Responsibilities of Director of Finance

- c.5 To prepare and submit reports on budget prospects for the Cabinet, including resource constraints set by the Government. Reports should take account of medium term prospects, where appropriate.
- c.6 To determine the detailed form of revenue estimates, consistent with the general directions of the Council, and after consultation with the Cabinet and Strategic Directors.
- c.7 To prepare and submit reports to the Cabinet on the aggregate spending plans of departments and on the resources available to fund them, identifying, where appropriate, the implications for the level of Council tax to be levied.
- c.8 To advise on the medium term implications of spending decisions.

- c.9 To encourage best use of resources and value for money by working with Strategic Directors to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.
- c.10 To advise Council on Cabinet proposals in accordance with his responsibilities under Section 151 of the Local Government Act 1972.

Responsibilities of Strategic Directors

- c.11 To prepare estimates of income and expenditure, in consultation with the Director of Finance, to be submitted to the Cabinet.
- c.12 To prepare budgets which, are consistent with any relevant cash limits, the Council's annual budget cycle and guidelines issued by the Cabinet. The Director of Finance should prescribe the format in accordance with the Council's general directions.
- c.13 To integrate financial and budget plans into Service Plans, so that budget plans can be supported by financial and non-financial performance measures.
- c.14 To consult with Cabinet Members and relevant Strategic Directors, where it appears that a budget proposal is likely to impact on another service or level of service activity.
- c.15 In consultation with the Director of Finance and in accordance with the agreed guidance and timetable to prepare detailed draft revenue and capital budgets for consideration by the Cabinet and Council.
- c.16 To have regard to:
- spending patterns and pressures revealed through the budget monitoring process
 - legal requirements
 - policy requirements as defined by the Council
 - initiatives already underway.

4. USE OF RESERVES

Objective

- 1 Reserves are maintained as a matter of prudence.

Key controls

- 2 To maintain reserves in accordance with the Code of Practice on Local Authority Accounting and agreed accounting policies.

Responsibilities of Director of Finance

- 3 To advise on prudent levels of reserves for the Council, and to consider the advice of external audit in this matter.
- 4 To ensure that the nature and purpose of all reserves is clearly identified and that they conform to accepted accounting practice.
- 5 To ensure all movements to and from reserves receive the appropriate level of authorisation.

APPENDIX 3: CONTROL OF RESOURCES INCLUDING EMPLOYEES

1. Internal controls
2. Audit requirements
 - a) internal audit
 - b) external audit
 - c) preventing financial irregularities
 - d) hospitality and gifts
3. Resources: Land, buildings, fixed plant and machinery
 - a) security
 - b) inventories
 - c) stocks and stores
 - d) intellectual property
 - e) private use of County Council facilities
 - f) asset disposal
4. Risk management and insurance
5. Treasury management
 - a) treasury management and banking
 - b) investments and borrowing
 - c) trust funds and funds held for third parties
 - d) imprest accounts
 - e) Money Laundering Regulations and Proceeds of Crime Act
6. Employees

1. INTERNAL CONTROLS

Objectives

- 1 The Authority is complex and beyond the direct control of any one individual. It therefore requires internal controls to manage and monitor progress towards strategic objectives.
- 2 The Authority has statutory obligations to meet, and, therefore, require internal controls to identify, meet and monitor compliance with these obligations.
- 3 The Authority faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of their objectives. Internal controls are necessary to identify, evaluate and control these risks.
- 4 The system of internal controls is established in order to provide measurable assurance of:
 - efficient and effective operations
 - reliable financial information and reporting
 - compliance with laws and regulations.

Key controls

- 5 Effective review on a regular basis.
- 6 Managerial control systems including defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objectives of these systems are to promote ownership of the control environment by defining roles and responsibilities.
- 7 Financial and operational controls systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems.
- 8 An effective internal audit function which operates in accordance with the principles embodied in the Accounts and Audit Regulations 2006 (Regulations 4 and 6), the CIPFA Code of Practice for Internal Audit in Local Government and with any other statutory obligations, regulations and professional Best Practice.

Responsibilities of the Director of Finance

- 9 To assist the Authority to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, internal financial controls and compliance with laws and regulations.
- 10 To ensure that the Authority puts in place effective internal financial controls covering codified guidance, budgetary systems, supervision, management

review and monitoring, physical safeguards, segregation of duties, accounting procedures, information systems and authorisation and approval processes.

Responsibilities of Strategic Directors

- 11 To manage processes so as to ensure that established controls are being adhered to, and to evaluate their effectiveness, in order to be confident in the proper use of resources.
- 12 To update existing controls and establish and implement new ones following consultation with the Assistant Director of Finance (Audit) and RIPA Monitoring Officer.
- 13 To ensure employees have a clear understanding of the consequences of a lack of proper internal control frameworks or the deliberate breach or circumvention of such frameworks.

2. AUDIT REQUIREMENTS

A INTERNAL AUDIT

Objective

- a.1 The Director of Finance has a statutory responsibility for the overall financial administration of the Council's affairs. Under the requirements of the Accounts and Audit Regulations 2006 (Regulation 6) the County Council is responsible for maintaining an adequate and effective internal audit.
- a.2 Internal Audit is an independent and objective appraisal function established by the Council for reviewing the Authority's system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

Key controls

- a.3 The key controls for internal audit are:
- (i) that it remains independent in its planning and operation
 - (ii) the Assistant Director of Finance (Audit) and RIPA Monitoring Officer has direct access to the Audit Committee, Cabinet, Council and Chief Executive
 - (iii) Internal Audit officers comply with the requirements of the Accounts and Audit Regulations 2006 (Regulations 4 and 6), the CIPFA Code of Practice for Internal Audit in Local Government.

Responsibilities of Director of Finance / Assistant Director of Finance – Audit

- a.4 In accordance with Regulation 6 of the Accounts and Audit Regulations 2006, the Council is required to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices.
- a.5 The Assistant Director of Finance (Audit) and RIPA Monitoring Officer or his/her authorised representative, shall have a right of access at all times to such records and documents, including computer data, of the County Council as appear to him/her to be necessary for the purposes of the audit and shall be entitled to require from any officer or Member of the County Council such information and explanation as he/she thinks necessary for that purpose. The Assistant Director of Finance (Audit) and RIPA Monitoring Officer shall provide relevant reports and advice to the officers concerned.
- a.6 The Assistant Director of Finance (Audit) and RIPA Monitoring Officer is authorised to appraise the adequacy of procedures employed by Strategic Directors to secure economy, efficiency and effectiveness in the use of resources.

- a.7 All cases of suspected fraud, misappropriation or misuse of money, materials or equipment, or any mismanagement of money or other assets, or any other irregularities, must be reported immediately to the Assistant Director of Finance (Audit) and RIPA Monitoring Officer who will investigate all such cases. He/she will, on conclusion of the audit investigation, report to the Chief Executive who will consider any legal proceedings and/or disciplinary action in consultation with the appropriate Strategic Director(s).
- a.8 The Assistant Director of Finance (Audit) and RIPA Monitoring Officer must maintain Strategic and Annual Audit Plans which take account of the characteristics and relative risks of the activities involved which he/she will report to the Audit Committee and Cabinet annually for approval. He/she should liaise with Strategic Directors on the audit strategy and cover required. In addition to the statutory requirement this takes account of the need to seek added value, effective use of resources, improved performance and cost effective controls.
- a.9 Where an appropriate response to audit recommendations has not been made within a reasonable period, the Assistant Director of Finance (Audit) and RIPA Monitoring Officer shall refer the matter to the Chair of the Audit Committee, as specified in that Committee's Terms of Reference.
- a.10 The Assistant Director of Finance (Audit) and RIPA Monitoring Officer shall produce an annual report giving his/her opinion on the Authority's framework of internal controls to the Audit Committee, Cabinet and Council.
- a.11 The Assistant Director of Finance (Audit) and RIPA Monitoring Officer is responsible for the consideration and formal approval of any changes that are proposed to existing finance and IT systems or the implementation of new systems.

Responsibilities of Strategic Directors

- a.12 To ensure that internal and external auditors are given access at all reasonable times to premises, employees, documents and assets which the auditors consider necessary for the purpose of their work.
- a.13 To ensure that auditors are provided with any information and explanations which they seek in the course of their work.
- a.14 To consider and respond promptly to recommendations in audit reports.
- a.15 To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- a.16 To notify the Assistant Director of Finance (Audit) and RIPA Monitoring Officer immediately of any suspected fraud, misappropriation or misuse of money, materials or equipment, or any mismanagement of money or other assets, or any other irregularities. Pending investigation and reporting, the Strategic Director should take all necessary steps to prevent further loss and to secure records and documentation against removals or alteration.

- a.17 To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and formally agreed by the Council's Assistant Director of Finance (Audit) and RIPA Monitoring Officer, prior to implementation. This regulation shall also apply to Computer systems.

2. AUDIT REQUIREMENTS

B EXTERNAL AUDIT

Objectives

- b.1 The Local Government Finance Act 1982 set up the Audit Commission for local authorities and police authorities in England and Wales which is responsible for appointing external auditors to each local authority. This has been supplemented by the provisions of the Audit Commission Act 1998. The Director of Finance is responsible for working with the external auditor and for advising the Audit Committee, Cabinet, Council and Strategic Directors on their responsibilities in relation to external audit. The external auditor has the same rights of access as the internal auditor to all documents that are necessary for audit purposes.
- b.2 The basic duties of the external auditor are government by Section 15 of the 1982 Act, under which auditors need to satisfy themselves that:
- the accounts are prepared in accordance with regulations made under Section 23 of the 1982 Act and comply with the requirements of all statutory provisions applicable to the accounts
 - proper practice has been observed in compilation of accounts
 - the Authority has made proper arrangements for the securing economy, efficiency and effectiveness in its use of resources.
- b.3 The Council's accounts are scrutinised by external auditors, appointed by the Audit Commission, who must be satisfied that the statement of accounts 'presents fairly' the financial position of the Authority and its income and expenditure for the year in question and complies with the legal requirements.

Key controls

- b.4 External auditors are appointed by the Audit Commission normally for a minimum period of five years. The Audit Commission prepares guidelines which the external auditors follow when auditing the Authority's statement of accounts.

Responsibilities of Director of Finance

- b.5 To draw up the timetable for final accounts purposes and to advise staff and external auditors accordingly.
- b.6 To ensure that external auditors are given access at all reasonable times to premises, employees, documents and assets which the external auditors consider necessary for the purposes of their work.

Responsibilities of Strategic Directors

- b.7 To ensure that external auditors are given access at all reasonable times to premises, employees, documents and assets which the external auditors consider necessary for the purposes of their work.
- b.8 To ensure that all paperwork and systems are up to date and available for inspection.

2. AUDIT REQUIREMENTS

C PREVENTING FINANCIAL IRREGULARITIES

Objectives

- c.1 The County Council's Policy for the prevention of financial irregularities is set out in full in its Anti Fraud and Anti Corruption Policy Statement – which is issued to all Members and Officers of the Authority.
- c.2 The Council will not tolerate fraud and corruption in the administration of its responsibilities whether from inside or outside the Authority.
- c.3 The Council's expectation of propriety and accountability is that Members and officers at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.
- c.4 The Council also expects that individuals and organisations (e.g. suppliers, contractors, partner bodies and service providers) that it comes into contact with, will act towards the Council with integrity and without thought or actions involving fraud and corruption.
- c.5 The Audit Committee is charged with conducting an annual review and re-affirmation of the Authority's Anti Fraud and Anti Corruption Policy Statement. It will also review and approve the Authority's strategy to ensure the on-going training and awareness of all employees regarding anti fraud and corruption measures.
- c.6 The Council has in place an approved Confidential Reporting Code which applies to all employees, contractors working for the Council on Council premises, suppliers and those providing services to the Council in their own premises. This Code provides a procedure for making confidential disclosures about suspected wrongdoing, irregularity or a failure of standards within the Council.
- c.7 The Audit Committee is charged with providing an annual report to Cabinet and Council on the continued adequacy and effectiveness of the Confidential Reporting Code, its publication and the strategy to ensure that both Members and officers remain aware of, and comply with, its requirements.

Key controls

- c.8 The key controls regarding the prevention of financial irregularities are that:-
 - (a) the culture and tone of the Authority is one of honesty and opposition to fraud and corruption
 - (b) all Members and officers act with integrity, and lead by example
 - (c) all individuals and organisations associated in any way with the Council will act with integrity

- (d) senior managers are required to deal swiftly and firmly with those who defraud the Council or who are corrupt
- (e) all employees should ensure that they remain aware of, and use, when appropriate, the Confidential Reporting Code.

Responsibilities of Director of Finance / Assistant Director of Finance (Audit) and RIPA Monitoring Officer

- c.9 To maintain adequate and effective audit arrangements for the Council.
- c.10 To ensure that the outcome of investigations into potential fraud/irregularity are reported to the Chief Executive in accordance with the Authority's agreed procedure.

Responsibilities of Strategic Directors

- c.11 To ensure that all instances of suspected potential fraud/irregularity are promptly reported to the Assistant Director of Finance (Audit) and RIPA Monitoring Officer at the earliest opportunity.
- c.12 To instigate the Council's disciplinary procedures where the outcome of an Audit investigation indicates improper behaviour.

2. AUDIT REQUIREMENTS

D HOSPITALITY AND GIFTS

(See the requirements of the Derbyshire Code of Conduct)

- d.1 It should be clearly understood that the declaration/recording of hospitality offered and received does not legitimise acceptance and that all offers of hospitality and gifts should be declared and recorded in accordance with the Derbyshire Code of Conduct.
- d.2 Hospitality may only be accepted where it is secondary to a specific working arrangement and does not create a conflict of interest or likely to cause embarrassment to the Council. Where meals are accepted, the receipt should be entered in the departmental hospitality book. Invitations of a predominately social nature, with only a tenuous or unspecific connection with work, may not be accepted.
- d.3 Gifts of a nominal value, such as calendars, diaries etc. may be accepted only if they bear the company's name or insignia, and can therefore be regarded as advertising material.
- d.4 Gifts of more than a nominal value offered to employees by contractors, organisations firms or individuals should always be declined, and the offer reported to the Strategic Director, and formally recorded.

3. RESOURCES: Land, buildings, fixed plant and machinery

A SECURITY

Objectives

- a.1 The Council holds assets in the form of property, vehicles, equipment, furniture and other items worth many millions of pounds. It is important that assets should be safeguarded and used efficiently in the delivery of services, and that there should be arrangements for the security of both assets and service operations.

Key controls

- a.2 The key controls for the security of resources such as land, buildings, fixed plant and machinery are:-
- (a) budget managers obtain appropriate resources for the specified level of service delivery
 - (b) resources are acquired using an approved authorisation process
 - (c) resources are used only for the purposes of the Council and properly accounted for
 - (d) resources are secured to be available for use when required
 - (e) resources no longer required are promptly disposed of in accordance with the law and the regulations of the Council so as to maximise benefits.

Responsibilities of Director of Finance

- a.3 To ensure that an asset register is maintained in accordance with good practice which records plant and machinery and all moveable assets of a material value currently owned, or used, by the County Council.
- a.4 To receive information from each Strategic Director required for accounting, costing and financial records.

Responsibilities of Director of Property

- a.5 The Director of Property shall maintain a property database, for all land and properties currently owned or used by the Council.

Responsibilities of Strategic Directors

- a.6 To formally notify the Director of Finance / Director of Property at the earliest opportunity of the purchase, possession or disposal of all material assets so as to ensure that they are fully and accurately recorded.
- a.7 Where there is no contractual obligation, expenditure on rented property shall be subject to consultation with the Director of Property.

- a.8 Any use of property by a department or establishment other than for direct service delivery should be supported by documentation identifying terms, responsibilities and duration of the use.
- a.9 To ensure that lessees and other prospective occupiers of Council land and/or premises are not allowed to take possession or enter the land and/or premises until a lease or agreement, in a form approved by the Director of Property/County Secretary has been established as appropriate.
- a.10 To ensure the proper security of all buildings and other assets under their control.
- a.11 Where land or buildings are surplus to the requirements, they must be passed to the Corporate Property Group for re-use or disposal.
- a.12 Where the use of buildings or land is subject to transfer between services, to refer the appropriation for approval by the Cabinet, taking into account the alternative possible uses of the land.
- a.13 To pass title deeds to the County Secretary who is responsible for custody of all title deeds.
- a.14 To ensure that no Council asset is subject to personal use by an employee without proper authority.
- a.15 To ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the Council.
- a.16 To ensure that the department maintains an up to date register of all plant machinery and moveable assets in accordance with arrangements defined by the Director of Finance.
- a.17 To ensure assets are identified, their location recorded and that they are appropriately marked and insured.
- a.18 To consult the Director of Finance in any case where security is thought to be defective or whether it is considered that special security arrangements may be needed.
- a.19 To ensure cash holdings on premises are kept to a minimum.
- a.20 To ensure that keys to safes and similar receptacles are carried on the person responsible for those at all times; loss of any such keys must be reported to the Director of Finance as soon as possible.
- a.21 To record all disposals of assets, which shall be in accordance with the Authority's agreed procedure.
- a.22 To ensure that the valuation of assets for accounting purposes to meet requirements specified by the Director of Finance.

- a.23 To ensure that all their 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. Employees are governed by the requirements of the Data Protection and Computer Misuse Acts and should comply with the guidance provided by the Information Security Policy. Measures to protect the Authority's resources include maintaining the confidentiality of passwords and ensuring that manual and electronic data is held in secure locations.

3. RESOURCES: Land, buildings, fixed plant and machinery

B INVENTORIES

Responsibilities of Strategic Directors

- b.1 To maintain inventories, and to record an adequate description of the items they contain (including IT equipment). All items with a purchase price where known or estimated purchase cost greater than £250 should be recorded.
- b.2 To carry out an annual check of all items on the inventory in order to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as computers, cameras and dvd players whose purchase price may not exceed £250 should prudently be both recorded on the inventory and identified with security marking as belonging to the Council.
- b.3 To make sure that property is only used in the course of the Council's business unless the Strategic Director concerned has given permission otherwise.
- b.4 Any proposals for the maintenance of inventory records involving electronic media or computerised systems must be discussed with and approved by the Director of Finance (Assistant Director of Finance (Audit) and RIPA Monitoring Officer) prior to implementation as many of the propriety software packages on the market do not contain adequate security features or audit trails.

3. RESOURCES: Land, buildings, fixed plant and machinery

C STOCKS AND STORES

Responsibilities of Strategic Directors

- c.1 To make arrangements for the care and custody of stocks and stores in the department.
- c.2 To ensure stocks are maintained at reasonable levels and subject to a regular independent physical check. All discrepancies should be recorded, investigated and pursued to a satisfactory conclusion.
- c.3 To write-off discrepancies or obtain Cabinet approval if they are in excess of £3000.
- c.4 To authorise or write-off disposal of redundant stocks and equipment. Procedures for disposal of such stocks and equipment should be by competitive quotations or auction unless following consultation with the County Procurement Officer, the Cabinet decides otherwise in a particular case.
- c.5 To seek Cabinet approval to the write-off of redundant stocks and equipment in excess of £5,000.

3. RESOURCES: Land, buildings, fixed plant and machinery

D INTELLECTUAL PROPERTY

Objectives

- d.1 Intellectual property is a generic term that includes inventions, computer programs and writings. If the employee during the course of employment creates these, then as a general rule they belong to the employer, not the employee. Various acts of Parliament cover different types of intellectual property.
- d.2 Certain activities undertaken within the Council may give rise to items which may be patentable. These are collectively known as intellectual property.

Key Controls

- d.3 In the event that the Council decides to become involved in the commercial exploitation of inventions, the matter should only proceed following consultations with, and taking advice from, the County Secretary on a case by case basis.

Responsibilities of Director of Finance

- d.4 To develop and disseminate good practice through the Council's intellectual property procedures.

Responsibilities of Strategic Directors

- d.5 To ensure that employees are aware that they should not make use of the County Council's intellectual property to conduct private work.

3. RESOURCES: Land, buildings, fixed plant and machinery

E PRIVATE USAGE OF COUNTY COUNCIL FACILITIES

(See the requirements of the Derbyshire Code of Conduct)

- e.1 Employees are reminded that equipment or facilities of the Council may not be used for personal purposes. Where an explicit policy has been approved by Cabinet to provide for limited, personal use within a regulated framework, employees are reminded that the Council may legitimately monitor such private use to ensure compliance with that framework. Employees may not conduct outside work on the Council's premises or use its facilities or equipment for such purposes.

Private Telephone Calls

- e.2 Where a call box is provided at an establishment it should be used to make any private telephone calls.
- e.3 It is envisaged that wherever possible personal calls will only be made in urgent circumstances and using the employee's own mobile phone. However where this is not possible, then local private calls should be paid for at the current callbox rate. Any long distance private calls must be made through the operator, requesting notification of the cost of the call. This, together with the connection charge, must be paid immediately.

3. RESOURCES: Land, buildings, fixed plant and machinery

F ASSET DISPOSAL

Objective

- f.1 It would be unsatisfactory 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 regulations of the Council.

Key Controls

- f.2 Assets are disposed of at the most appropriate time and only when it is in the best interests of the Council and that the best price is obtained. For items of significant value, disposal should be by competitive tender or public auction. Waste electrical and electronic equipment should be disposed of in compliance with the Waste Electrical and Electronic Equipment Regulations 2006.

Responsibilities of County Procurement Officer

- f.3 To advise on best practice for disposal of assets.

Responsibilities of Director of Finance

- f.4 To ensure appropriate accounting entries are made.

Responsibilities of Strategic Directors

- f.5 To seek advice from the County Procurement Officer on the disposal of surplus or obsolete materials, stores or equipment.
- f.6 To ensure that income received for disposal of an asset is properly banked and coded.

4. RISK MANAGEMENT AND INSURANCE

Objectives

- 1 All organisations, whether they are in the private or public sectors, face risks to people, property and continued operations, which can affect delivery of services and achievement of the Council's objectives. Risk is defined as the chance or possibility of loss, damage or injury 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.
- 2 Insurance has been the traditional means of protecting against loss but this cannot be seen as the complete answer. By reducing, or even preventing, the incidence of losses (whether they result from crime or accident) the Council will improve service delivery and the effective use of resources, reduce stress and anxiety for service users and employees and benefit from reduced costs of providing insurance cover. It will also avoid the disruption and wasted time caused by losses and insurance claims.
- 3 It is the overall responsibility of the Cabinet, jointly with the Council, to approve the Authority's risk management strategy and to promote a culture of risk management awareness throughout the County.

Key Controls

- 4 The key controls for risk management and insurance are:
 - (a) procedures are in place to identify, assess, prevent or mitigate material risks and these procedures are embedded within the culture of the organisation
 - (b) acceptable levels of risk are determined and insured against where appropriate
 - (c) managers are made aware of the spectrum of risks for which they are responsible and are provided with relevant information on risk management initiatives
 - (d) provision is made for losses which may result from the risks that remain
 - (e) procedures are in place to investigate insurance claims within required timescales
 - (f) a monitoring process is in place which ensures the regular review of the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis
 - (g) the Council's Audit Committee will receive a report, at each meeting, on the Authority's Risk Register and will consider any significant changes and monitor the effectiveness of the management of the key risks identified.

Responsibilities of Director of Finance

- 5 To prepare and promote the Council's Risk Management Policy Statement.
- 6 To develop risk management strategies in conjunction with other Strategic Directors.
- 7 To effect corporate insurance cover, through external insurance and internal funding and negotiate all claims in consultation with other officers where necessary.
- 8 To include all appropriate employees of the County Council in a suitable fidelity guarantee insurance.
- 9 To offer insurance cover to schools in accordance with Fair Funding arrangements.
- 10 Claims against the County Council by its employees where there is no legal liability may be settled by the County Secretary up to a limit of £300 in any case, in respect of damage to or loss of personal property occurring in the course of their duties. Provided that there is no contributory negligence, the settlement to be on the following basis: -
 - (a) for repairs to clothing or other property - full cost
 - (b) for replacement of clothing or other property (where repair was impracticable) - three quarters of reasonable replacement cost.

Responsibilities of Strategic Directors

- 11 To notify the Director of Finance immediately of any loss, liability or damage which may lead to a claim against the Council, together with any information or explanation required by the Director of Finance or the Council's insurers. These should be reported irrespective of the application of any insurance excess.
- 12 To notify the Director of Finance promptly of all new risks, properties, vehicles, plant or equipment, which require insurance, and of any alterations affecting existing insurances.
- 13 To consult the Director of Finance and the County Secretary on the terms of any indemnity that the Council is requested to give.
- 14 To ensure that Council employees, or anyone covered by the Council's insurances, do not admit liability or make any offer to pay compensation which may prejudice the assessment of liability in respect of any insurance claim.
- 15 To take responsibility for risk management having regard to advice from the Director of Finance and other specialist officers (eg Crime Prevention, Fire Prevention, Health and Safety).
- 16 To ensure that there are regular reviews of risk within their departments.

5. TREASURY MANAGEMENT

Objectives

- 1 The County Council is responsible for the in-house management and investment of many hundreds of millions of pounds in respect of the Derbyshire pension fund. In recent years a number of councils have suffered high profile losses through inappropriate treasury management procedures. This led to the establishment of Codes of Practice which aim to provide assurances that the Council's money is properly managed in a way which balances risk with return, but with the overriding consideration being given to the security of the Council's capital sum.

A Treasury Management and Banking

Responsibilities of Director of Finance

- a.1 To arrange the borrowing and investments of the Council in such a manner as to comply with the CIPFA Code of Practice on Treasury Management and the Authority's Treasury Policy Statement.
- a.2 To report at least twice a year to Council on treasury management activities.
- a.3 To operate bank accounts as are considered necessary within the terms of the banking arrangement. Opening or closing any bank account shall require the prior approval of the Director of Finance.

Responsibilities of Strategic Directors

- a.4 To follow the guidance on banking issued by the Director of Finance.

B Investments and Borrowing

Responsibilities of Director of Finance

- b.1 To ensure that all investments of money are made in the name of the Council, or school in the case of a school operating an approved bank account, or in the name of nominees approved by Council.
- b.2 To ensure that:-
- all share certificates related to holdings in Quoted Companies which are the property of the Council or its nominees are securely held by the County Council's External Custodian,
 - the title deeds of all property and land in the Council's ownership are passed to the County Secretary who will maintain their safe custody,
 - other share certificates relating to investments in Unquoted Companies, which are the property of the Council or its nominees, are securely held by the Director of Finance, and,
 - all investments on behalf of the County Council in Unit Trusts are independently validated by means of an Annual Audit Certificate, returned directly to the County Council's Appointed External Audit Provider.
- b.3 To effect all borrowings in the name of the Council.
- b.4 To act as the Council's registrar of stocks, bonds, and mortgages, and to maintain records of all borrowing of money by the Council.

Responsibilities of Strategic Directors

- b.5 To ensure that no loans are made to third parties and no interests are acquired in companies, joint ventures, or other enterprises without the approval of Council, following consultation with the Director of Finance.

C Trust Funds and Funds held for Third Parties

Responsibilities of Strategic Directors

- c.1 To arrange that all trust funds are in the name of the Council. Trust funds should not be held in the name of individual officers. All officers acting as trustees by virtue of their official position shall deposit securities etc relating to the trust with the Director of Finance / County Secretary unless the deed otherwise provides.
- c.2 To arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Director of Finance and maintain written records of all transactions.
- c.3 To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust, and to contact the County Secretary as appropriate.

D Imprest Accounts

Responsibilities of Director of Finance

- d.1 To provide employees of the Council with cash or bank imprest accounts to meet minor expenditure on behalf of the Council and to prescribe rules for operating these accounts. Minor items of expenditure should not exceed the prescribed amount.
- d.2 To maintain a record of all petty cash advances made and periodically review the arrangements for the safe custody and control of these advances.
- d.3 To reimburse imprest holders as often as necessary to restore the imprest but normally not more than monthly.

Responsibilities of Strategic Directors

- d.4 To ensure that employees operating an imprest account:
 - (a) obtain and retain vouchers and receipts to support each payment from the imprest account. Where appropriate an official receipted VAT invoice must be obtained
 - (b) make adequate arrangements in their office for the safe custody of the account
 - (c) produce upon demand by the Director of Finance, cash and all vouchers to the total value of the imprest amount
 - (d) record transactions promptly
 - (e) reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder
 - (f) do not overdraw the Imprest bank account
 - (g) provide the Director of Corporate Finance with a certificate of the value of the account held at 31 March each year
 - (h) ensure that the imprest is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement any surplus monies remaining from purchases which have been funded by an advance
 - (i) operate in accordance with Section 115 of the Local Government Act 1972 whereby any officer employed by the Council shall at such times during the continuance of his/her office or within three months of ceasing to hold it, and in such a manner as the council may direct, make out and deliver to the Council a true account in writing of all money and property committed to his/her charge, and of his/her receipts and payments with vouchers and other documents and records supporting the entries contained, and a list of persons from

whom or to whom money is due in connection with this office, showing the amount due from or to each

- (j) do not purchase goods on behalf of the Authority using a personal store/loyalty card
- (k) no payment is made from an imprest account to fund the purchase of foreign currency for the purposes of defraying expenditure in connection with authorised overseas visits. Any foreign currency requirements should be processed by the Chief Executive and obtained from the Corporate Finance Cash Office who will obtain the appropriate currency.

E Money Laundering Regulations and Proceeds of Crime Act

- e.1 Money laundering is a term used for a number of offences involving the proceeds of crime or terrorist funds. It also includes the processing, or in any way dealing with, or concealing, the proceeds of crime.
- e.2 The Proceeds of Crime Act 2002 and Money Laundering Regulations 2007 place specific obligations on employees responsible for handling and processing cash transactions.

Key controls

- e.3 It is not Council policy to accept individual cash payments of more than €15,000 equivalent.

Responsibilities of Director of Finance

- e.4 The Director of Finance should ensure that appropriate arrangements are in place to inform and provide training to all relevant officers in respect of the requirements placed upon them by this legislation. He/she will also determine and maintain appropriate internal reporting procedures including the nomination of an officer whose job is to receive disclosures from anyone in the organisation who is suspicious of money laundering and report this to the National Criminal Intelligence Service.

Responsibilities of Strategic Directors

- e.5 Strategic Directors should ensure that all employees are made aware of and receive appropriate training on their obligations under the Proceeds of Crime Act 2002 and Money Laundering Regulations 2007 and the duty to notify the Director of Finance of any known or suspected money laundering activities.

6. EMPLOYEES

Objectives

- 1 In order to provide the highest level of service, it is essential that the Authority recruits and retains high calibre, knowledgeable employees, qualified to an appropriate level. An appropriate human resources strategy and policy should exist, in which HR requirements and budget allocation should be matched.

Key controls

- 2 The key controls for human resources are:
 - (a) that workforce planning is in place for forecasting HR requirements and cost
 - (b) that procedures are in place for monitoring employee expenditure against budget
 - (c) that controls are implemented that ensure that employee time is used efficiently and benefits the Council.

Responsibilities of Director of Finance

- 3 To ensure that approved budget provision exists for all existing and new employees.
- 4 To act as an advisor to Strategic Directors on areas such as PAYE, National Insurance, and pension contributions as appropriate.

Responsibilities of Strategic Directors

- 5 To ensure that the HR budget is an accurate forecast of their HR levels and is equated to an appropriate revenue budget provision (including on costs and overheads).
- 6 To monitor employee activity to ensure the maintenance of adequate control over such costs as sickness, overtime, training and temporary employment costs.
- 7 To ensure that effective management and supervision protocols exist to validate the accuracy and integrity of working times recorded and expenses claimed.
- 8 To ensure that the HR budget is not exceeded without due authority and that it is managed to enable the agreed level of service to be provided.
- 9 To ensure that the Director of Finance and Director of Human Resources are immediately informed if the HR budget is likely to be materially over or under spent.
- 10 To ensure that the requirements of the Recruitment and Selection Policy in respect of the validation of qualifications claimed and references regarding previous employment are followed. Similarly that for all posts requiring Criminal Records Bureau checks these checks are completed prior to the employee taking up appointment and appropriate evidence retained.

APPENDIX 4: SYSTEMS AND PROCEDURES

- 1 General
- 2 Income
- 3 Payments to Members and employees
- 4 Ordering and paying for work, goods and services
- 5 Taxation
- 6 Trading accounts and business units

1. GENERAL

Objectives

- 1 Strategic Directors operate many systems and procedures relating to the control of the Council's assets, including purchasing, costing and management systems. Departments are increasingly reliant on computers for their financial management information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.
- 2 The Director of Finance has a professional responsibility to ensure that the Council's financial systems are sound and therefore the Assistant Director of Finance (Audit) and RIPA Monitoring Officer should be consulted on any new developments or proposed changes.

Key Controls

- (a) basic data exists to enable the Authority'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
- (e) an on-going audit of the Council's activities and control systems both financial and operational is maintained.

Responsibilities of Director of Finance / Assistant Director of Finance (Audit) and RIPA Monitoring Officer

- 3 To make arrangements for the proper administration of the Council's financial affairs, including to:
 - (a) issue advice, guidance and procedures for the Council's Members, officers and others acting on its behalf (Director of Finance)
 - (b) determine the accounting systems, form of accounts and supporting financial records (Director of Finance)
 - (c) approve and formally sanction any changes to be made to existing financial systems or new systems introduced (Assistant Director of Finance (Audit) and RIPA Monitoring Officer)

Responsibilities of Strategic Directors

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

- 5 To ensure that vouchers and documents with financial implications are retained in accordance with arrangements approved by the Director of Finance.
- 6 To ensure that a complete audit trail, allowing financial transactions to be traced from the original document to the accounting records and vice versa, is maintained.
- 7 To incorporate appropriate controls to ensure that:
 - (a) all input is genuine, complete, accurate, timely and not previously processed
 - (b) all processing is carried out in an accurate, complete and timely manner
 - (c) output from the system is complete, accurate and timely.
- 8 To ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and minimise the risk of fraud or other malpractice.
- 9 To ensure there is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption.
- 10 To ensure that all business critical systems are identified, documented and appropriate officers trained in their operation.
- 11 To consult with the Assistant Director of Finance (Audit) and RIPA Monitoring Officer before changing any existing system or introducing new systems.
- 12 To establish a scheme of delegation identifying officers authorised to act upon the Strategic Director's behalf in respect of payments, income collection and placing orders, including variations and determining the limits of their authority.
- 13 To supply lists of authorised officers, with specimen signatures and delegated limits, to the Director of Finance, together with any subsequent variations.
- 14 To ensure that effective contingency arrangements, including back up procedures, exist for computer systems. Wherever possible, back up information should be securely retained in a fireproof location, preferably off site, or in an alternative location within the building.
- 15 To ensure that, where appropriate, all systems containing personal data are identified and registered in accordance with the Data Protection legislation and that staff are aware of their responsibilities under the legislation.
- 16 To ensure that relevant standards and guidelines for computer systems issued by the Director of Transformation are observed.

- 17 To ensure that computer equipment and software are protected from loss and damage through theft, vandalism etc.
- 18 To comply with the Copyright, Designs and Patents Act 1988 and in particular, ensure that:
 - (a) only software legally acquired and installed by the Council is used on its computers and appropriate licences are retained
 - (b) staff are aware of legislative provisions
 - (c) in developing systems, due regard is given to the issue of intellectual property rights.
- 19 To ensure that employees are aware of their obligations to comply with and observe electronic access controls, maintain security and confidentiality of electronic identifiers and passwords and their duty to comply with the requirements of the Computer Misuse Act 1990.

2. INCOME

Objectives

- 1 Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all of the income due is identified, collected, receipted and banked properly.

Key Controls

- 2 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 approved recording systems
 - (c) all money received by an employee on behalf of the Council is paid intact and without delay to the Director of Finance or as he/she directs, to the Council's bank or national giro account, and properly recorded
 - (d) effective action is taken to pursue non payment within defined timescales
 - (e) the County Council does not accept individual cash payments with a value in excess of €15,000 equivalent (approximately £10,000)
 - (f) formal approval for write off is obtained:
 - amounts up to £3,000 may be written off by the Strategic Director;
 - between £3,000 and £5000 by the Responsible Cabinet Member;
 - above £5,000 by the Cabinet
 - (g) appropriate write off action is taken within defined timescales
 - (h) appropriate financial provisions are made for bad or doubtful debts
 - (i) appropriate accounting adjustments are made following write off action
 - (j) all appropriate income documents are retained and stored for the defined period in accordance with the "Guidelines on the Retention of Financial Records".

Responsibilities of Director of Finance

- 3 To agree arrangements for the collection of all income due to the Council and approve the procedures, systems and documentation for its collection.
- 4 To approve all receipt forms, books or tickets and similar items and satisfy him/herself regarding the adequacy of the arrangements for their control and safe storage, including electronic storage media.
- 5 To ensure that the approval of the Cabinet for writing off bad debts in excess of £5,000 has been obtained by the relevant Strategic Director.

Responsibilities of Strategic Directors

- 6 To establish a charging policy for the supply of goods or services, including the appropriate charging of VAT and review it at least annually, within corporate policies.
- 7 To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable.
- 8 To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts, which are not paid promptly.
- 9 To ensure that invoices are accurate and issued promptly within a target maximum of 14 days from provision of service. Strategic Directors have a responsibility to collect debts and to provide any information requested by the Director of Finance/County Secretary to enable debts to be pursued effectively on the Council's behalf.
- 10 To officially record income collected using the approved system(s).
- 11 At all points where it is reasonable to expect that postal remittances may be received to ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded.
- 12 To hold securely receipts, tickets and other records of income, for six years plus the current accounting year in line with statutory requirements.
- 13 To process and maintain credit card details in accordance with approved procedures and ensure compliance with the Payment Card Industry (PCI) Security Standards.
- 14 To ensure all income collected is held securely in locked storage to safeguard against loss or theft and to ensure the security of cash handling.
- 15 To ensure that income is paid intact and promptly into the appropriate Council bank account in the form in which it is received. Appropriate details should be recorded on paying in slips to provide an audit trail.
- 16 To ensure income is not used to cash personal cheques or other payments.
- 17 To keep a record of every transfer of official money between employees of the Council. The receiving officer must sign for the transfer and the transferor must retain a copy.
- 18 To write off debts up to the agreed limit of £3,000, and to keep a record of all sums so written off. In no case will the officer raising the debt be empowered to authorise its writing off. Once raised, no bona fide debt can be cancelled except by payment in full, its formal writing off or in the form of an allowance adjustment under procedures agreed with the Director of Finance.
- 19 To obtain Cabinet Member approval when writing off debts between £3,000 and £5,000

- 20 To obtain Cabinet approval when writing off debts in excess of £5,000.
- 21 To ensure that appropriate accounting adjustments are made following write-off action and that appropriate provisions are made for bad or doubtful debts and agreed with the Director of Finance.
- 22 To ensure that a report of all debts written off is produced in the standard summary format and passed to the responsible Cabinet Member at six monthly intervals.
- 23 To notify the Director of Finance of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by him and not later than 30 April.
- 24 To minimise administration costs by limiting the issue of an invoice to sums of £25 and above unless a lower limit is agreed with the Director of Finance. Sums due below this level should be collected prior to service delivery in accordance with procedures agreed with the Director of Finance.

3. PAYMENTS TO MEMBERS AND EMPLOYEES

Objectives

- 1 Employee costs are the largest item of expenditure for most Council services. It is, therefore, important that there are effective controls in place to ensure that payments are made only where they are due for services to the Council and that payments accord with individual's conditions of employment.

Key Controls

- 2 The key controls for payments to Members and employees are:
 - (a) proper authorisation procedures and adherence to corporate timetables for:
 - Starters
 - Leavers
 - Variations
 - Enhancements
 - (b) frequent reconciliation of payroll expenditure against approved budget
 - (c) all appropriate payroll documents are retained and stored for the defined period in accordance with the "Guidelines on the Retention of Financial Records".

Responsibilities of Director of Finance

- 3 To arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees in accordance with procedures prescribed by him/her, on the due date.
- 4 To record and control tax, superannuation and other deductions.
- 5 To make arrangements for payment of all travel and subsistence claims or financial loss allowance.
- 6 To make arrangements for paying Members travel or other allowances upon receiving the prescribed form duly completed and authorised.
- 7 To provide advice and encouragement to secure payment of salaries and wages by most economical means.

Responsibilities of Strategic Directors

- 8 To ensure appointments are made in accordance with the regulations of the Council and approved establishments, grades, scale of pay and that adequate budget provision is available.
- 9 To notify the Director of Finance 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 Director of Finance.

- 10 To ensure that adequate and effective systems and procedures are operated for HR and payroll aspects, so that:
 - (a) payments are only authorised to bona fide employees
 - (b) payments are only made where there is a valid entitlement
 - (c) conditions and contracts of employment are correctly applied
 - (d) employees' names listed on the payroll are checked at regular intervals to verify accuracy, completeness and continued employment
 - (e) there is an effective system of checking and certifying payroll forms.
- 11 To maintain up to date lists of the names of officers authorised to sign records, a copy of which should be forwarded to the Director of Corporate Finance, together with specimen signatories.
- 12 To ensure that payroll transactions are processed only through the payroll system. Strategic Directors should give careful consideration to the employment status of individuals employed on a "self employed or sub contract" basis. HM Revenue & Customs applies a tight definition for employee status and in cases of doubt, advice should be sought from the Director of Finance/County Secretary.
- 13 To certify travel and subsistence claims and other allowances. Certification is taken to mean that journeys were pre-authorised, related to official business and expenses actually, 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 the Director of Finance is informed where appropriate. Full details on the claiming of expenses by employees can be found in the "Administrative Document Officers' Travelling and Subsistence Expenses".
- 14 To ensure that the details of any employee benefits in kind are notified to the Director of Finance to enable full and complete reporting within the Income Tax Self Assessment system.
- 15 To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the "Guidelines on the Retention of Financial Records".

Responsibilities of Members

- 16 To submit claims for Members' conference travel and subsistence allowances on a monthly basis and in any event, within one month of the financial year end.

4. ORDERING AND PAYING FOR WORK, GOODS AND SERVICES

Objectives

- 1 Public money should be spent with demonstrable probity and in accordance with the Council's policies. The Council's procedures should help to ensure that services receive value for money in their purchasing arrangements. These procedures should be read in conjunction with the Council's Standing Orders Relating to Contracts and the Derbyshire Codes of Conduct.

General

- 2 Every Member and officer of the Authority has a responsibility to declare any links or personal interests which they may have with purchasers or suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the Council.
- 3 Official orders whether electronic or paper based must be in a form approved by the Director of Finance. 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 Director of Finance.
- 4 Each order must conform with the directions of the Council on procurement and the standardisation of supplies and materials. Standard terms and conditions must not be varied without the prior approval of the Director of Finance.
- 5 Apart from petty cash and schools' own bank accounts the normal method of payment of money due from the Council shall be by BACS transfer, or, in extra-ordinary circumstances, by cheque or other instrument drawn on the Council's bank account by the Director of Finance. The use of direct debit and other forms of payment methods shall require the individual, prior agreement of the Director of Finance.
- 6 Official orders must not be raised for any personal or private purchases, nor should personal or private use be made of Council contracts.

Key controls

- 7 The key controls for ordering and paying for work, goods and services are:
 - (a) all goods and services are ordered only by appropriate persons using approved ordering systems
 - (b) all goods and services shall be ordered in accordance with the Council's Standing Orders Relating to Contracts/Procurement Strategy
 - (c) goods and services received are checked on receipt to ensure they are in accordance with the order
 - (d) payments are authorised by officers who can certify that goods received conform to price, quantity and quality

- (e) in normal circumstances the process of ordering, receipt of goods/services and authorisation of payment will be carried out by separate officers to maintain adequate separation of duties
- (f) all payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method
- (g) all appropriate payment documents are retained and stored for the defined period in accordance with the Council's 'Guidelines on the Retention of Financial Records'
- (h) all expenditure including VAT, is accurately recorded against the appropriate budget head and any exceptions corrected
- (i) all references in this section of the regulations should be taken to include, and apply equally to e-commerce transactions. The advent of this element of the Council's operations requires that processes are in place to maintain the security and integrity of data for transacting business electronically.

Responsibilities of Director of Finance/ Assistant Director of Finance (Audit) and RIPA Monitoring Officer

- 8 To ensure that all of the Council's financial systems and procedures are sound and well administered.
- 9 To approve any changes to existing financial systems and to approve any new systems before they are introduced (Assistant Director of Finance (Audit) and RIPA Monitoring Officer).
- 10 To approve the form of official orders, and associated terms and conditions (Director of Finance).
- 11 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 (Director of Finance).
- 12 To make payments to contractors on the certificate of the appropriate Strategic Director, which must include details of the value of work, retention money, amounts previously certified and amounts now certified (Director of Finance).
- 13 To provide advice and support on making payments by the most economical means (Director of Finance).

Responsibilities of Strategic Directors

- 14 Strategic Directors may place orders for routine and consumable budget items specifically identified in the Service Plan approved by Members and, where available from the Approved Procurement List approved and maintained by the County Procurement Officer, up to the amounts provided in the detailed annual estimates, provided that such orders conform to these regulations. NB.

Orders for any purchases not identified in the Service Plan must be approved by Cabinet.

- 15 For all other expenditure, where an individual item or combination of items which form a scheme or project, and are purchased from the Approved Procurement List, cost not more than £20,000 the Strategic Director may authorise the purchase.
- 16 The prior approval of the responsible Cabinet Member is required for purchases as detailed above where the value of an individual item or combination of items which form a scheme or project, and are purchased from the Approved Procurement List approved by the County Procurement Officer, is between £20,000 and £100,000.
- 17 In instances where the total value exceeds £100,000 Cabinet approval must be obtained before an order is placed. This regulation also applies to capital expenditure.
- 18 Official orders shall be in a form approved by the Director of Finance and shall be signed personally either manually or by secure electronic protocols by the Strategic Director or by officers authorised by him/her. Responsibility for orders lies with the Strategic Director.
- 19 To ensure that uniquely numbered orders are used for all goods and services.
- 20 To ensure that all orders are placed using properly approved systems and to refer any proposed changes to existing financial systems or the implementation of new systems to the Assistant Director of Finance (Audit) and RIPA Monitoring Officer before they are introduced. Where orders are produced in a printed format they are controlled stationery and should be retained securely when not in use.
- 21 To ensure that where the Corporate credit card is available to employees it is controlled, used and maintained in accordance with procedures that have been agreed by the Director of Finance.
- 22 To ensure that orders are only used for goods and services provided to the County Council. Individuals must not use official orders to obtain goods or services for their private use.
- 23 To ensure that only those employees authorised by the Strategic Director sign orders and to maintain an up-to-date list of such authorised employees:
 - including specimen signatures where paper based systems are used, or
 - reports of access privileges for all users of electronic systems identifying in each case the limits of their authority.
- 24 The signatory 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 as required by standing orders and good procurement practice. Value for money should always be taken into consideration.

- 25 To ensure that a budgetary control system is established which enables commitments incurred by placing orders to be shown against the appropriate budget allocation so that it can be taken into account in budget monitoring reports.
- 26 To ensure that goods and services are checked on receipt to validate that they are in accordance with the order, and that the order whether paper or electronic is endorsed 'goods received' and dated. A different officer from the person who signed the order should carry out this check. Appropriate entries will then be made in inventories or stores records.
- 27 To ensure that payment is not made unless a proper invoice has been received, checked, coded and certified for payment and the order endorsed 'passed for payment' and dated to confirm:
- (a) receipt of goods or services (payment should not be made in advance of goods being received unless specific prior approval is given)
 - (b) that the invoice has not previously been paid
 - (c) that expenditure has been properly incurred and is within budget provision
 - (d) that prices are correct and accord with quotations, tenders, contracts or catalogue prices
 - (e) that the invoice is arithmetically correct
 - (f) the correct accounting treatment of any relevant tax
 - (g) the invoice is correctly coded
 - (h) discounts have been taken where available
 - (i) that appropriate entries will be made in accounting records.
- 28 To ensure that an authorised employee who should be a different officer from the person who authorised the order, and in every case a different officer from the person certifying that the checks detailed at 26 above have been completed, authorises invoices.
- 29 To ensure that the Department maintains and reviews periodically a list of staff approved to certify and authorise invoices. Names of authorising officers together with specimen signatures (or lists of access privileges) and details of the limits of their authority shall be forwarded to the Director of Finance.
- 30 Payment should not routinely be made on a photocopied or faxed invoice, statement or other document other than the formal invoice unless specific prior approval has been obtained. Any instances of these being rendered should be reported to the Assistant Director of Finance (Audit) and RIPA Monitoring Officer.
- 31 To encourage suppliers of goods and services to receive payment by the most effective means for the Council. Payments should, however, not be

made by direct debit unless essential and with the prior approval of the Director of Finance.

- 32 To ensure that the department obtains best value for money from purchases by utilising the Approved Procurement List and by taking where appropriate steps to obtain competitive prices for goods and services of the appropriate quality, with regard to the guidelines and best practices issued by the Director of Finance and County Procurement Officer.
- 33 To operate within the County Council's approved Procurement Strategy and procedures ensuring that for appropriate purchases competitive quotations or tenders are sought. These will comply with Standing Orders in Relation to Contracts, which covers:
- (a) authorised officers and the extent of their authority
 - (b) advertisement for competitive tenders or seeking quotations through Source Derbyshire and in additional publications when appropriate
 - (c) procedures for creating, maintaining and revising a standard list of contractors
 - (d) selection of tenderers
 - (e) compliance with UK and EC legislation and regulations
 - (f) procedures for the submission, receipt, opening and recording of tenders
 - (g) the circumstances where financial or technical evaluation is necessary
 - (h) procedures for negotiation
 - (i) acceptance of tenders
 - (j) the form of contract documentation
 - (k) cancellation clauses in the event of corruption or bribery
 - (l) contract records.
- 34 To ensure that employees are aware of the Derbyshire Code of Conduct.
- 35 All acquisitions and disposals of land and /or buildings (whether by leasing, rental or any other means) shall be negotiated and agreed by the Director of Property and County Secretary.
- 36 To ensure that no loan, leasing or rental arrangements are entered into without prior agreement from the Director of Finance. This is because of the potential impact on the Council's borrowing powers, to protect the Authority against entering into unapproved credit arrangements and to ensure value for money is being obtained.

- 37 To notify the Director of Finance of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by him/her.
- 38 With regard to contracts for construction and alternations to buildings and for civil engineering works, to document and agree with the Director of Finance, the systems and procedures to be adopted in relation to financial aspects, including certification of interim and final payments, checking, recording and authorising payments, the system for monitoring and controlling capital schemes and the procedures for validation of sub contractors' tax status.
- 39 To notify the Director of Finance immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.
- 40 To ensure that all appropriate payment records are retained and stored for the defined period in accordance with the "Guidelines on the Retention of Financial Records".
- 41 Employees should not make official purchases using personal credit/debit cards for which they subsequently seek reimbursement from the County Council as this circumvents the requirement for pre-authorisation by an independent party and negates the requirement to demonstrate best value in relation to these purchases. Similarly personal store account cards/loyalty cards held in the name of private individuals should not be used in connection with County Council purchases.

5. TAXATION

Objectives

- 1 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

- 2 The key controls on 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 time scale.

Responsibilities of Director of Finance

- 3 To complete all HM Revenue & Customs returns regarding PAYE.
- 4 To complete a monthly return of VAT input and outputs to HM Revenue & Customs.
- 5 To provide monthly and annual returns to the HM Revenue & Customs regarding the Construction Industry Tax Deduction Scheme:
 - (a) to maintain up to date guidance for Council employees on taxation issues in the 'VAT Manual'.
- 6 To account for tax in connection with pension fund investments, including overseas tax.

Responsibilities of Strategic Directors

- 7 To ensure that the correct VAT liability is attached to all income and that all VAT recoverable on purchases complies with HM Revenue & Customs Regulations.
- 8 All new proposals to generate income must be notified to Corporate Accountancy (VAT) Officer to ensure that the VAT implications are evaluated and addressed.

- 9 All coding slips on creditor invoices, bank paying in slips and debtor accounts must be completed in accordance with instructions.
- 10 VAT on expenditure from imprest account can only be recovered if VAT receipts are obtained and included with reimbursement claims.
- 11 To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary Construction Industry Tax Deduction requirements.
- 12 To ensure that all persons employed by the Council are added to the Authority's payroll and tax deducted from any payments, except where the individuals are bona-fide self employed or are employed by a recognised employment agency. All payments to employees must be made through the payroll system, except with the explicit approval of the Director of Finance (Assistant Director of Finance (Exchequer)).
- 13 To follow the guidance on taxation issued by the Director of Finance in the "VAT Manual". The VAT Manual is widely distributed and advice on any matter can be obtained from the, Corporate Accountancy VAT Officer.

6. TRADING ACCOUNTS AND BUSINESS UNITS

Business Units

Objectives

- 1 Compulsory competitive tendering led to the establishment of business units who operate on a commercial basis in accordance with statutory requirements. Departments have also established business units to enable employees to deliver Best Value and to demonstrate explicitly that services are valued and provide value for money. Financial Regulations apply equally to the Council's business units subject to the following policies and procedures, which apply only to approved 'trading units'.

Key controls

Orders Received

- 2 Where orders are received from other budget holders, it is the budget holders responsibility to obtain approval to the expenditure.
- 3 Where an order has been placed with a 'trading unit' then the trading unit may place single quotations or orders with suppliers and sub-contractors for work in undertaking the order providing:
 - (a) there is technical judgement that the price is good value and at a market price level.
 - (b) the company is one of the approved suppliers or sub-contractors on any standing lists, or if no appropriate company on a list exists then a firm considered competent to provide the goods or service.
 - (c) if there is a specific committee approved supplier or sub-contractor for the goods or services, then they must be used (unless they are unable to meet the order requirements in specific cases).
 - (d) orders over £3,000, to a single company, are to be approved and recorded by a nominated representative of the Strategic Director in addition to the initiating officer.
 - (e) orders over £10,000 are to be approved and recorded by the section head and authorised by the Strategic Director or designated representative.
- 4 Strategic Directors shall provide to the Director of Finance, at least annually, a schedule of named employees who are authorised to sign and approve the placing of orders and payments against specific expenditure limits considered appropriate. Any changes to be notified before implementation.

Price Negotiation

- 5 Where orders are received from other budget holders then price negotiation with suppliers and sub-contractors used in undertaking the service is acceptable providing:
- (a) a 'price negotiation register' is maintained
 - (b) the negotiations are carried out by specifically named employees authorised by the Strategic Director
 - (c) all negotiations must be immediately entered in the Price Negotiation Register in the form of a log and initialled by the negotiating officer. The entries should commence with a consecutively numbered entry for each order to be placed, which should include the following details:
 - date
 - supplies to be negotiated (type, quantity, specification etc)
 - supplies and prices received prior to start of negotiations.

Responsibilities of Strategic Directors

- 6 To consult with the Director of Finance where a business unit wishes to enter into a contract with a third party where a contract expiry date exceeds the remaining life of their main contract with the Council. In general, such contracts should not be entered into unless they are capable of being terminated within the main contract period without penalty.
- 7 To observe all statutory requirements in relation to business units, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs, is charged, and an annual report in support of the final accounts.
- 8 To ensure that similar accounting principles are applied in relation to trading accounts of other services or business units.
- 9 To ensure that each business unit prepares an annual business plan.
- 10 To ensure that each business unit prepares and submits annual accounts for consideration by the Cabinet.

APPENDIX 5: EXTERNAL ARRANGEMENTS

- 1 Partnerships
- 2 External funding
- 3 Work for third parties

1. PARTNERSHIPS

Objectives

- 1 There is a growing trend for Local Authorities to work in partnership with the wider public and voluntary sectors and private providers.

PARTNERSHIPS – GENERAL

- 2 A partnership is “an agreement between two or more independent bodies to work collectively to achieve an objective.”

- 3 The main reasons for entering into a partnership are to achieve the aims and objectives of the Council by the most effective means. This will include:

- (a) improving service delivery by maximising and sharing the use of resources
 - (b) fulfil the Council’s role as a community lead
 - (c) meet the Authority’s statutory requirements
- (a) the desire to find new ways to share risk
 - (b) the ability to access new resources
 - (c) to forge new relationships.

- 4 A partner is defined as either:

- (a) an organisation (private, voluntary or public) undertaking, part funding or participating as a beneficiary in a project
or
- (b) a body whose nature or status give it a right or obligation to support the project.

- 5 Partners participate in projects by:

- (a) acting as a project deliverer or sponsor, solely or in concert with others
- (b) acting as a project funder or part funder in the provision of financial or other resources
- (c) being the beneficiary group of the activity undertaken in a project.

- 6 Partners have common responsibilities:

- (a) to be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation
- (b) to act in good faith at all times and in the best interests of the partnership’s aims and objectives

- (c) be open about any conflict of interests which might arise
- (d) to encourage joint working between themselves, promote the sharing of information, resources and skills between public, voluntary, private and community sectors
- (e) to maintain the confidentiality of information received, as a result of partnership activities or duties, that is of a confidential or commercially sensitive nature
- (f) to act wherever possible as ambassadors for the project
- (g) to act at all times in accordance with the terms and conditions of the partnership agreement and within the broader requirements of demonstrable probity both in terms of personal conduct and stewardship of public funds.

Key controls

7 The key controls for Council partnerships are:

- (a) each proposed partnership should be subject to a risk assessment and allocated a rank
- (a) where the partnership has been given a risk ranking of High or Medium it must be justified by a formal business case and be subject to a formal legal arrangement
- (b) to be aware of the nature of the partnership, and, for individual officers to be aware of their personal responsibilities and delegated authority as regards the partnership, under the Council's Financial Regulations and Standing Orders in Relation to Contracts
- (c) to agree and formally document the roles and responsibilities of each of the partners involved in the project before its commencement
- (d) all partnerships should be formed in accordance with agreed criteria and after proper legal consultation and should accord with guidance stipulated in the Council's partnership development toolkit
- (e) a formal register should be maintained which details, in respect of all partnerships in which the Council participates:
 - its aims and objectives
 - its approved duration
 - the Council's commitment in terms of finance and other resources
 - the accountable organisation for the partnership
 - the framework by which the performance of the partnership is to be monitored
 - the Council's exit strategy on completion or termination of the partnership

- (f) Auditing arrangements must include, as a minimum, guaranteed rights of access for the County Council's auditors at all times to all documents, records and those employees who relate to, or are provided by, the Authority's contributions to the partnership.

Responsibilities of Director of Finance

- 8 To advise on the effectiveness of the proposed framework of controls and responsibilities within the operation of the partnership.
- 9 To advise on the key elements of funding a project:
- (a) risk assessment and scheme appraisal for financial viability
- (b) accounting and audit requirements.
- 10 Arrange for internal or external audit scrutiny as appropriate.

Responsibilities of Chief Executive and County Secretary

- 11 The Chief Executive and County Secretary must:
- (a) establish, maintain and review the legal framework for the County Council's participation in partnership working
- (b) ensure that all proposed partnership arrangements are:
- within the County Council's powers
 - the subject of a legal contract in an approved form
 - adequately defined by the contract's terms and conditions
 - subject to adequate insurance cover for any liability of the proposed partnership which may rest with the County Council
 - financially viable
 - open and promote active decision-making.
- (c) a constitution exists which clarifies:
- the aims and objectives of the partnership
 - each partner's responsibility in terms of financial liability
 - asset ownership issues resulting from the partnership
 - security and confidentiality of information and the extent of any data sharing including requirements under the Freedom of Information Act
 - the roles and responsibilities of individual partner bodies
 - the regulatory framework for the partnership
 - the exit strategy on cessation of the partnership
 - arbitration/conciliation arrangements in the event of dispute.

Responsibilities of Strategic Directors

- 12 To ensure that the approval of the Cabinet is obtained before any negotiations are entered into with regard to proposed partnership arrangements and that a risk assessment of the proposed partnership has been undertaken.

- 13 To maintain the central register of all partnership arrangements entered into in accordance with procedures specified by the Director of Finance and which contains as a minimum the details specified at paragraph 6(e) above.
- 14 To ensure that accountability frameworks are specified within a written agreement with all partners. This will include agreements regarding prevention and addressing of overspendings; covering inflation; managing efficiency savings; and other resource or financial issues.
- 15 To account for any contributions to pooled budgets and where the Council is the Budget Holder, maintain accounts in accordance with the agreed budget arrangements, the Authority's accounting policies and procedures and the requirements of these Regulations.
- 16 To ensure that all partnership agreements include adequate provision for internal and external financial monitoring of their operation, and that these provisions meet internal and external needs.
- 17 To ensure that all financial records relating to the Authority's participation in the partnership are retained as required by the Authority's Document Retention requirements.
- 18 To ensure that the Chief Executive and County Secretary have been consulted on and given approval to the proposed contractual arrangements for the partnership before any legal commitment is signed.
- 19 To ensure that there are sufficient, available levels of expertise, employees and resources to meet the obligations imposed by the partnership agreement.
- 20 To ensure compliance with the required control frameworks including these Regulations with regard to any partnership initiatives.
- 21 To ensure that the performance of the partnership against its key aims and objectives, as identified in the partnership register, is regularly monitored and reported.
- 22 To ensure that an exit strategy is in place, to safeguard the County Council on completion or termination of the contract/partnership.

2. EXTERNAL FUNDING

Objectives

- 1 As local authorities are encouraged to provide 'seamless' service delivery through working closely with other agencies, voluntary organisations and private service providers, the scope for external funding has increased. However, such funding is often linked to specific objectives which may not be sufficiently flexible to link with the Council's overall plan. Therefore funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Council.

Key controls

- 2 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 priorities in the policy framework approved by the Council
 - (c) To ensure that any matched funding requirements are given due consideration and approval prior to entering into long-term agreements and that future revenue budgets reflect these requirements.

Responsibilities of Chief Executive and County Secretary

- 3 To provide guidance on potential grant funded activities, ensure that they support priorities identified by Council and are within the legal powers of the Authority.

Responsibilities of Director of Finance

- 4
 - (a) To maintain a record of expected grants showing the amount of grant, payment date(s) and designated responsible officer in consultation with Strategic Directors
 - (b) To ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts
 - (c) To ensure that all claims for funds are made by the due date
 - (d) To identify the long-term implications of funding arrangements and ensure that these are considered prior to entering into any agreements
 - (e) To investigate ways of maximising grant income
 - (f) To ensure that the requirements of these Regulations including audit arrangements are met.

Responsibilities of Strategic Directors

- 5 To provide plans which demonstrate how the grant funds will be used to support service plan objectives and any conditions attached to that funding.
- 6 To ensure that all expenditure is properly incurred and recorded, that income is received at the appropriate time, returns are made by the specified dates, and that the audit requirements of the funding body can be met.
- 7 To ensure compliance with Financial Regulation 2A 13(v) (Revenue Budget) which requires that an exit strategy is in place and is implemented on the cessation of external funding.
- 8 To ensure that all required approvals are obtained before external funding agreements are entered into.
- 9 To maintain an up to date departmental record of all external funding sources.

3. WORK FOR THIRD PARTIES

Objectives

- 1 Current legislation enables the Council to provide a range of services to certain other bodies. Such work may enable the organisation to maintain economies of scale and retain existing expertise. Arrangements should be in place to ensure that any risks associated with this work are minimised.

Key controls

- 2 To ensure that proposals are properly costed, self financing and are not at variance with the Council Plans or Policies.
- 3 To ensure that contracts are drawn up using guidance provided by the County Secretary and that the formal approvals process is adhered to. Where appropriate the Council should be protected against potential losses/claims by an appropriate level of professional indemnity insurance in line with the service to be provided.

Responsibilities of Strategic Directors

- 4 To ensure that the approval of the Cabinet is obtained before any negotiations are concluded to undertake work of a significant nature for third parties.
- 5 To ensure that the department has all necessary skills and expertise to discharge the requirements placed upon it by the contract.
- 6 To ensure that all contracts are properly executed and that all appropriate documentation exists.
- 7 To maintain a register of all contracts entered into with third parties in accordance with procedures specified by the County Secretary.
- 8 To ensure that appropriate insurance cover is effected.
- 9 To ensure that adequate arrangements are in place for prompt and accurate billing of any service provided.
- 10 To ensure that the Council is not put at risk from any bad debts.
- 11 To ensure that such contracts are not subsidised by the Council.
- 12 To ensure that such contracts do not impact adversely upon the services provided for the Council.
- 13 To provide all appropriate information to the Director of Finance to enable a note to be entered into the statement of accounts.