

**Audit and Standards Committee - 20th September 2012**

**Report of the Treasurer**

**Financial Regulations**

**Purpose of the Report**

1. This report proposes amendments to the Council's and Schools' Financial Regulations.

**Background**

2. The Audit Committee and Section 151 Officer are charged with ensuring good financial management of the affairs of the Council.
3. Financial Regulations assists in ensuring good financial management by providing rules and guidance to Members and Officers on the operation of financial and management controls in all aspects of the Council's activities.
4. The current set of Financial Regulations were amended by the Audit Committee in June 2010.
5. Following consultation with relevant parties, it is now proposed that Financial Regulations are amended (see Appendix A) for the following:
  - Making it absolutely clear that electronic authorisation carries the same importance and responsibility as a manuscript signature (paragraph 1.12)
  - Clarifying the responsibility in relation to internal trading (paragraph 11.7)
  - Providing a link to more detailed guidance on when Council orders need not be raised (paragraph 14.3)
  - Providing further guidance where it is not considered practical or cost effective for two officers to collect cash income. (paragraph 16.10)
  - Revising the section on "Payments to Employees" to take account the changes being brought about by moving to more electronic systems i.e. the exploitation of PSEnterprise. (paragraphs 18.2 and 18.3)
  - Revising the section on "Travel and Subsistence" to take account the changes being brought about by moving to electronic systems i.e. the exploitation of PS Enterprise. (paragraphs 19.3, 19.8 and 19.9)
  - Inclusion of a paragraph on the responsibility for identifying and monitoring corporate risks. (paragraph 21.3)
  - Making clear the responsibility for inventory items (office furniture and standard computer equipment) within serviced accommodation rests with the Director of Corporate Resources. (paragraph 24.3)
  - Making clear Directors responsibility for adherence to the Corporate Security Strategy. (paragraph 24.6)

6. All amendments to the Council's Financial Regulations would also be replicated in the version for Schools. In addition it is proposed that School's Financial Regulations are amended (see Appendix B) for the following:

- Each school must have a Senior Information Risk Owner (SIRO) who will be responsible for looking into any actual or suspected breaches of information security. (26.5)

### **Finance**

7. This report has no direct financial effect.

### **Law**

8. Each local Authority is required to have a Constitution which details the governance arrangements and responsibilities of Members, Governors and Officers.

### **Equality Impact**

9. This report does not raise any equal opportunities issues.

10. Children and young people were not consulted on, or involved, with the preparation of this report.

### **Recommendations**

11. That the Committee approve the proposed amendments to Council and School Financial Regulations.



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Iain Newman  
Treasurer

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**APPENDIX A (amendments in italics and bold)**

**FINANCIAL REGULATIONS**

**WITH EFFECT FROM 20<sup>th</sup> September 2012**

<b>Ref</b>	<b>Description</b>
1	Status of Financial Regulations
2	Responsibilities
3	Best Value/Effective Management
4	Assurance Statements
5	Financial Management
6	Accounting Systems, Financial Records and Returns
7	Taxation and Leasing
8	Financial Delegations
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10	Public Accountability - Responsibilities
11	Purchasing Arrangements
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14	Orders for Work, Goods and Services
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27	Unofficial and Voluntary Funds
28	Controlled Stationery and Retention of Documents
29	Financial Assistance to Voluntary Bodies

## **1 Status of Financial Regulations**

- 1.1 Financial Regulations provide the framework for managing the Council's financial affairs and contribute to good corporate governance, internal control and the management of risks. In addition they assist sound administration, reduce the risk of irregularities, support delivery of effective, efficient and economical services and minimise the risk of legal challenge to the Council.
- 1.2 The Financial Regulations apply to all officers and Members of the Council and anyone acting on behalf of the Council. They also apply to any partnerships that the Council is a member of and for which the Council is the accountable body unless the Treasurer is satisfied that Financial Regulations of an equivalent standard are in place. Where the Council is not the accountable body then the appropriate Director is responsible for ensuring propriety and proper processes are followed so that the Council's reputation is not at risk.
- 1.3 It is the responsibility of Directors to ensure that all staff in their Directorates are aware of the existence and content of the Financial Regulations and other internal regulatory documents, their responsibilities in relation to them and ensuring compliance.
- 1.4 All Members and officers have a general responsibility for taking reasonable action to provide for the security of the resources/assets under their control, and for ensuring that the use of these resources/assets is legal, is properly authorised and provides value for money.
- 1.5 To assist Members and officers, the Financial Regulations are set out in self-contained sections, each covering a specific area of control. Each section provides a contact point for further information or clarification.
- 1.6 Failure to comply with Financial Regulations, or procedures/policies issued under them, may lead to disciplinary action for officers and an investigation by the Section 151 and Monitoring Officer for Members and if necessary referral to the National Standards Board.
- 1.7 All financial decisions and decisions with financial implications must have regard to proper financial control. Any doubt as to the appropriateness of a financial proposal or correctness of a financial action must be clarified in advance of the decision or action with the Treasurer.
- 1.8 All Directors should ensure that any financial procedure/guidelines produced by their Directorate in support of financial control are fully compliant with these Financial Regulations.
- 1.9 These Financial Regulations should be read in conjunction with Standing Orders relating to Contracts and the Council's Constitution and they form part of the Council's Constitution.
- 1.10 ***The Treasurer in consultation with the Cabinet Member with responsibility for Finance has authority to allow specific exceptions to these Financial Regulations where in his/her opinion it is in the Council's interest. The Treasurer must keep a written record of such exceptions.***

- 1.11 Documents/policies/procedures that are referred to in this document should be seen as an integral part of Financial Regulations and must be complied with. ***Those polices/procedures that support Financial Regulations are listed at the end of this document.***
- 1.12 ***The Council operates a number of systems that call for electronic authorisation e.g. Agresso and Yourself. In order to remove any doubt electronic authorisation carries the same importance and responsibility as a manuscript signature.***
- 1.13 Financial Regulations will be reviewed on a regular basis.

**CONTACT: Treasurer**

**2 Responsibilities**

**2.1 General Responsibilities of the Council**

- 2.1.1 Any major organisation requires a set of clearly understood rules and regulations for the management of its financial affairs. Section 151 of the Local Government Act (LGA) 1972 places a duty on the Council to make arrangements for the proper administration of its financial affairs, including the requirement for an officer to be nominated to have responsibility for the administration. The Treasurer has been given this responsibility and is therefore the Section 151 Officer.
- 2.1.2 All elected Members and officers of the Council are responsible for ensuring that they use the resources and assets entrusted to them in a responsible and lawful manner.
- 2.1.3 These responsibilities apply equally to Members and officers when representing the Council on outside bodies.

**2.2 Other Responsibilities**

- 2.2.1 Any person charged with the use or care of the Council's resources and assets should ensure that they are aware of the Council's requirements under Financial Regulations. If anyone is in any doubt as to their obligations, then they should seek advice. Unresolved questions of interpretation should be referred to Audit Services.
- 2.2.2 All officers must report to their manager, supervisor or other responsible senior officer any actual or suspected illegality, fraud, impropriety, breach of procedure or serious deficiency in the provision of service. Officers are able to do this without fear of recrimination providing they act in good faith via the Council's Confidential Reporting Policy. Compliance with the Council's Anti-Fraud and Corruption Strategy and the Code of Conduct for Employees is mandatory for all officers.

2.2.3 Section 114 of the Local Government Finance Act (LGFA) 1988 requires the Treasurer to report to the Council if the Council, one of its committees, the Cabinet or one of its officers:

- a) Has made, or is about to make, a decision which has or would result in unlawful expenditure
- b) Has taken, or is about to take, an unlawful action which has or would result in a loss or deficiency to the Council or
- c) Is about to make an unlawful entry in the Council's accounts.

Section 114 of the LGFA 1988 also requires the Treasurer to nominate a properly qualified member of staff to deputise, should the Treasurer be unable to perform the duties under Section 114 personally. ***The nominated deputy is the Head of Accountancy.***

2.2.4 **The Council** for Financial Regulation purposes means the full Council which provides the political and strategic direction of the Authority. It approves the policies of the Authority, including those relating to strategy and the budget.

2.2.5 **The Cabinet** for Financial Regulations purposes means the leader of the Council and the Cabinet Members, who propose Council policy and budget strategies.

2.2.6 The **Treasurer (s151/s114)** and/or officers delegated by him/her are responsible for:

a) provision of financial advice for service delivery, strategic planning and policy making across the authority
b) provision of advice on the optimum use of available resources on the management of capital and revenue budgets
c) provision of financial management information
d) preparation of statutory and other accounts in accordance with legal requirements and professional accounting standards
e) provision of an effective internal audit function and assistance to management in providing safe and efficient financial arrangements
f) provision of effective financial management systems and procedures
g) provision of effective income collection and payments systems including payroll
h) treasury, investment and cash-flow management
i) advising on the safe custody of assets and insurance
j) co-ordination of the corporate risk management systems
k) maintaining a continuous review of the Financial Regulations and submitting any additions/changes necessary to <b><i>Audit and Standards Committee</i></b>
l) reporting, where appropriate, breaches of the Financial Regulations to the Council's Audit and Standards Committee
m) ensuring the Council sets a balanced budget that takes account of cost pressures and the impact of council tax and housing rents
n) ensuring that the requirements of the Prudential Code for Capital Finance in Local Government are complied with
o) regularly reviewing financial management arrangements to ensure that they are "fit for purpose"
p) provision of a training programme providing training on financial issues for Members and non-finance staff

q) ensuring that resources are allocated in accordance with Council priorities
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2.2.7 **Directors/Chief Executive** and/or officers delegated by them are responsible for ensuring that Financial Regulations are observed throughout all areas under their control and shall:

a) provide the Treasurer with such information and explanations as the Treasurer feels is necessary to meet his obligations under Financial Regulations and statutory requirements
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b) consult with the Treasurer and seek approval on any matter liable to affect the Council's finances materially, before any commitments are incurred
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c) ensure that executive Members are advised of the financial implications of all significant proposals and that the financial implications have been agreed by the Treasurer
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d) inform the Treasurer of failures in financial control resulting in additional expenditure or liability, or loss of income or assets
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e) inform the Treasurer immediately if any matter arises which may involve irregularities in any financial procedure
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f) ensure the legality of their Directorate's actions
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2.2.8 For Financial Regulations purposes the description "Director" would include the Chief Executive.

2.2.9 The Director of Corporate Resources is the designated Monitoring Officer under Section 5 of the Local Government and Housing Act 1989.

2.2.10 **Budget Holder** is a Director or any officer who has been delegated by a Director to be accountable for a cost centre or a series of cost centres. Budget Holders must ensure:

- a) they understand the requirements of Financial Regulations
- b) their budget reflects the proposed income and expenditure
- c) they use adequate systems to enable them to monitor their budget
- d) they have explanations for significant budget variances.

2.2.11 Where a Director delegates responsibility for a function/action this must be recorded in writing and duly signed by the Director. A record should be held in an electronic directory that all appropriate staff can access; so staff are aware of what delegations are in place.

**CONTACT: Treasurer**

### **3 Best Value/Effective Management**

3.1 The systems and processes operated by the Council must be managed effectively. Effective management will help the Council in providing the best value services for its customers.

3.2 Each Director and his/her employees must ensure they:

- a) provide customers and stakeholders with best value services
- b) follow the Council's policies and procedures
- c) comply with all laid down quality, professional, management, legal and ethical standards.

3.3 Each Director must ensure:

- a) there are adequate, appropriate and clear decision making and reporting lines in operation within their area of responsibility
- b) that decisions are appropriately recorded in an electronic directory that appropriate staff can access
- c) there is an open, honest, transparent and accountable culture in operation within their area of responsibility
- d) that all of their employees receive up to date training to properly perform their duties
- e) that actions are taken to achieve best value services and demonstrate that they have the necessary processes in place to identify, monitor and collect data against appropriate and challenging performance targets
- f) they identify the scope for efficiencies.
- g) adequate business continuity plans have been prepared

#### **CONTACT: Head of Audit Services**

### **4 Assurance Statements**

4.1 Each Director must as part of the quarterly performance management arrangements complete a risk assurance protocol. By completing this protocol Directors are providing assurance, which includes that appropriate risks have been identified in line with the objectives of the Directorate and that mitigating actions are effective. As compliance with Financial Regulations will help to mitigate against certain risks, Directors must ensure that consideration is given to this when the risk assurance protocol is completed.

4.2 In preparing the protocol the Director must require all officers reporting directly to him/her to provide similar assurance for their area of responsibility.

4.3 The Chief Executive should ensure that processes are established to determine the sources of assurance required to support the Annual Governance Statement (AGS) and to review and approve the AGS. The Annual Governance Statement will be signed by the Chief Executive and the Leader of the Council.

- 4.4 The Director of Corporate Resources will ensure Action Plans are developed to address any significant governance issues reported in the Annual Governance Statement.

**CONTACT: Head of Audit Services**

**5 Financial Management**

**5.1 General Framework**

- 5.1.1 The Council is responsible for approving the budget (including Medium Term Financial Strategy), various plans and policies, which will be proposed by the Cabinet. These will include the policy framework, the budget (including the capital programme) and the Council Plan. See Budget and Policy Framework Procedure Rules within the Constitution.
- 5.1.2 The Treasurer shall, within the general direction of the Cabinet, produce forecasts of financial resources and advise upon the financial and economic implications of medium and long-term service development plans and programmes and budget strategies. In exercising this duty he/she shall be mindful of the Accounts and Audit Regulations 2006, the Prudential Code for Capital Finance in Local Government, current accepted local government accounting codes and will review levels of reserves and balances and ensure that a robust budget process has been undertaken.
- 5.1.3 The forecasts will indicate the likely changes to the Council's budget for the specified period both in terms of commitments arising out of statutory variations and Council policy and also the likely variations to funding from central or local sources.
- 5.1.4 The Cabinet, having considered the forecasts and options for the specified period, shall propose the overall budget strategy to the Council for approval after the consultation process as outlined in the Budget and Policy Framework Procedure Rules within the Constitution has been undertaken.
- 5.1.5 All matters relating to the financial administration of the Authority shall be kept under review by the Cabinet Member with responsibility for Finance.
- 5.1.6 Revenue and Capital budgets are cash limited and expenditure must be restricted to the amounts approved for each revenue service or capital scheme, unless there are exceptional circumstances.
- 5.1.7 In addition to the detailed arrangements set out below, any "key" decision by the Cabinet, Cabinet Member or Officer relating to the Revenue Budget or Capital Programme which is likely to result in the Council incurring expenditure or making savings of £250,000 or more (or which is likely to be significant in terms of its effects on communities living or working in one or more Wards in the Borough), must be included in the Forward Plan, as set out in the Constitution.

## **5.2 Medium Term Financial Strategy**

- 5.2.1 The Council has produced a Medium Term Financial Strategy which:
- a) provides a strategic context for the Council's budgets, spending plans and financial matters in general to ensure that spending decisions are consistent with the Council's overall priorities and objectives
  - b) sets out how the Council plans to balance spending pressures and available resources over the medium term, taking into account risks and uncertainties and the level of Council Tax.
- 5.2.2 One of the key purposes of having a Medium Term Financial Strategy is to ensure that the Council's final budget is determined according to the Council's priorities as set out in the Community Strategy, Council Plan and Directorate/Service Strategies and that funding is allocated according to the corporate vision, aims and objectives.

## **5.3 Revenue Budget**

- 5.3.1 The Revenue Budget shall be determined by the Treasurer in consultation with Directors within the general guidelines of the Cabinet and relevant professional requirements. The Revenue Budget shall be prepared annually before the start of the financial year.
- 5.3.2 The Cabinet shall consider a report on the Council's financial circumstances that would include a risk assessment prior to recommending a Budget and Council Tax to the full Council. This will include an indicative three year Revenue Budget and an updated Medium Term Financial Strategy. Each Select Committee will also be formally consulted on the budget proposed by the Cabinet.
- 5.3.3 As soon as the Council, at its Council Tax meeting has approved the revenue budget for each Directorate/Service, the appropriate Director will be accountable for managing within that budget. All spending must be on items of approved policy and incurred in accordance with Financial Regulations.

## **5.4 Virements**

- 5.4.1 Each Director may in consultation with the Treasurer, vire resources from one budget to another within a Service's cash limit if this is necessary to facilitate effective and efficient service provision. This does not include the virement of resources which:
- a) enables new policies or strategies to be implemented
  - b) would result in a significant departure from existing policies and strategies
  - c) involves an increasing commitment in future years, which cannot be contained within existing approved budget allocations.

Where a virement relates to any of the issues listed above the matter must be referred to the Cabinet.

- 5.4.2 Virement may be necessary for several reasons. For example:
- a) unforeseen cost increases
  - b) demand for a particular service, in line with existing policies, exceeding estimates
  - c) a local requirement to provide a different service from that anticipated at budget time for a particular client or to meet a particular situation, or
  - d) utilising efficiency or other savings.
- 5.4.3 The Chief Executive, in conjunction with the Treasurer, will co-ordinate consultations regarding budget variations that relate to services provided by a Director on behalf of another Director.
- 5.4.4 Additional income can only be used to finance additional expenditure when the Treasurer is satisfied that the additional income would not be required to meet an overspending or potential overspending of the Director's approved budget limit.
- 5.4.5 Virements may involve consequential variations in budget composition for future years, provided always that the service revenue budget limit of the appropriate Director will not be exceeded in any year as a result of the proposal.
- 5.4.6 If it is considered that virement is inappropriate and additional money is required, then a request for extra resources must be submitted to the Cabinet. Additional money will not be made available unless approved by Cabinet.
- 5.4.7 The Budget Holder must not incur or commit expenditure unless he has the appropriate authority to do so as specified in the Council's Virement Policy.

## **5.5 Revenue Budgetary Control**

- 5.5.1 The Corporate Financial Information System (Agresso) determined by the Treasurer is the Council's prime accounting record. It provides the mechanism for Directors, with the assistance of their Accounting Team, to monitor and control budgets.
- 5.5.2 Each Director will be provided with a monthly budget report showing actual position against budget and forecast outturn. Each Director is responsible for ensuring explanations are obtained for all significant variances.
- 5.5.3 Monthly reports will be produced by each Director in conjunction with the relevant accountant showing forecast outturn compared with approved budget for each division of service and explaining how any variances have arisen and how they will be dealt with. These reports will be countersigned by the relevant Cabinet Member and will be submitted to the Treasurer in accordance with an agreed timetable. The Treasurer will then report the overall summary position to Directors and the Cabinet quarterly as part of the Corporate Performance Management Report.

- 5.5.4 Directors have powers to incur expenditure in carrying out the functions allocated to them provided:
- a) the expenditure is lawful
  - b) Standing Orders relating to Contracts and Financial Regulations have been complied with
  - c) expenditure is within the approved revenue budget or capital programme provision
  - d) expenditure is in respect of Council policy
  - e) consultations, where appropriate, have taken place with appropriate Directors and/or Members of the Cabinet/Committee.
- 5.5.5 Nothing in these Rules should prevent a Director incurring expenditure essential to meet the needs of an emergency or which is referable to Section 138 of the Local Government Act 1972, subject to their action being reported at the earliest opportunity to the Cabinet and where appropriate the Council.
- 5.5.6 Each Director shall:
- a) monitor and control expenditure within their approved budget
  - b) keep the Treasurer informed of any actual or likely changes which will/may have a significant impact on current or future budgets.
- 5.5.7 The Treasurer shall also provide guidance on and co-ordinate the budget monitoring process and the form and basis of supporting information and timetable for the preparation thereof.
- 5.5.8 Generally all Council budgets are prepared on a cash limited (outturn) price base. This means that no supplementary estimates will be provided for inflation increases once budgets have been approved.
- 5.5.9 Unavoidable cost increase, e.g. public utilities, increments etc, for which insufficient allowance has been made at budget time will need to be met by equivalent reductions elsewhere.
- 5.5.10 All reports to Corporate Board or Members must be cleared by the Treasurer for financial implications and should be made available to the Treasurer in reasonable time before due for submission.
- 5.5.11 The Director will nominate an accountable officer (Budget Holder) for each cost centre. This officer will receive and review an appropriate budget report on a monthly basis. As part of this review process he/she would establish explanations for any significant variances.

## **5.6 Capital Budget**

- 5.6.1 A co-ordinated and comprehensive capital programme monitoring system is in place to ensure that Members and Officers are kept fully aware of the constantly changing position and have the necessary information to enable them to make informed decisions about potential changes to approved programmes.

- 5.6.2 The Cabinet agrees individual schemes to be included in the Capital Programme. Individual schemes will be cash limited. Prior to inclusion in the Programme each Scheme proposal must be justified against the following criteria:
- a) contributes towards the delivery of the Council's strategic objectives e.g. Community Strategy and Council Plans
  - b) contributes towards the achievement of a specific priority/objective (s) as set out in a Directorate Service Plan, and/or arises from agreed capital strategies e.g. HIP , LTP and/or assists the Council to meet its statutory objectives or respond to new legislative requirements and /or contributes to the achievements of "Best Value"
  - c) can be supported by a coherent funding strategy, which will minimise the use of the Council's own resources
  - d) has a clear and well thought out brief which defines the objectives of the project and specifies any issues which are time critical; is otherwise achievable within the financial year concerned
  - e) has been fully evaluated against alternative methods of achieving the same objectives, and alternative funding sources.
- 5.6.3 It is the responsibility of Directors to ensure that prioritisation of individual capital schemes within the overall Capital Programme, within service programmes, and within budget headings is robust and stands up to scrutiny. Prioritisation will include formal scoring mechanisms or other objective methods wherever possible and appropriate.
- 5.6.4 Directors will identify a Lead Officer for each project who will take overall responsibility for co-ordinating all aspects of the project's implementation.
- 5.6.5 Following each relevant meeting of the Cabinet, each Director will be notified of the individual schemes approved together with any conditions that may be imposed, e.g. dependent on the sale of land, securing resources for revenue implications, reporting back to the Cabinet, etc.
- 5.6.6 All land and building projects (acquisition, disposal, works over £40k should be notified to the Corporate Property Group for a potential challenge before being presented to Cabinet/Committee or Director for approval.

## **5.7 Capital Budget Monitoring**

- 5.7.1 For each service's capital projects, meetings will be arranged at regular intervals between Lead Officers and representatives from Finance and any relevant technical sections e.g. Corporate Property and engineers to monitor:
- a) progress of schemes
  - b) problems and difficulties
  - c) changes to original proposals e.g. revised costs or work programmes, delays, etc
  - d) actual expenditure.
- 5.7.2 Following the above meetings, a monitoring report will be produced for the relevant Director and the Treasurer.

- 5.7.3 Reports will be submitted regularly to the Cabinet to agree the inclusion of new schemes in the Capital Programme.
- 5.7.4 Reports will be submitted regularly to Directors with regard to each capital project and the Cabinet with regard to overall progress with each Directorate's capital programme, giving details of the current position. Particular areas for concern will also be highlighted, such as:
- a) potential under-spend/overspend of schemes and how the situation can be resolved
  - b) changes in the financial resources available, e.g. due to an increase/decrease in usable capital receipts or grant funding.
- 5.7.5 The results of Post Completion Reviews of individual projects costing more than £155,000 will also be reported to the Cabinet, in line with Standing Orders relating to Contracts.

## **5.8 Reserves & Balances Policies**

- 5.8.1 The Treasurer will report to the Council on the robustness of the estimates and the adequacy of reserves (when considering the budget for the following year), in accordance with the requirements of the Local Government Act 2003 and CIPFA guidance. The Treasurer must be satisfied that the decisions taken on balances and reserves represent proper stewardship of public funds.
- 5.8.2 Specifically, the report on reserves will include a statement on the adequacy of general reserves and provisions for the forthcoming year, linked to the medium term financial strategy.
- 5.8.3 Directorates may establish earmarked reserves from within their cash-limited budgets to fund future service developments (in line with Council priorities) or expenditure of an uneven nature (e.g. renewal of equipment).
- 5.8.4 Services operated on a trading basis (internal or external) may also establish reserves to balance profits and losses over the medium term.
- 5.8.5 As part of each year's budget review process, all earmarked reserves will be reviewed by Directors in consultation with Cabinet members. Any reserves no longer required for their original purpose will be transferred to General Balances.
- 5.8.6 A Corporate "Reserve of Last Resort" will also be maintained to cover unforeseen events that cannot be met from within cash-limited budgets, earmarked reserves, or uncommitted General Balances.
- 5.8.7 General Balances will be managed to enable spending pressures and resources to be balanced over the medium term.

## **5.9 Final Accounts and Year End Procedures**

5.9.1 The Treasurer must make arrangements for the accurate and timely production of the Council's accounts. In doing so he must:

- a) prepare accounts in accordance with accounting principles and standards
- b) prepare the final accounts to meet the timetable provided by the Accounts and Audit Regulations 2006 and subsequent amendments
- c) have adequate reasons and evidence to justify all balances on any Control and Balance Accounts.

**CONTACT: Head of Accountancy**

## **6 Accounting Systems, Financial Records and Returns**

6.1 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 internal and external audit. This provides assurance that the accounts are properly prepared and proper accounting practices have been followed and that arrangements have been made for securing economy, efficiency and effectiveness in the use of the Authority's resource.

6.2 The Treasurer shall:

- a) determine accounting systems and procedures and the form of financial records and statements
- b) provide guidance and advice on all accounting matters
- c) monitor accounting performance to ensure an adequate standard for all Directorates
- d) certify financial returns, grant claims and other periodic financial reports required of the Council
- e) ensure there is a proper retention policy for financial documents
- f) establish timetables for budgets and closedown of accounts

6.3 Each Director shall:

- a) implement accounting procedures and adopt the form of financial records and statements as determined by the Treasurer
- b) pass to the Treasurer financial returns and other financial reports that require completion and certification
- c) maintain a proper separation of duties for staff with financial responsibilities
- d) be responsible for the completion and submission of grant financial returns
- e) ensure financial documents are kept in accordance with the retention policy
- f) ensure all key controls are consistently applied and appropriately evidenced

**CONTACT: Head of Accountancy**

## 7 Taxation and Leasing

### Taxation

- 7.1 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 and Members to be aware of their roles and responsibilities.
- 7.2 It is the responsibility of Directors to ensure compliance with all tax regulations relating to their Directorates. This will include Income Tax, National Insurance, Value Added Tax and tax accounted for under the Construction Industry Scheme. Directors will be liable for any costs, including any penalties and interest charged for incorrect tax treatment.
- 7.3 ***Any queries in relation to taxation should be raised with the Treasurer (Principal Tax Accountant). Information can also be obtained from Accountancy Services intranet site.***

### **CONTACT: Principal Tax Accountant**

### Leasing

- 7.4 Leasing is a method of financing certain types of capital assets and allows the cost to be spread over several financial years through annual rentals. It is a specialised area of finance with complex legal and financial agreements. Leasing arrangements may only be entered into by the Treasurer or his designated officer if either of the following applies :
- a) the item would cost over £10,000 if the item was purchased outright.
  - b) the item being leased is a vehicle.

### **CONTACT: Group Accountant Corporate Finance**

## 8 Financial Delegations

- 8.1 Each Director should delegate responsibility for specific financial responsibilities and tasks to appropriate officers within his/her directorate. In some cases delegations may have limits or restrictions attached. These delegations must be recorded, but the manner of recording is left to the discretion of Directors. ***These delegations relate not only to the authorisation of hard copy documentation by way of a manuscript signature but also to electronic authorisation levels set up within computer applications e.g. Corporate Financial System (Agresso) and the Payroll and Personnel System (PS Enterprise).***
- 8.2 Directors must ensure that prior to giving financial delegated authority to an officer that there is an appropriate separation of duty within the relevant system e.g. it should not be the same officer who authorises the order requisition or invoice (No-Order invoice) that acknowledges receipt of the goods or service.

- 8.3 Directors are responsible for bringing to the attention of all relevant officers the need to comply with the financial delegations for the Directorate.
- 8.4 Each Director must review his financial delegations at least annually against the demands of the service being delivered.
- 8.5 Only officers who have been given delegated powers may commit the Council to expenditure by:
- a) authorising order requisitions
  - b) certifying invoices (No-Order)
  - c) certifying expenses claims
  - d) authorising petty cash purchases
  - e) certifying timesheets and overtime claims
  - f) authorising the completion of personnel documentation
  - g) signing and awarding contracts
  - h) making purchase card payments
- 8.6 Financial delegations are also required in relation to the raising of debtor invoices and credit notes
- 8.7 The financial delegations should also include any delegations given with regard to Standing Orders relating to Contracts
- 8.8 The Treasurer can request details of a directorate's financial delegations. If the Treasurer considers that a delegation to an officer is inappropriate he can request that the delegation be changed or removed.

**CONTACT: Head of Audit Services**

**9 Audit**

**Internal Audit**

- 9.1 The Section 151 Officer under section 114 of the LGFA 1988 and the Accounts and Audit Regulations 2006 has a statutory responsibility for the overall administration of the Council's financial affairs. Section 6 of the Accounts and Audit Regulations 2003, says that the Council "shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices". The Section 151 Officer shall, therefore, in accordance with relevant legislation arrange for a continuous and current internal audit of all areas of Council activities.
- 9.2 "Proper practices" are defined in the regulations by the CIPFA publication - "Code of Practice for Internal Audit in Local Government in the United Kingdom". Audit Services will operate to this Code and any other relevant guidance. The definition of Internal Audit within the Code is:

*Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment (comprising risk management, control and governance) by evaluating its effectiveness in achieving*

*the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.*

- 9.3 As the definition outlines Audit Services has a key role to play in reviewing the Council's arrangements for corporate governance, risk management and internal control. It contributes to the Council's Annual Governance Statement.
- 9.4 The existence of a continuous internal audit service does not in any way diminish the responsibility Directors for the management of divisions or sections under their control and their responsibilities in respect to the systems of internal control and the management of risk.
- 9.5 The Head of Audit Services shall ensure that Internal Audit remains independent in the planning and operation of the Council's internal audit activities. The Head of Audit Services is responsible for maintaining periodic audit plans which have due regard to the key strategic risks of the Council, the risks involved for each service area in delivering their services and the requirements of the External Auditor. The Head of Audit Services will consult with the Treasurer, Directors and the **Audit and Standards Committee** on the annual audit plan and the strategic audit plan.
- 9.6 It is the responsibility of Audit Services to review, appraise and report upon :-
- a) the soundness, adequacy and application of internal controls providing assurance within the Annual Governance Statement
  - b) the extent to which the Council's assets and interests are accounted for and safeguarded from losses of all kinds arising from
    - fraud and other offences
    - waste, extravagance and inefficient administration, poor value for money or
    - other cause
  - c) the suitability, reliability, integrity and completeness of financial and other management data developed within the organisation
  - d) the soundness and adequacy of the systems operating to collect and report on performance information
  - e) the corporate governance arrangements of the Council
  - f) the risk management processes of the Council both at Corporate, Directorate and Service Level
- 9.7 The Treasurer's authorised Internal Audit representatives shall be empowered to:
- a) enter at all reasonable times any Council premises or land
  - b) have access to all Council records, documentation and correspondence relating to any financial and other transactions as considered necessary
  - c) have access to records belonging to third parties such as contractors or partners when required (such rights of access shall be written into appropriate agreements)
  - d) require and receive such explanations as are regarded necessary concerning any matter under examination
  - e) require any employee or member of the Council to account for cash, stores or any other Council property under his/her control or possession.

- 9.8 All work carried out shall have due regard for the requirements of the Human Rights Act 1998, the Data Protection Act 1998, Freedom of Information Act 2000, Regulatory of Investigatory Powers Act (2000) and other legislation current at the time of the audit.
- 9.9 Audit Services should be consulted on any changes in financial, governance or risk management procedures and on the implementation of new or updated computer systems. **Significant changes in procedures and thus internal controls should also be discussed with Audit Services.**
- 9.10 Directors are responsible for responding to Audit Services reports in accordance with the agreed audit process flowchart. Recommendations should be implemented in accordance with the agreed timescale.
- 9.11 Audit Services will produce an annual management report on the work completed for each Directorate. This report will provide a conclusion on the effectiveness of the internal control, risk management and governance procedures.
- 9.12 It is the duty of any officer or Member to comply with the Corporate Anti-Fraud and Corruption Strategy. Any officer or Member who suspects that an irregularity involving cash, materials or any other property of the Council may have occurred must inform their Director who should report the matter directly to the Head of Audit Services or the Treasurer. Confidentiality will be respected in any dealings with Audit Services, wherever possible.
- 9.13 The Treasurer shall report material failures of financial control to the Chair of the **Audit and Standards Committee**, the appropriate Cabinet Member and the appropriate Director.
- 9.14 Where evidence of fraud, misappropriation or theft is discovered the Director of Corporate Resources shall decide after consultation with the Treasurer and relevant Director, whether to refer the matter to the Police. Where a Member is involved the Chief Executive, Monitoring Officer and where appropriate, the External Auditor, will be consulted.
- 9.15 Each Director shall:
- a) respond without undue delay to any enquiries or recommendations made by the Treasurer
  - b) inform the Treasurer as soon as possible of failures of financial control, including matters which involve, or may involve financial irregularity.
- 9.16 The Head of Audit Services has the authority to report, as appropriate, on any matter, without fear or favour, to all levels of the Council. This can include reporting directly to the Chief Executive, the Leader, Cabinet Member with responsibility for Finance Chair of the **Audit and Standards Committee**, Section 151 officer, Directors, the Monitoring Officer or the Council's External Auditors.

## **External Audit**

- 9.17 The Treasurer is responsible for ensuring:
- a) that the External Auditors are given access at all reasonable times to premises, personnel, documents, assets that the External Auditors consider necessary for the purposes of their work
  - b) there is effective liaison between external and internal audit
  - c) that the full Council, Cabinet and Directors are advised on their responsibilities in relation to external audit.

### **CONTACT: Head of Audit Services**

## **10 Public Accountability - Responsibilities**

### **General**

- 10.1 Members should ensure that they follow the Members' Local Code of Conduct, have read the Members' Handbook and declared any interests.
- 10.2 All officers should follow the Code of Conduct for Employees.
- 10.3 The Corporate Anti-Fraud and Corruption Strategy applies to all Members and officers of the Council and they should be aware of its contents whilst representing and working for the Council.

### **Gifts & Hospitality**

- 10.4 Officers and Members should follow the advice given in the Members' Code of Conduct and the Code of Conduct for Employees.

### **CONTACT: Assistant Director Law and Governance**

## **11 Purchasing Arrangements**

- 11.1 These regulations should be read in conjunction with Standing Orders relating to Contracts and corresponding guidance.
- 11.2 Directors must ensure that any purchasing contracts comply with Standing Orders relating to Contracts, statutory requirements and European Directives.
- 11.3 Standing Orders relating to Contracts applies to:
- a) the purchase of goods, materials and related services
  - b) the execution of works
  - c) the provision of services.

This includes the award of work to an inhouse provider where there is a statutory requirement for competition or a Director has opted for a competitive process.

- 11.4 Officers should seek the advice of Procurement, Contract Management and Creditor Services (Corporate Resources Directorate), where appropriate. Procurement, Contract Management and Creditor Services shall be informed at the outset, either in writing or by e-mail, of all contracts, agreements, awards and other instruments involving the payment or receipt of money, of a value of £155,000 or over during the lifetime of the contract. These will then be included within the Forward Plan.
- 11.5 Before inviting Quotations or Tenders or entering into Negotiations in respect of any Contract, it must be established whether a Corporate Contract exists covering the proposals. If one does exist then the Corporate Contract must be used unless the appropriate Director is satisfied that there are special factors justifying a different course of action. Such special factors shall be recorded in writing and copied to the Head of Procurement.
- 11.6 ***Where legislation allows the Council to undertake work using its own work force such work shall be awarded to the Council's work force provided that the Director awarding the work is satisfied that the offer submitted by the Council's work force represents value for money and the Council's work force has sufficient resources to undertake the work.***
- 11.7 ***Where work has been provided internally the following controls should be in place:***
- the request for the work to be carried out should come from someone who has the appropriately delegated responsibility***
  - a quote for the estimated cost of the work should be provided where the value of the work is estimated to be more than £500.***
  - where the work is estimated to cost more than £500 any variations more than 10% or £100 whichever is the greater should be brought to the attention of the requesting officer***
  - once the work is completed the actual cost of the work is brought to the attention of the requesting officer***
  - the cost centre for where the cost should be posted is obtained from the requesting officer***
  - the cost of the internal work is recharged on a timely basis after the completion of the work.***
- 11.8 ***Consultation should be undertaken with the Treasurer (Head of ICT Services) prior to undertaking any ICT project.***
- 11.9 ***Consultation should be held with the Assistant Director Law and Governance for all purchases of land and buildings and the procurement of legal support.***
- 11.10 Consultation should be held with the Assistant Director of the Urban Environment (Environmental Management) for all vehicle purchases.

**CONTACT: Head of Procurement**

## 12. Partnerships

12.1 Partnerships are defined as a group of people from two or more organisations who work together to achieve agreed goals and objectives. The Council enters into a wide variety of different partnership arrangements. For the purposes of these Financial Regulations a Partnership is defined as a key strategic working partnership and/or where the Council has significant financial involvement.

12.2 The Treasurer is responsible for the following:

- a) confirming that appropriate Financial Regulations and Standing Orders relating to Contracts are in place
- b) assessing the financial viability of the partnership in the current and future years
- c) ensuring accounting/budgetary arrangements are satisfactory
- d) advising the partnership on financial matters including insurance, risk and taxation
- e) ensuring that the partnership is appropriately audited
- f) maintaining a record of partnerships where Dudley MBC is the accountable body

12.3 Directors are responsible for the following:

- a) ensuring that the work to be undertaken is in accordance with the Council's statutory powers
- b) carrying out an assessment of the benefits of undertaking the work in partnership prior to entering into partnership (feasibility study)
- c) ensuring that the partnership has adequate governance procedures in place
- d) ensuring that adequate risk management procedures are in place
- e) ensuring that the partnership has adequate systems/policies/procedures in place
- f) ensuring that the responsibilities of the partners are clearly defined and recorded
- g) notifying the Treasurer that a partnership is to be entered and whether Dudley MBC is the accountable body and any information that he/she requires
- h) evaluating the effectiveness of the partnership
- i) maintaining a register of all partnerships entered into
- j) approving the entering into of a partnership arrangement
- k) keeping records of all key correspondence between the funding partners, especially those relating to agreement of specification, roles, risks and responsibilities.
- l) keeping all appropriate documents in an electronic directory and evidence required to satisfy internal and external audit requirements. This directory should be accessible to all appropriate staff
- m) ensuring that the partnership is evaluated on a regular basis using the partnership evaluation tool
- n) ensuring partnership working agreements are in place before any activity for the scheme begins or a contract is let. These must be in writing, and as a minimum should cover:
  - A definition of who the funding bodies are and what they are

committed to under the agreement e.g. allocation of contractual risks, roles and responsibilities, who will be responsible for any cost overruns, etc.

- Express agreement as to whether the Contracts (Rights of Third Parties) Act 1999 should apply to any contract subsequently entered into with a supplier by the lead partner on behalf of the partnership. This will allow the partners other than the lead body to both enforce their rights under the contract and to be held liable for default or risk under it. Please note that this clause must also be expressly stated in the contract with the supplier to be valid.
- How the specification will be agreed by all of the funding bodies, plus any 'exit' arrangements if the parties are unable to agree. The specification should include:
  - a description of the goods/services/outputs to be produced
  - timescales
  - testing/effects procedures
  - ownership of any intellectual property (e.g. copyright, design rights etc) or physical property (e.g. goods, buildings) resulting from the agreement
  - procedure for making variations to the agreement or the project
  - measures of quality/success
  - how disputes between the funding partners will be dealt with
  - written agreement to pay/physical fund transfer to the lead body (when and how this will be done)
- o) The agreement should be formally reviewed in accordance with the terms of the agreement.

12.4 Where a Director feels it is appropriate to discharge a service or provide a function through the formation of a new legal entity (company or otherwise), the relevant Director should consult with the Director of Corporate Resources and the Treasurer.

**CONTACT – Assistant Director Policy and Improvement**

### **13 Schemes Financed Partly or Wholly by External Funding**

- 13.1 External funding programmes can pose significant risks for the Council and should only be considered after a rigorous process of consultation and internal or external assessment including financial scoping and risk assessment.
- 13.2 The Council has produced an External Funding Code of Practice that establishes the key procedures and protocols that must be followed by every Council officer involved in bidding for and managing projects and programmes that are largely or wholly funded through external funding. In all instances officers of the Council must ensure that the External Funding Code of Practice is followed, when funding is applied for in the name of the Council.
- 13.3 Where an officer manages a project he should be cognisant of the Council's Project Management Principals document which provides the minimum standards for managing a project.

#### **CONTACT – Technical Accountant**

### **14 Orders for Work, Goods and Services**

- 14.1 Official Order requisitions are to be authorised by officers approved by Directors within the scheme of financial delegation. Authorised officers are responsible for ensuring that before an order is issued that there is an adequate budget provision and that Standing Orders relating to Contracts and Financial Regulations have been complied with.
- 14.2 As Dudley MBC operates an electronic ordering system (Agresso) authorised officers are those officers who are to be provided with access to approve the requisition on the system. It is a requirement that the officer who raises the requisition is different from the officer who approves the requisition. It is also a requirement that the officer who approves the requisition is different from the officer who receipts the goods or service.

This rule will not apply to self-certification of order requisitions below a value which will be determined by the Treasurer, and compensating controls will operate whereby managers will review any self approved orders raised for their area of responsibility each month.

- 14.3 ***Official orders should be issued for all work, goods or services to be supplied to the Council (except for those exceptions detailed in the guide on Purchase Orders and No-order invoices). Authorising officers must be able to demonstrate that the works, goods or services are required in order to provide Council Services. If an Authorising officer does not consider an order should be raised for any other type of payment then they should seek the written approval of the Treasurer (Head of Audit Services).***
- 14.4 The most cost effective method should be used to purchase low value items e.g. purchase card.

- 14.5 ***Telephone orders may be used in exceptional circumstances but must be confirmed by raising an order on the Corporate Financial System (Agresso) and marked "Confirmation Order" in the appropriate text field so that it will appear on the order, within 7 days of the verbal order being given. Where the supplier's invoice is received before any order is raised then there is no requirement to raise the Order.***
- 14.6 Standard terms and conditions must not be varied without the prior approval of the Director of Corporate Resources. Goods and services should be checked on receipt to ensure they are in accordance with the order. The delivery/advice note should be signed to evidence the check and retained.
- 14.7 Official orders shall indicate clearly the date of the order, the quantity, quality and nature of the goods, works and services and the contract or agreed price. An estimated price shall be provided when an agreed price is not available.
- 14.8 A method of procuring goods or services is via a purchase card. The Purchase Card User Manual should be referred to for specific details on how the Purchase Card should be used and must be complied with.
- 14.9 ***Directors should take action to ensure invoices are paid on average within 10 days and in any case within 30 days of being received or on the stipulated date so that any settlement discounts can be obtained. Compliance against these targets is monitored by the Council and in order for monitoring to be undertaken invoices must be date stamped on first receipt by the appropriate Council service.***
- 14.10 Any interest charged to the Council in respect of late payment under the Late Payment of Commercial Debts (Interest) Act 1998 will be passed on to the Section that ordered the goods/services.
- 14.11 Officers should monitor the orders raised and ensure that goods/services are received/provided within the stipulated timetable. Where an order or part of an order is no longer required, then it should be cancelled off the system so that the outstanding commitment is amended on the appropriate budget report.

**CONTACT: Head of Procurement**

**15 Payment of Accounts**

- 15.1 Where payment is to be made, Directors should ensure that the officers who authorise No Order invoices for payment or have approved invoice variations have prior to authorisation confirmed that:
- a) a valid invoice has been received
  - b) the goods, services and work have been received or carried out, examined and approved as to quality and quantity.
  - c) the expenditure is necessary, legal and within the estimates provision.
  - d) the prices are in accordance with any quotation, tender or contract and/or are reasonable.
  - e) discounts or credits due have been deducted
  - f) VAT or other tax treatment is correctly stated.

- g) the account is arithmetically correct.
- h) the amount has not been previously paid or certified for payment, either in whole or part.
- i) appropriate entries have been made in asset registers, inventories and stock records.
- j) the information shown on the scanned invoice is in agreement with the details to be paid
- k) there is an appropriate separation of duty

15.2 Where payment is made by any other method the requirements detailed in 15.1 must be complied with, if appropriate unless exemption has been given by the Treasurer.

15.3 Where an invoice is found to be incorrect e.g. because of an addition error, the VAT is incorrectly calculated or the invoice is not addressed to the Council, it should be returned to the supplier with an explanatory note. Hand-written amendments should not be made to an invoice as this may invalidate the recovery of VAT. A credit note should always be requested, where required.

#### **CONTACT: Head of Procurement**

### **16 Income and Debtors**

16.1 The Treasurer shall ensure that effective income collection systems are in place to ensure that all of the income due is identified, collected, receipted and banked properly. Income should be obtained in advance of supplying goods or services where it is considered that payment may be at risk.

16.2 Directors are responsible for ensuring that all income due to the Council is received at the right time using the correct and most cost effective procedures. Whenever possible for sums below £100 credit should not be given and these sums should be collected on or before service delivery.

16.3 All invoices should be raised on the Corporate Financial System (Agresso) to ensure that effective action shall be taken to pursue non-payment within defined timescales.

16.4 ***Directors are responsible for ensuring when invoices/credit notes are raised that the appropriate VAT code is used and they have been authorised in accordance with the directorate financial delegations.***

16.5 The Treasurer will be provided with regular reports of outstanding debt. Individual Budget Holders should request/produce monthly debt monitoring reports, which should be reviewed to determine whether it is appropriate to continue the provision of a service to any person or organisation that has amounts outstanding outside of the credit period.

16.6 Directors shall, wherever possible, separate the responsibility for identifying the amount due/raising of accounts from the responsibility for collection. They should also ensure that any unbanked income is retained securely to safeguard against

loss or theft and that receipts, tickets and other records of income are held securely for the appropriate period.

- 16.7 All debts will be followed up via reminder notices and debt recovery procedures as prescribed by the Treasurer. No debt in respect of an amount due to the Council once established shall be discharged otherwise than by payment in full except where write-off has been properly authorised as detailed in 16.8.
- 16.8 Debts can only be written off by the Treasurer in consultation with the Cabinet Member with responsibility for Finance.
- 16.9 The cost of all write-offs will be borne by the Budget Holder, who originally benefited from the credit.
- 16.10 ***All receipts, tickets and other acknowledgements for payments received shall be approved by the Treasurer. The Treasurer (Head of Audit Services) has the authority to waive the requirement to acknowledge the receipt of certain income streams if he considers it is not practical or cost effective to do so. In all instances when acknowledgement for payment is not provided two members of staff must be present when collecting, counting and recording cash and a document must be completed recording the amount collected and signed by the two officers present to certify the accuracy of the information. If this is not possible a suitable record of income due and collected should be maintained with a subsequent check on the completeness of the income by examining and reconciling to supporting information and signed by the person undertaking the check e.g. reconciling the income taken to an electronic counter of items sold. Any subsequent transfer of cash between two employees shall be acknowledged by both officers signing and dating a record of the transfer.***
- 16.11 Each officer who receives money on behalf of the Council, or for which they are accountable to the Council, shall keep such records as required by the Treasurer.
- 16.12 All money received by an officer on behalf of the Council shall be paid promptly and completely to the Treasurer, or as he/she may direct, to the Council's bankers. This should be preferably on the same day or if this is not possible at the earliest opportunity. In the interim the money should be kept securely, preferably in a locked safe. No deductions may be made from such money other than as may be approved by the Treasurer (Head of Audit Services). When money is banked information as to the reason for its receipt, or its origin, shall be supplied. Directors should ensure income held on premises does not exceed the insured amount. ***The insured amount can be obtained from the Council's Risk Management Team.***
- 16.13 Money held on behalf of the Council shall not be used to cash personal cheques for Members, officers or third parties.

- 16.14 Directors shall review charges made for services under their control to the public at least annually and will ensure that they are formally approved by decision sheet by the appropriate Cabinet Member or Committee. ***Charges made between directorates should be approved by the appropriate Director on an annual basis.***

**CONTACT: Assistant Director Customer Services**

**17 Banking Arrangements**

- 17.1 All arrangements with the Council's bankers must be made or approved by the Treasurer, who shall be authorised to operate such bank accounts.
- 17.2 Cheques drawn on the Council's banking account shall bear the signature of the Treasurer or be signed by him/her or such other identified senior officers as he/she may from time to time designate in writing.
- 17.3 Standing order and direct debit payments may only be established by the Treasurer or such other identified senior officers as he/she may from time to time designate in writing.
- 17.4 The Treasurer shall maintain a list of identified senior officers who may on his/her behalf give instructions to the Council's banker and countersign cheques.

**CONTACT: Group Accountant Support Services**

**18 Payments to Employees**

- 18.1 Staff costs are the largest item of expenditure for most Council services. It is therefore important that there should be controls in place to ensure that payments are made only where they are due for services to the Council and that payments accord with the individual's conditions of employment. ***This is maximised through the use of electronic claim forms and managers must ensure these are used wherever possible. The introduction of "real time" reporting to HM Revenues and Customs e.g. on a monthly basis rather than annually makes this even more important as employees could be in position of paying more tax and national insurance by not being paid the correct amounts at the correct time.***
- 18.2 Directors must ensure
- ***All appointments are made in accordance with the rules of the Council (Recruitment and Selection Policy) and approved establishments, grades, scales of pay and that adequate budget provision is available for the length of the employment contract***

- ***Where electronic forms are not used all appointments, changes in contract and variable payments e.g. overtime are approved in accordance with the directorate financial delegations and where relevant the collective agreement for JNC staff and the Councils pay policy.***
- ***Careful consideration is given to the employment status of individuals engaged on a 'self-employed consultant or sub-contract' basis as these may well be considered employees by HM Revenues & Customs and should therefore be paid through the payroll. Managers must be able to evidence that they have tested the employment status against HM Revenues and Customs rules. While the method of payment in isolation does not determine the employment status, it is one of a number of tests that will do so.***
- ***That their Managers on a regular basis as part of budget monitoring review detailed information on the salary/wage payments made to their staff. This should be checked to ensure that the staff establishment is correct and that payments made are accurate. Managers will also be required to obtain establishment lists from the Corporate Payroll and Personnel System (PS Enterprise) and check them for accuracy on at least an annual basis.***
- ***That changes in contracts of employment and variable payments are notified to the Human Resources and Organisational Development Division in a timely fashion, or in accordance with published deadlines, preferably before the change is due so as to avoid an overpayment occurring.***
- ***That up to date financial delegations are maintained for the authorisation of personnel and payroll changes and this is shared with the Human Resources and Organisational Development Division.***
- ***That any benefits in kind are notified to the Assistant Director Human Resources and Organisational Development or their delegated officer.***
- ***If temporary staff are required then contact is made in the first instance with the Council's Temp Solutions Team or through the Council's approved contractor (currently Matrix).***
- ***That the payment of a honorarium is approved by the Assistant Director Human Resources and Organisational Development or their delegated officers.***
- ***Audit logs are obtained from the Corporate Payroll and Personnel System (PS Enterprise) on a regular basis showing those amendments that have not gone through an electronic authorisation process. These should be checked by a different officer to the person having processed the claim and those checks should be evidenced.***
- ***That Human Resources policies and procedures are adhered to.***

- ***No amendment is made to the Corporate Payroll and Personnel System unless the officer entering/actioning the amendment has received personnel/payroll documentation signed/authorised in accordance with the directorate financial delegations.***
- ***No payment shall be made to a person deemed to be an employee other than through the normal payroll procedure. Under no circumstances should an employee be paid in cash.***
- ***That the collective agreement on grading and pay and thus the Council's pay policy is adhered to. Where a new post is created or responsibilities of a post change discussions should be held with the Assistant Director Human Resources and Organisational Development or their delegated officers (HR and Job Evaluation Team) to secure fair job grades. These conversations should take place before advising staff of a grade in order to avoid any misunderstanding.***

18.3 The Assistant Director Human Resources and Organisational Development should ensure:

- ***All relevant personnel and payroll documentation is retained in accordance with the Council's document retention policy and statutory requirements. This will usually be retained in electronic form.***
- ***All human resources and payroll policies and procedures are reviewed and updated on a regular basis.***
- ***All key employment checks are undertaken, where appropriate including Criminal Records Bureau, Medical Clearance, References, Identity, Immigration, Asylum and Nationality Act 2006.***
- ***Payments to staff are made at the prescribed intervals.***
- ***Statutory deductions and other payroll deductions are taken at the correct rate and paid over to the relevant body in a timely fashion.***
- ***All required returns are submitted to HM Revenues and Customs by the prescribed dates.***
- ***No amendment is made to the Corporate Payroll and Personnel System unless the officer entering/actioning the amendment has received personnel/payroll documentation signed/authorised in accordance with the directorate financial delegations.***
- ***No payment shall be made to a person deemed to be an employee other than through the normal payroll procedure. Under no circumstances should an employee be paid in cash.***

- ***Audit logs are obtained from the Corporate Payroll and Personnel System on a regular basis showing those amendments that have not gone through an electronic authorisation process. These should be checked by an independent officer to the personnel/payroll documentation processed and the checks evidenced.***

**CONTACT: Heads of Human Resources**

**19 Travel and Subsistence**

- 19.1 ***All staff should comply with the Council's Allowances Procedure and Guidance.***
- 19.2 ***Directors are responsible for the verification of their officers' travel/mileage claims (hard copy or electronic claim).*** This would include:
- a) that the costs have been incurred whilst officers were engaged on official Council business
  - b) the accuracy of the mileage claimed
  - c) the validity of the journeys taken
  - d) subsistence claim is appropriately supported and in line with Council policies
  - e) car parking and other expenses are appropriately supported and in line with Council policies.
- 19.3 All travel/mileage claim forms should be signed by the officer, their supervisor and a certifying officer (in accordance with the directorate financial delegations). The only exception to this would be if the supervisor and the certifying officer are one and the same i.e. the officer reports directly to the certifying officer. ***Where an electronic claim form is completed the same controls would apply, but an officer's login and password would replace the manuscript signature(s). Where an electronic claim form has been submitted, a hard copy form as prescribed by the Assistant Director Human Resources and Organisational Development should be completed and submitted to their manager for review together with appropriate car mileage receipts before the manager authorises the claim on the Corporate Payroll and Personnel System. The hard copy form should be held securely by the authorising officer.***
- 19.4 ***Travel/mileage claim forms should be certified by an officer in accordance with the directorate financial delegations. A Directors travel/car mileage should be certified by the Chief Executive.***
- 19.5 ***The Assistant Director Human Resources and Organisational Development will reimburse members' travel/mileage claims on receipt of the completed claim form signed by the Member concerned. The Director of Corporate Resources will have approved the claim.***
- 19.6 All claims should be completed in full, appropriately authorised and must be submitted within three months of undertaking the journey or incurring the expenses, to qualify for reimbursement.

- 19.7 Directors must ensure that all officers claiming car allowances are appropriately insured and are legally allowed to drive a vehicle. This in practice means the following checks should be undertaken on an annual basis.
- a) that the officer has a valid insurance certificate that includes the use of the vehicle on official business
  - b) that the officer has a valid driving licence
  - c) that the officer's vehicle has a valid MOT certificate, if required

If evidence of a valid insurance certificate, driving licence and MOT cannot be provided then the officer should not be allowed to use his/her car on Council business.

- 19.8 ***Where a claim for travel/car mileage has been made electronically, then approval must be in accordance with the directorate financial delegations. Where a hard copy claim is submitted the officer who processes the travel/mileage claim form on the Corporate Payroll and Personnel System (PS Enterprise) should ensure that the claim form has been completed in full and certified in accordance with the directorate financial delegations.***
- 19.9 ***Where travel/car mileage are entered onto the Corporate Payroll and Personnel System (PS Enterprise) and are not subject to independent authorisation audit logs should be obtained from the system on a regular basis and checked by an independent officer to the actual travel/mileage claim forms. This is to ensure information has been accurately entered onto the system. All checks should be documented.***

**CONTACT: Heads of Human Resources**

**20 Imprests**

- 20.1 The Treasurer shall provide petty cash imprests of such amounts as may from time to time be required for the purpose of paying minor items of expenditure and any other items as may be approved by him/her. Individual petty cash payments should not exceed £100 although wherever possible a purchase card should be used to make payment.
- 20.2 Where the Treasurer considers it appropriate, he shall open an account with the Council's bankers for use by the imprest holder. The accounts will not have overdraft facilities. An officer independent to the imprest holder should undertake regular reconciliations of the bank account i.e. bank statements to supporting records.
- 20.3 The Treasurer should approve the petty cash records maintained. Petty cash should be maintained on an imprest basis.
- 20.4 A petty cash payment slip must be completed for every reimbursement that is made, signed by the claimant, authorised by an appropriate officer and signed by the person receiving payment.

- 20.5 Receipts must be obtained for all payments over £5, unless the Treasurer is satisfied that the obtaining of a receipt is impracticable and for under £5, wherever possible.
- 20.6 The Treasurer reserves the right to withdraw imprest facilities from officers if it is deemed that they are being used inappropriately, the expenditure limit is exceeded, or the facility is rarely used.
- 20.7 No income received on behalf of the Council may be paid into an imprest account but must be separately banked, unless the agreement of the Treasurer has been obtained.
- 20.8 Petty cash accounts must never be used to cash personal cheques or make personal loans.
- 20.9 The imprest account should be continually kept in balance and regular reconciliations should be undertaken by an independent officer of the cash in hand to the records maintained. These checks should be documented.
- 20.10 Petty cash payments and petty cash imprest reimbursements should be authorised in accordance with the Directorate financial delegation.
- 20.11 The officer responsible for an imprest account shall, if requested, give the Treasurer a certificate confirming the amount held. Upon leaving the Council or at the request of the Treasurer the responsible officer shall repay to the Council the balance of the imprest held or have the imprest formally transferred to another officer.

**CONTACT: Head of Audit Services**

**21 Risk Management**

- 21.1 The Treasurer is the lead officer in respect of risk management and is responsible for the corporate risk management processes of the Council. However, it is the responsibility of all officers and Members to be aware of the principles of risk management and to manage risks, where appropriate for their area. All Directors have a responsibility for ensuring that risk management is fully embedded within their Directorate.
- 21.2 The Treasurer will keep the Cabinet informed of the Council's key risks via the Quarterly Performance Report and will report on a regular basis to Corporate Board and the ***Audit and Standards Committee***.
- 21.3 ***All Directors are responsible for ensuring the Corporate risks are up to date (taking account of emerging risks) and that they reflect the key strategic risks that the Council faces. Where a Director is the designated officer for a risk, he/she will ensure that there are appropriate mitigating actions in place and that these controls are operating effectively. Directors will be required to provide assurance on how a risk is being mitigated on a regular basis.***

- 21.4 The Treasurer is responsible for the development, co-ordination and maintenance of the Council's Corporate Risk Management Strategy and policies, which are reviewed on an annual basis.
- 21.5 Directors are responsible for implementation of the Corporate Risk Management strategy/policies within their Directorate. As part of this they are required to complete the Risk Assurance Protocol on a quarterly basis.
- 21.6 Directors must undertake a formal risk assessment prior to developing new strategic policies or procedures, making amendments to existing strategic policies/procedures and/or implementing new or revised services. Pertinent papers should be retained by Directorate Management Teams and/or attached to the document storage facility on the Corporate Risk Management System (JCAD). If risks are identified then they should be entered onto the Corporate Risk Management System (JCAD).
- 21.7 Directors submitting a report to Cabinet, the Council or one of the Council's Committees must ensure that any risks arising from the proposed action or decision are explicitly detailed in the background section of the report as required by the Corporate Format of Report. Any controlling/mitigating actions to be taken to reduce these risks should also be included in the report.
- 21.8 Directors should ensure that risk identification and analysis is undertaken at the earliest opportunity in the business process and prior to the commencement of a project or partnership. Directors must ensure that appropriate controls/mitigating actions are identified, effectively applied and regularly monitored.
- 21.9 Directors should ensure that where a corporate significant project is undertaken a formal risk assessment is undertaken and appropriate monitoring procedures implemented. Identified risks should be entered onto the Corporate Risk Register on JCAD.
- 21.10 Directors should ensure that positive i.e. relating to opportunities, as well as negative risks (threats) are identified and monitored.
- 21.11 Directors must be aware of their responsibilities when delivering services with partners or via partnerships. Risks must be identified by all significant partnerships, documented (recorded on Corporate Risk Register) and formally monitored.

**CONTACT: Risk and Insurance Manager**

**22 Insurance**

- 22.1 The Treasurer is responsible for ensuring the Council's assets and liabilities are adequately and properly insured. Only the officer identified by the Treasurer may obtain insurance cover on behalf of the Council. All insurance covers will be reviewed by the Treasurer not less than annually.

- 22.2 The Treasurer shall keep a record of all insurances related to the tangible assets of the Council e.g. buildings, vehicles, equipment etc. Directors must therefore notify the Risk Management & Insurance Section of acquisitions, disposals or any other material fact impacting upon the status of tangible assets. Failure to do so may mean the asset is uninsured.
- 22.3 Directors must also consult the Risk Management & Insurance Section with regard to activities and working arrangements not generally or exclusively associated with tangible assets. Typically these insurances will relate to the actions/inactions of the Council e.g. Public Liability, Fidelity Guarantee, Professional Negligence, Officials Indemnity etc. Directors must therefore ensure that any changes to existing or new working arrangements are covered by the Council's insurance arrangements. Typically these 'arrangements' will include incorporating the Council ( Directors, Members or Officers thereof) into; partnerships, limited companies, ad hoc or unusual secondments, consultancies etc. Failure to do so may mean the Council is not insured for liabilities it incurs. It is likely that the Director of Corporate Resources should also be consulted before engaging in legally binding agreements to ensure the Council has the statutory powers to do so.
- 22.4 Directors must consult with the Treasurer in respect of the terms of any indemnity which the Council is requested to give under contract to ensure the adequacy of the Council's insurance arrangements.
- 22.5 Any loss, liability or damage causing event that may give rise to a claim of any kind against the Council must be notified to the Treasurer as soon as practicably possible who will take the appropriate action to safeguard the Council's position. Any incident involving a death must be notified to the Treasurer immediately.
- 22.6 The Treasurer shall process all claims relating to the Council's external and internal insurance arrangements and negotiate settlements (where liability is accepted) within the limits and terms and conditions of these insurance arrangements.
- 22.7 Directors are responsible for ensuring that anyone covered by the Council's insurances is aware that they must not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.
- 22.8 Appropriate officers will co-operate at all times with the investigations of the Treasurer into any claims and will supply all information upon request. It is imperative that officers comply with the timescales for investigating claims. Failure could directly affect the Council's ability to defend a claim or could result in financial penalties being imposed on the Council. Where it is deemed an insurance recovery will not be forthcoming the Treasurer shall notify the relevant directorate as soon as possible to enable them to take any further action necessary.
- 22.9 It is the responsibility of Directors to ensure that all hirers of the Council's buildings sign a formal hiring agreement requiring them to indemnify the Council against the cost of any damage caused to Council property or legal claim(s) arising from the negligent actions of the hirer.

- 22.10 All employees concerned with the receipt, custody and/or disbursement of the monies and property of the Council shall be included in a suitable Fidelity Guarantee insurance policy.

Directors must ensure that the Risk Management and Insurance Section is notified of all employees who have a limit of authority in excess of £5,000,000.

**CONTACT: Risk and Insurance Manager**

**23 Stocks and Stores**

- 23.1 ***Stock could be defined as items that generally are not held on a long term basis e.g. over one year, are of a consumable nature or have been purchased for resale. As a guide stock held with an aggregate value exceeding £2,000 should be recorded on a manual or computerised stock system and the controls detailed below should be enforced.***

23.2 Directors are responsible for

- a) determining an efficient stock holding policy to ensure stock levels are not in excess of normal operating requirements.
- b) determining minimum stock holding levels and efficient order quantities where a stock control system is operated
- c) supplying the Treasurer with such information relating to stores as may be required for the accounting, costing and financial records of the Council
- d) ensuring all stocks are held in a secure location with limited access and appropriately segregated into marked areas
- e) ensuring stock checks are undertaken at least once a year either in full or as part of a rolling programme of checks
- f) supplying the Treasurer with the value of stock in hand as at 31st March certified by the appropriate Director
- g) ensuring that after each stock check a return is completed indicating any differences between actual and recorded stock
- h) ensuring stock check variances are thoroughly investigated and the appropriate adjustments are authorised and made to the stores records, whether manual or electronic, on a timely basis. All adjustments should be certified by a senior officer. If the adjustments exceed £10,000 then this should be reported to the appropriate Director and the Treasurer
- i) approving the disposal of surplus material or obsolete stock. All disposals should be recorded and the disposal must be in accordance with Standing Orders relating to Contracts
- j) ensuring that there is an appropriate separation of duty within the stores processes.

23.3 The Treasurer is responsible for:

- a) providing the basis for the valuation of stock
- b) approving stock adjustments greater than £10,000 and notifying the Cabinet Member with responsibility for Finance
- c) ensuring stock values are appropriately recorded in the Authority's accounts.

**CONTACT: Head of Accountancy**

## **24 Inventories**

### **Furniture, Equipment, Plant, Vehicles**

- 24.1 Items of furniture, equipment, plant and vehicles costing over £100 [or are of a highly attractive and portable nature or electrical] should be included on the inventory record.
- 24.2 ***A corporate inventory for all significant ICT assets shall be maintained by the Treasurer (Head of ICT Services). Directorates should not arrange relocation or disposal without appropriate notification to the Treasurer (Head of ICT Services). This does not absolve the responsibility of Directors from carrying out annual checks on their ICT equipment or recording ICT equipment on their inventory if it is not recorded on the inventory maintained by the Treasurer (Head of ICT Services).***
- 24.3 ***Where officers are located in serviced accommodation the responsibility for the maintenance of the inventory rests with the Director of Corporate Resources. The Director of Corporate Resources will designate someone to be responsible for maintaining the inventory. Otherwise Directors are responsible for the buildings which they occupy.***
- 24.4 Directors are responsible for the following:
- a) maintaining inventories of equipment that record the following
    - full description of the item and including the make, model and serial number, where appropriate
    - the location of the item
    - the cost
    - order number, where appropriate
  - b) ensuring the inventory is updated as soon as the item is received
  - c) ensuring inventory items are marked "Dudley MBC", where appropriate
  - d) ensuring that inventory items are held securely at all times, particularly expensive, moveable items.
  - e) organising an independent annual check of their inventory and getting it approved by a senior officer
  - f) ***ensuring disposal of obsolete items is appropriately authorised and***

***documented and undertaken in accordance with Standing Orders relating to Contracts and the Code of Practice on Inventories.***

- g) ensuring all leased or third party inventory items are clearly identified and labelled. The labelling should indicate that the item should not be sold or disposed of
- h) ensuring all discrepancies are reported to the Budget Holder, their line manager and any significant discrepancies (over the value of £1,000) to the Treasurer and appropriate Director.

**CONTACT: Head of Accountancy**

**Land and Buildings**

24.5 The Director of Corporate Resources is responsible for the following:

- a) ensuring the Corporate Property Policy is up to date
- b) maintaining a database of all properties owned or rented by the Council and for ensuring that valuations are reviewed on a regular basis.
- c) for the acquisition and disposal of all land and property owned / to be owned by the Council, letting, sublettings, rent reviews, renewal of leases and tenancy agreements and the appointment of any outside valuers

24.6 ***Directors are responsible for ensuring the security of buildings and adherence to the Corporate Security Strategy.***

**CONTACT: Assistant Director Law and Governance**

25 **Management of Information**

- 25.1 Directors are responsible for the security and good records and information management of all information within their Directorate. Information exists in many forms. It can be printed or written on paper, stored electronically, transmitted by post or using electronic means, shown on films, or spoken in conversation. Whatever form the information takes, or means by which it is shared or stored, it must be appropriately protected.
- 25.2 Directors must ensure compliance with the Council's Information Security Policy and Information Management Standards so that the requirements of the Data Protection Act, Computer Misuse Act, Copyright and Patents Acts, Human Rights Legislation and the Freedom of Information Act are being met.
- 25.3 Directors must ensure that data quality is maintained within their Directorates.
- 25.4 Directors are responsible for evaluating the adequacy of third parties' security arrangements and where appropriate ensure that contracts include clauses relating to the processing of personal data in accordance with the requirements of the Data Protection Act 1998 (Data Processor Agreements).
- 25.5 Directors are responsible for ensuring that the Senior Information Risk Owner

(SIRO) receives annual assessment of performance covering Information Governance requirements and local action plans.

### **CONTACTS: Principal Information Security Officer**

## **26 Treasury Management**

26.1 The Treasurer shall arrange all borrowing of monies, and make all arrangements concerning the investment or utilisation of capital monies or other funds.

26.2 In exercising the function, the Treasurer should comply with the key recommendations of CIPFA's 'Code for Treasury Management in Local Authorities'.

26.3 The Council will create and maintain, as the cornerstones for effective management:

- a Treasury Management Policy Statement, stating the policies and objectives and approach to risk management of its treasury management activities
- suitable Treasury Management Practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives and prescribing how it will manage and control those activities

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

26.5 The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the **Audit and Standards Committee** and the execution and administration of treasury management decisions to the Section 151 Officer, who will act in accordance with the organisation's policy statement and TMPs and if he/she is a CIPFA member, CIPFA's Standards of Professional Practice on Treasury Management.

26.6 This council nominates the **Audit and Standards Committee** to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

26.7 The Treasurer shall report (at least half yearly) to the **Audit and Standards Committee** who will in turn submit a summary of the activities of the Treasury Management function and on the use of delegated Treasury Management powers to Council.

- 26.8 The Council will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

**CONTACT: Group Accountant Corporate Finance and Systems**

**27 Unofficial and Voluntary Funds**

- 27.1 An unofficial or voluntary fund is defined as any fund, other than an official fund for the Council, which is controlled wholly or in part by an officer by reason of his or her employment by the Council.
- 27.2 Officers should seek approval from their Director before establishing an unofficial fund.
- 27.3 Directors must ensure that the fund money is held securely.
- 27.4 Each Director shall maintain a register of all such funds. The register will include the following details for each fund:
- a) the name of the 'Responsible Officer'
  - b) the accounting period (which should generally be 1<sup>st</sup> April to 31<sup>st</sup> March)
  - c) bank account details; and
  - d) cheque signatories.
- 27.5 Directors shall ensure that for all such funds, accounts are prepared on an annual basis and audited by suitably qualified auditors and are submitted within 12 months of the end of the accounting period to the Council and any other parties (i.e. clients, sponsors, charitable bodies) with an interest in the fund.
- 27.6 The Treasurer reserves the right to inspect all documentation relating to unofficial funds and to seek such explanations that are necessary to ensure they are being appropriately managed. The Treasurer should be notified of any funds which do not comply with all of these requirements.

**CONTACT: Head of Audit Services**

**28 Controlled Stationery and Retention of Documents**

- 28.1 Controlled stationery means serially numbered stationery where it is necessary to account for the use of the items.
- 28.2 The Treasurer will determine whether or not any particular item is to be included as part of his overall responsibility for the financial system.

28.3 Directors will be responsible for ensuring:

- a) controlled stationery is securely held and appropriately recorded/accounted for
- b) stock is issued in a controlled manner
- c) periodic stock checks are undertaken by someone independent of the ordering, issuing and recording

28.4 Directors should ensure that the Council's document retention policy is complied with.

**CONTACT: Head of Audit Services**

## **29 Financial Assistance to Voluntary Bodies**

29.1 All financial assistance must be provided in accordance with the Grants to Voluntary Bodies Code of Best Practice and the Local Compact Code of Practice on Funding or Area Committee procedures.

29.2 In terms of Financial Regulations, financial assistance is defined as monetary payments or subsidy provided. It does not include financial assistance given in kind e.g. officer or member time.

29.3 All financial assistance provided to voluntary bodies should at the time the assistance is given be recorded on the corporate electronic record. This record will act as a listing of all financial assistance given and should aid communication within the Council.

**CONTACT:Head of Audit Services**

## **List of Documents to support Financial Regulations:**

Code of Practice Income and Banking  
Code of Practice Inventories  
Code of Practice Petty Cash  
Medium Term Financial Strategy  
Virement Guide  
Members Code of Conduct  
Code of Conduct for Employees  
Contract Standing Orders  
Purchase Card User Manual  
Allowances Procedure and Guidance  
Risk Management & Insurance Strategy incorporating Risk  
& Assurance Protocol Guidance 2012/13  
Corporate Security Strategy  
Council's Information Security Policy, Information Management Standards, Information  
Governance Policies and Procedures  
Treasury Management Policy Statement  
Treasury Management Practices  
External Funding Code of Practice  
Project Management Principals Guidance  
Code of Practice for Grants to Voluntary Bodies  
Local Compact Code of Practice on Funding  
Debit and Credit Card Payments Corporate (Manager)  
Debit and Credit Card Payments Corporate (User)  
Personnel Policies and Procedures  
Capital Strategy  
Capital Investment and Disposal Guide  
Code of Corporate Governance  
Council Constitution  
Confidential Reporting Policy  
Anti-Fraud and Corruption Strategy  
Money Laundering Guidance  
Regulation of Investigatory Powers Act  
Purchase Order and No-Order Invoice Guidance

## **Simple Guides to Systems:**

Business Continuity  
Document Retention  
Income and Banking  
Information Governance  
Petty Cash  
Procurement under £40k  
Purchase Cards  
Stocks and Stores

**SCHOOL FINANCIAL REGULATIONS**  
**WITH EFFECT FROM 20<sup>th</sup> SEPTEMBER 2012**

<b>Ref</b>	<b>Description</b>
1	<a href="#"><u>Status of Financial Regulations</u></a>
2	<a href="#"><u>Responsibilities</u></a>
3	<a href="#"><u>Best Value/Effective Management</u></a>
4	<a href="#"><u>Assurance Statements</u></a>
5	<a href="#"><u>Financial Management</u></a>
6	<a href="#"><u>Accounting Systems, Financial Records and Returns</u></a>
7	<a href="#"><u>Taxation and Leasing</u></a>
8	<a href="#"><u>Borrowing</u></a>
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10	<a href="#"><u>Audit</u></a>
11	<a href="#"><u>Public Accountability - Responsibilities</u></a>
12	<a href="#"><u>Purchasing Arrangements</u></a>
13	<a href="#"><u>Partnerships</u></a>
14	<a href="#"><u>Schemes Financed Partly or Wholly by External Funding</u></a>
15	<a href="#"><u>Orders for Work, Goods and Services</u></a>
16	<a href="#"><u>Payment of Accounts</u></a>
17	<a href="#"><u>Income and Debtors</u></a>
18	<a href="#"><u>Banking Arrangements</u></a>
19	<a href="#"><u>Payments to Employees</u></a>
20	<a href="#"><u>Travel and Subsistence</u></a>
21	<a href="#"><u>Petty Cash</u></a>
22	<a href="#"><u>Risk Management</u></a>
23	<a href="#"><u>Insurance</u></a>
24	<a href="#"><u>Stocks and Stores</u></a>
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27	<a href="#"><u>Treasury Management</u></a>
28	<a href="#"><u>Unofficial and Voluntary Funds</u></a>
29	<a href="#"><u>Controlled Stationery and Retention of Documents</u></a>
30	<a href="#"><u>Financial Assistance to Voluntary Bodies</u></a>

## **1 Status of Financial Regulations**

- 1.1 Financial Regulations provide the framework for managing the Council's financial affairs and contribute to good corporate governance, internal control and the management of risks. In addition they assist sound administration, reduce the risk of irregularities, support delivery of effective, efficient and economical services and minimise the risk of legal challenge to the Council.
- 1.2 These regulations made by the Council state the principles of financial control and administration which must be followed by all staff at each school maintained by the Council where management of the school's budget share has been delegated by the Council to the governing body of the school. They also apply to any partnerships that the school is a member of and for which the school is the accountable body unless the Treasurer is satisfied that the Financial Regulations of an equivalent standard are in place. Where the School is not the accountable body then the appropriate Headteacher is responsible for ensuring propriety and proper processes are followed so the Council's reputation is not at risk.
- 1.3 It is the responsibility of Head Teachers to ensure that all staff (the term officers shall relate to both teaching and non teaching staff) in their School are aware of the existence and content of the Financial Regulations and other internal regulatory documents, their responsibilities in relation to them and ensuring compliance.
- 1.4 All Governors and officers have a general responsibility for taking reasonable action to provide for the security of the resources/assets under their control, and for ensuring that the use of these resources/assets is legal, is properly authorised and provides value for money.
- 1.5 To assist Governors and officers, the Financial Regulations are set out in self-contained sections, each covering a specific area of control. Each section provides a contact point for further information or clarification.
- 1.6 Failure to comply with Financial Regulations, or procedures/policies issued under them, may lead to disciplinary action for officers an investigation by the Section 151 and Monitoring Officer for Governors and if necessary the suspension of the schools right to a delegated budget if these regulations or the Scheme for financing schools are substantially breached.
- 1.7 All financial decisions and decisions with financial implications must have regard to proper financial control. Any doubt as to the appropriateness of a financial proposal or correctness of a financial action must be clarified in advance of the decision or action with the Treasurer.
- 1.8 All Head Teachers should ensure that any financial procedures/guidelines produced by their School in support of financial control are fully compliant with these Financial Regulations.

- 1.9. ***These Financial Regulations should be read in conjunction with Standing Orders relating to Contracts relating to Schools which forms part of the Council's Constitution and the Scheme for Financing Schools.***
- 1.10 ***The Treasurer in consultation with the Cabinet Member with responsibility for Finance has authority to allow specific exceptions to these Financial Regulations where in his/her opinion it is in the Council's interest. The Treasurer must keep a written record of such exceptions.***
- 1.11 ***Documents/policies/procedures that are referred to in this document should be seen as an integral part of the Financial Regulations and must be complied with.***
- 1.12 ***The Council operates a number of systems that call for electronic authorisation e.g. Agresso and Yourself. In order to remove any doubt electronic authorisation carries that same importance and responsibility as a manuscript signature.***
- 1.13 Financial Regulations will be reviewed on a regular basis.

**CONTACT OFFICER : Treasurer**

**2 Responsibilities**

**2.1 General Responsibilities of the Council**

- 2.1.1 Any major organisation requires a set of clearly understood rules and regulations for the management of its financial affairs. Section 151 of the Local Government Act (LGA) 1972 places a duty on the Council to make arrangements for the proper administration of its financial affairs, including the requirement for an officer to be nominated to have responsibility for the administration. The Treasurer has been given this responsibility and is therefore the Section 151 Officer.
- 2.1.2 All elected Governors and officers of the Council are responsible for ensuring that they use the resources and assets entrusted to them in a responsible and lawful manner.
- 2.1.3 These responsibilities apply equally to Governors and officers when representing the School on outside bodies.

**2.2 Other Responsibilities**

- 2.2.1 Any person charged with the use or care of the Council's resources and assets should ensure that they are aware of the Council's requirements under Financial Regulations. If anyone is in any doubt as to their obligations, then they should seek advice. Unresolved questions of interpretation should be referred to Audit Services.

2.2.2 All officers must report to their Head Teacher, Manager, Supervisor or other responsible Senior Officer any actual or suspected illegality, fraud, impropriety, breach of procedure or serious deficiency in the provision of service. Officers are able to do this without fear of recrimination providing they act in good faith via the Council's Confidential Reporting Policy. Compliance with the Council's Anti-Fraud and Corruption Strategy and the Code of Conduct for Employees is mandatory for all officers and teachers.

2.2.3 Section 114 of the Local Government Finance Act (LGFA) 1988 requires the Treasurer to report to the Council if the Council, one of its committees, the Cabinet or one of its officers:

- a) Has made, or is about to make, a decision which has or would result in unlawful expenditure
- b) Has taken, or is about to take, an unlawful action which has or would result in a loss or deficiency to the Council or
- c) Is about to make an unlawful entry in the Council's accounts.

Section 114 of the LGFA 1988 also requires the Treasurer to nominate a properly qualified member of staff to deputise, should the Treasurer be unable to perform the duties under Section 114 personally. The nominated deputy is the Head of Accountancy.

2.2.4 **The Council** for Financial Regulation purposes means the full Council which provides the political and strategic direction of the Authority. It approves the policies of the Authority, including those relating to strategy and the budget.

2.2.5 **The Cabinet** for Financial Regulations purposes means the leader of the Council and the Cabinet Members, who propose Council policy and budget strategies.

2.2.6 **The Governing Body** for Financial Regulation purposes means the governing body of a school and includes any Committee appointed by the governing body to discharge any functions of the governing body and any other person so appointed.

2.2.7 The Treasurer (**s151/s114**) and/or officers delegated by him/her are responsible for:

a) provision of financial advice for service delivery, strategic planning and policy making across the authority
b) provision of advice on the optimum use of available resources on the management of capital and revenue budgets
c) provision of financial management information
d) preparation of statutory and other accounts in accordance with legal requirements and professional accounting standards
e) provision of an effective internal audit function and assistance to management in providing safe and efficient financial arrangements
f) provision of effective financial management systems and procedures
g) provision of effective income collection and payments systems including payroll
h) treasury, investment and cash-flow management
i) advising on the safe custody of assets and insurance
j) co-ordination of the corporate risk management systems

k) maintaining a continuous review of the Financial Regulations and submitting any additions or changes necessary to the full Council for approval
l) reporting, where appropriate, breaches of the Financial Regulations to the Council's Audit and Standards Committee
l) ensuring the Council sets a balanced budget that takes account of cost pressures and the impact of council tax and housing rents
m) ensuring that the requirements of the Prudential Code for Capital Finance in Local Government are complied with
n) regularly reviewing financial management arrangements to ensure that they are "fit for purpose"
<b>o) provision of a training programme providing training on financial issues for Governors and finance staff</b>
p) ensuring that resources are allocated in accordance with Council priorities

2.2.8 **Directors/ Head Teachers / Principals** and/or officers delegated by them are responsible for ensuring that Financial Regulations are observed throughout all areas under their control and shall:

a) provide the Treasurer with such information and explanations as the Treasurer is necessary to meet his obligations under Financial Regulations and statutory requirements
b) consult with the Treasurer and seek approval on any matter liable to affect the Council's finances materially, before any commitments are incurred
c) ensure that Governors and where appropriate Members are advised of the financial implications of all significant proposals and that the financial implications have been agreed by the Treasurer
d) inform the Treasurer of failures in financial control resulting in additional expenditure or liability, or loss of income or assets
e) inform the Treasurer immediately if any matter arises which may involve irregularities in any financial procedure
f) ensure the legality of their school's actions

2.2.9 For Financial Regulations purposes the description "Director" would include the Director of Children's Services and the Chief Executive.

2.2.10 The Director of Corporate Resources is the designated Monitoring Officer under Section 5 of the Local Government and Housing Act 1989.

2.2.11 The governing body is a corporate body, and because of the terms of section 50 (7) of the SSAF Act, governors of maintained schools will not incur personal liability in the exercise of their power to spend the delegated budget share provided they act in good faith. In this context "good faith" refers to contracts entered into honestly and with no ulterior motive: an example of behaviour, which is not in good faith, is the carrying out of fraudulent acts.

2.2.12 ***The governing body of each school is required to establish a register which lists for each member of the governing body any business interests they or any member of their immediate family have; all staff are also required to declare any such interests and the school should keep the register up to date and give notification of changes through the annual review of entries, and to make the register available for inspection by governors, staff, parents and the LA.***

2.2.13 **Budget Holder** is a member of staff or any officer who has been delegated by a Head Teacher to be accountable for a cost centre or a series of cost centres. Budget Holders must ensure:

- a) they understand the requirements of Financial Regulations
- b) their budget reflects the proposed income and expenditure
- c) they use adequate systems to enable them to monitor their budget
- d) they have explanations for significant budget variances.

2.2.14 ***In line with the scheme for financing each governing body will consider the extent to which it wishes to delegate its financial powers to the Headteacher, and record its decision in the minutes of the governing body or via a financial delegation document within the school. Where the Head teacher delegates responsibility of a financial function this must be included in a written financial delegation document which would ideally will be included in the School Financial Procedures Manual. The delegation document should be held in a suitable format so that all appropriate staff can access it and be aware of what delegations are in place. The delegation document and any subsequent revision to it should be approved by governors.***

#### **CONTACT OFFICER : Treasurer**

### **3 Best Value/Effective Management**

3.1 The statutory duty of 'best value' does not currently apply to the governing bodies of schools. However, given the very high proportion of local authority spending which flows through delegated budgets, the government considers it desirable that schools should demonstrate that they are following best value principles in their expenditure. To assist schools in doing this the principles of 'best value' are set out in various documents on the Department for Education website  
<http://www.dcsf.gov.uk/valueformoney/>

3.2 Each Head Teacher and his/her employees must ensure they:

- a) provide customers and stakeholders with best value services
- b) follow the Council's policies and procedures
- c) comply with all laid down quality, professional, management, legal and ethical standards.

3.3 Each Head Teacher must also ensure:

- a) there are adequate, appropriate and clear decision-making and reporting lines in operation within their area of responsibility
- b) that decisions are appropriately recorded in a way that appropriate staff can access information
- c) there is an open, honest, transparent and accountable culture in operation within their area of responsibility
- d) that all of their employees receive up to date training to properly perform their duties

- e) that actions are taken to achieve best value services and demonstrate that they have the necessary processes in place to identify, monitor and collect data against appropriate and challenging performance targets
  - f) they identify the scope for efficiencies.
  - g) adequate business continuity plans have been prepared.
- 3.4 Schools are requested to use contracts that have been set up by the local authority following tender processes for goods and services that they require. Schools are not limited to use these contracts, but where they are not utilised schools are required to follow [section 12.5](#) of these regulations to aid future negotiations with companies and ensure where possible that central purchasing power is maximised for the benefit of all schools across the borough.

**CONTACT OFFICER : Head of Audit Services**

**4 Assurance Statements**

- 4.1 Head teachers should be aware that within the Local Authority each Director must as part of the quarterly performance management arrangements complete a risk assurance protocol. By completing this protocol Directors are providing assurance, which includes that appropriate risks have been identified in line with the objectives of the Directorate and that mitigating actions are effective. As compliance with Financial Regulations will help to mitigate against certain risks, Directors must ensure that consideration is given to this when the risk assurance protocol is completed. The Director of Children's Services will complete this return in relation to the knowledge held on school performance and risk management.
- 4.2 In preparing the protocol the Children's Services Director may at some time in the future require head teachers to provide similar assurance for their schools, however there is no direct request made at present.
- 4.3 It is the responsibility of a head teacher to inform the Director of Children's Services of any issue that they believe may carry significant risk to the school and Local Authority.
- 4.4 The notification of identified risks to the Director of Children's Services is important, as there may be information that should be forwarded to the Chief Executive who is required to ensure that processes are established to determine the sources of assurance required to support the Annual Governance Statement (AGS) and to review and approve the AGS. The Annual Governance Statement is signed by the Chief Executive and the Leader of the Council.
- 4.5 The Director of Corporate Resources will ensure Action Plans are developed to address any significant governance issues reported in the Annual Governance Statement.

**CONTACT OFFICER : Head of Audit Services**

## **5 Financial Management**

### **5.1 General Framework**

- 5.1.1 The role of the Scheme for Financing Schools is to set out the financial relationship between the Authority and the maintained schools, which it funds. It contains requirements relating to financial management and associated issues, which are binding on both the Authority and on the schools. These financial regulations where appropriate reflect and further define the local authority expectations for schools.
- 5.1.2 The scheme for financing details the legislation under which the local authority determine the size of their Schools Budget and LA Budget.

#### Rights of Governing Bodies to Spend Delegated Budget Share

- 5.1.3 Subject to provisions of the scheme, governing bodies of schools may spend budget shares for the purposes of their school. They may also spend budget shares on any additional purposes prescribed by the Secretary of State in regulations made under section 50 of the Act.

#### Withdrawal of Governing Bodies Rights to Spend Budget Share

- 5.1.4 An LA may suspend a school's right to a delegated budget if the provisions of the school financing scheme (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily, including the mismanagement of community facilities funds. There is a right of appeal to the Secretary of State. A school's right to a delegated budget share may also be suspended for other reasons (section 17 of the SSAF Act 1998) but in that case there is no right of appeal.

#### Duties of the Treasurer

- 5.1.5 The Treasurer has a duty to ensure the proper administration of the Council's financial affairs (Section 151 Local Government Act 1972). The CFO is also required to produce annual accounts in accordance with statutory requirements of standard accounting practice. In managing their delegated budgets schools must abide by the Authority's requirements on financial controls and monitoring. These are contained within these Financial Regulations for Schools and Standing Orders Relating to Contracts let by the Governing Body of a School. These may be found on the Council's Intranet.

#### Policy, Advice, Implementation and Monitoring

- 5.1.6 The Director of Children's services shall be entitled to advise governing bodies on any matters relating to the councils education policies and implementation. Governing bodies shall consider and have regard to any advice or reports submitted by the Director of Children's Services.
- 5.1.7 The Director of Children's services shall be entitled to ask any person for information and explanations considered necessary to enable him to undertake his duties.

### Submission of Budget Plans

- 5.1.8 Each school is required to submit a budget plan to the Authority by 1 May each year in the format as described in the scheme for financing and shall be compatible with the requirements for the Consistent Financial Reporting framework.
- 5.1.9 The first formal budget plan of each financial year must be approved by the governing body or by a committee of the governing body.
- 5.1.10 Schools operating independent bank accounts shall also submit an annual cash flow statement and a budgeted balance sheet to the Authority by 1 May each year.
- 5.1.11 Each school shall also submit a multi year budget projection to the Authority by 31 July each year or any other date specified by the LA. This should cover the period that the schools have been notified of budget shares by the LA. This will provide reassurance to the LA that schools are undertaking financial planning.
- 5.1.12 The authority may also require the submission of revised plans where the authority deems it necessary. Such revised plans shall not be required at intervals of less than three months.
- 5.1.13 The LA will supply schools with all income and expenditure data, which it holds and which is necessary to efficient planning by schools. The LA will give guidance to schools on assumptions likely to apply to all schools, for example inflation factors.

### **5.2 Virements**

- 5.2.1 A governing body shall make arrangements to ensure that its budget may be varied to meet changing circumstances provided that the school's budget share shall not be exceeded. All financial virements shall be reported to governors in line with the Scheme of delegation within the school. The school may set financial limits above which the approval of the governors is required.

### **5.3 Revenue Budgetary Control**

- 5.3.1 Schools are required to provide the authority with details of expected and actual expenditure and income, in a form and at times determined by the authority and compatible with the Consistent Financial Reporting framework as outline in the scheme for financing. All reports should be completed in a timely manner and should be accurate. The Authority has a duty to challenge schools financial performance and will monitor and check school financial returns as part of the challenge process.
- 5.3.2 Where the schools financial performance gives cause for concern, the school will be required to attend a financial review meeting with the Authority, to work in collaboration to review the reasons for concern and agree a way forward.
- 5.3.3 Any schools may be required to reports more frequently at the discretion of the LA.
- 5.3.4 Governing Bodies / Finance Committee should receive termly reports on the income and expenditure of the school. This may be a separate item or may be a section of the head teachers report to governors.

5.3.5 It is recommended that as a minimum head teachers include in a termly report to the full governing body / Finance Committee:

- A summary statement showing by category
  - all expected income and expenditure for the financial year
  - income or expenditure to date
  - current variance to budget
  - projected income or expenditure for the financial year
  - projected variance to budget.
- A note on any ring-fenced grants received by the school, including a summary of the proposals to spend these.
- A note of reserves held by the school and the plan for spending these.
- A note of devolved capital funds held by the school and the plan for spending these.

5.3.6 Each Head teacher shall:

- a) monitor and control expenditure within their approved budget
- b) keep the Children's Services Finance Manager informed of any actual or likely changes which will/may have a significant impact on current or future budgets.

5.3.7 Each Head Teacher has the power to incur expenditure to carry out the functions allocated to them provided:

- a) expenditure is lawful
- b) School Standing Orders relating to contracts and Financial Regulations have been complied with
- c) Expenditure is within approved revenue budget or capital expenditure provisions
- d) Expenditure is in respect of Council Policy
- e) Consultations where appropriate have taken place with appropriate staff, Governors and the local authority Cabinet and Committee if necessary.

5.3.8 If the head teacher nominates an accountable officer (Budget Holder) for cost centres, this officer will receive and review an appropriate budget report on an appropriate basis. As part of this review process he/she would establish explanations for any significant variances.

## **5.4 Consistent Financial Reporting**

5.4.1 Section 44 of the Education Act 2002 enables the Secretary of State to require schools to submit an annual financial return in a standard format, which is referred to as Consistent Financial Reporting (CFR).

5.4.2 CFR regulations brought this into force as a requirement from 1st April 2003. The regulations require that all maintained schools submit a CFR return to the DfE by July each year. These returns will be checked and validated by Children's Services Accountancy.

## 5.5 Capital Budget

- 5.5.1 Schools undergoing a capital project will notify the local authority via the school managed projects – AMP information sheet to schools and forward this to Building and Estates. All projects should follow the guide to schools on the management of building projects.
- 5.5.2 If a capital expenditure project from the budget share in any one year will exceed £40,000, the governing body must notify the LA and take into account any advice from the Director of Children’s Services as to the merits of the proposed expenditure. Expenditure above this level will be presented to Cabinet / Committee or Director for approval.
- 5.5.3 The relevant information should be submitted to the Building and Estates team within the Directorate of Children’s Services. The information supplied should include:
- project title
  - details of scheme
  - value of scheme
  - timescale
  - any other funding streams set against the project
- 5.5.4 Schools’ revenue funding should not be used for major capital expenditure.

## 5.6 Capital Budget Monitoring

- 5.6.1 The schools capital budget will be monitored by the Head Teacher and the following discussed with governors on a regular basis:
- a) progress of schemes
  - b) problems and difficulties
  - c) changes to original proposals e.g. revised costs or work programmes, delays, etc
  - d) actual expenditure.
- 5.6.2 In accordance with School Standing Orders relating to Contracts a Post Completion Reviews of individual projects costing more than £175,000 will be undertaken by the Governing Body. The review will comply with the Guidelines for Post Completion Review, and a summary of the Review will be copied to the Director of Children’s Services within six months of practical or substantial completion.

## 5.7 Reserves & Balances Policies

- 5.7.1 In order to allow the LA to monitor excessive balances, governing bodies are required to report to the LA on the use which the school intends to make of surplus balances. This will be required in early May each year in a format and detail set by the LA.
- 5.7.2 ***The local authority may place restrictions on the surplus balances held by schools as permitted under the scheme for financing, which is revised annually. The scheme for financing outlines circumstances in which the reserves may be clawed back from the schools.***

## **5.8 Final Accounts and Year End Procedures**

### **Submission of outturn statements**

- 5.8.1 Following the year end, schools, which are not connected to the Authority's networked online financial systems, are required to submit returns as specified by the Authority.

### **CONTACT OFFICER : Children's Services Finance Manager**

## **6 Accounting Systems, Financial Records and Returns**

- 6.1 The School has a statutory responsibility to prepare its annual accounts to present fairly its operations during the year. These are subject to internal and external audit. This provides assurance that the accounts are properly prepared and proper accounting practices have been followed and that arrangements have been made for securing economy, efficiency and effectiveness in the use of the Authority's resource.

- 6.2 The Treasurer shall:

- a) determine accounting systems and procedures and the form of financial records and statements
- b) provide guidance and advice on all accounting matters
- c) monitor accounting performance to ensure an adequate standard for all Directorates
- d) certify financial returns, grant claims and other periodic financial reports required of the Council
- e) ensure there is a proper retention policy for financial documents
- f) establish timetables for budgets and closedown of accounts

- 6.3 Each Head Teacher shall:

- a) implement accounting procedures and adopt the form of financial records and statements as determined by the Treasurer
- b) pass to the Children's Services Finance Manager financial returns and other financial reports that require completion and certification
- c) maintain a proper separation of duties for staff with financial responsibilities
- d) be responsible for the completion and submission of grant financial returns
- e) ensure financial documents are kept in accordance with the retention policy
- f) ensure all key controls are consistently applied and appropriately evidenced

### **CONTACT OFFICER : Children's Services Finance Manager**

## **7 Taxation and Leasing**

### **7.1 Taxation**

- 7.1.1 Like all organisations, the School 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 and Governors to be aware of their roles and responsibilities.
- 7.1.2 It is the responsibility of Head teacher to ensure compliance with all tax regulations relating to their School. This will include Income Tax, National Insurance, Value Added Tax and tax accounted for under the Construction Industry Scheme. Head teachers will be liable for any costs, including any penalties and interest charged for incorrect tax treatment.
- 7.1.3 ***Any queries in relation to taxation should be raised with the Principal Tax Accountant. Information can also be obtained from Accountancy Services intranet site.***
- 7.1.4 Schools that operate their own financial systems need to submit the VAT return monthly in accordance with the Local Authority deadlines. Failure to do so may result in VAT being paid late and penalties.

#### **CONTACT OFFICER : Principal Tax Accountant**

### **7.2 Leasing**

- 7.2.1 Leasing is a method of financing certain types of capital assets and allows the cost to be spread over several financial years through annual rentals. There are basically two types of leasing, a finance lease and an operating lease.
- 7.2.2 Operating lease agreements can only be entered into on behalf of the School after full consultation, consideration and approval of the Finance Committee who have the responsibility delegated to them by the full Board of Governors.
- 7.2.3 The finance lease is the same as borrowing and cannot be entered into by the school; the school should check the legal position of any lease that it is considering.
- 7.2.4 The school needs to be aware of the type of any form of lease that it may be considering entering into before signing an agreement (if in doubt the Bursar should seek professional advice).

#### **CONTACT OFFICER: Corporate Finance, Financial Accountant**

## **8 Borrowing**

- 8.1.1 The scheme for financing outlines the requirements relating to borrowing arrangements. Governing bodies may not enter into borrowing arrangements - including finance, hire purchase or other leasing deals –without the specific and written permission of the Secretary of State.
- 8.1.2 This does not, however, apply to Trustees and Foundations, whose borrowing, as private bodies, makes no impact on Government accounts. These debts may not be serviced directly from the delegated budgets, but schools are free to agree a charge for a service which the Trustees or Foundation are able to provide as a consequence of their own borrowing. Governing bodies do not act as agents of the LA when repaying loans.
- 8.1.3 Any school considering borrowing is required to consult first the Director of Children's Services and the Children's Services Finance Manager for advice.
- 8.1.4 Schools may not use credit cards, unless they are issued or approved by the Treasurer. The use of debit cards, charge cards or electronic purchase cards, however, is recommended as these are efficient methods of purchasing which offer equivalent facilities to credit cards.
- 8.1.5 As with borrowing, Trustees and Foundations may use credit cards as private bodies, but any debt may not be serviced directly from the delegated budgets.

### **8.2 Borrowing for agreed purposes**

- 8.2.1 From 2005/06, an LA's budget can include costs on prudential borrowing. Prudential borrowing means borrowing money for the purpose of facilitating the modernisation and rationalisation of the school estate, where the revenue savings that will be achieved are equal to or more than the expenditure that will be incurred in borrowing the money.
- 8.2.2 The general provision in forbidding governing bodies to borrow money shall not apply to schemes run by the Authority as set out in the following sections:

#### **Loan schemes**

- 8.2.3 A school may apply to borrow from the LA, against the collective surplus of school balances held by the Authority on behalf of schools, in order to fund asset purchases. The conditions within the scheme for financing will govern all aspects of the arrangement.

#### **Licensed Deficit scheme**

- 8.2.4 A school may plan for a deficit budget only via the LA's licensed deficit scheme, the conditions within the scheme for financing will govern all aspects of the arrangement.

### **Obligation to carry forward deficit balances**

- 8.2.5 Deficit balances will be carried forward by the deduction of the relevant amounts from the following year's budget share.

### **Planning for deficit budgets**

- 8.2.6 No school may plan for a deficit budget. In exceptional circumstances governors may apply to anticipate their budget for the following year for specific objectives. However, no commitments of such a nature may be entered into without the prior approval of the Treasurer.
- 8.2.7 Any school that forecasts a possible in-year deficit is required to notify the Director of Children's Services as soon as it is aware that it may have a potential deficit (see standard operating procedure – schools with an anticipated budget deficit). The school will be expected to take appropriate action to reduce the forecast deficit as soon as possible.

### **8.3 Charging of interest on deficit balances**

- 8.3.1 The LA may charge interest on any deficit balance accumulated.

### **8.4 Writing off deficits**

- 8.4.1 The LA has no power to write off the deficit balance of any school.
- 8.4.2 If an LA wishes to give assistance towards elimination of a deficit balance, this should be through the allocation of a cash sum from the LA's own resources

### **CONTACT OFFICER : Children's Services Finance Manager**

## **9 Financial Delegations**

- 9.1 Each Head teacher should produce a written financial delegation document detailing who within his/her School has been allocated specific financial responsibilities and tasks. The document and any subsequent amendments should be approved by governors. In some cases delegations may have limits or restrictions attached. The delegation document will normally be included in the School Financial Procedures manual which all appropriate staff can access, so staff are aware of what delegations are in place. ***These delegations relate not only to the authorisation of hard copy documentation by way of a manuscript signature but also to electronic authorisation levels set up within computer applications e.g. Corporate Financial System (Agresso) and the Payroll and Personnel System (PS Enterprise).***
- 9.2 Head teachers must ensure that prior to giving financial delegated authority to an officer that there is an appropriate separation of duty within the relevant system e.g. it should not be the same officer who authorises the order requisition or invoice (No-Order invoice) that acknowledges receipt of the goods or service.

- 9.3 Head teachers are responsible for bringing to the attention of all relevant officers the need to comply with the financial delegation document for the School.
- 9.4 The Governing Body should review the financial delegation document at least annually against the demands of the operations within the school.
- 9.5 Only authorised officers who have been given delegated powers may commit the Council to expenditure by:
- a) authorising order requisitions
  - b) certifying invoices (No-Order)
  - c) certifying expenses claims
  - d) authorising petty cash purchases
  - e) certifying timesheets and overtime claims
  - f) authorising the completion of personnel documentation
  - g) signing and awarding contracts
  - h) making purchase card payments
- 9.6 The financial delegation document should also include any delegations given with regard to Standing Orders relating to Contracts, and the raising of debtor invoices and credit notes.
- 9.7 The Treasurer can request details of a schools financial delegations. If the Treasurer considers that a delegation to an officer is inappropriate he can request that the delegation be changed or removed.

### **CONTACT OFFICER : Head of Audit Services**

## **10 Audit**

### **Internal Audit**

- 10.1 The Section 151 Officer under section 114 of the LGFA 1988 and the Accounts and Audit Regulations 2006 has a statutory responsibility for the overall administration of the Council's financial affairs. Section 6 of the Accounts and Audit Regulations 2003, says that the Council "shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices". The Section 151 Officer shall, therefore, in accordance with relevant legislation arrange for a continuous and current internal audit of all areas of Council activities.
- 10.2 "Proper practices" are defined in the regulations by the CIPFA publication - "Code of Practice for Internal Audit in Local Government in the United Kingdom". Audit Services will operate to this Code and any other relevant guidance. The definition of Internal Audit within the Code is:

*Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment (comprising risk management, control and governance) by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.*

- 10.3 As the definition outlines Audit Services has a key role to play in reviewing the Council's arrangements for corporate governance, risk management and internal control. It contributes to the Council's Annual Governance Statement.
- 10.4 The existence of a continuous internal audit service does not in any way diminish the responsibility of Head teachers for the management of a school under their control and their responsibilities in respect to the systems of internal control and the management of risk.
- 10.5 The Head of Audit Services shall ensure that Internal Audit remains independent in the planning and operation of the Council's internal audit activities. The Head of Audit Services is responsible for maintaining periodic audit plans which have due regard to the key strategic risks of the Council, the risks involved for each service area in delivering their services and the requirements of the External Auditor. The Head of Audit Services will consult with the Treasurer, Directors and the Audit and Standards Committee on the annual audit plan and the strategic audit plan.
- 10.6 It is the responsibility of Audit Services to review, appraise and report upon
- a) the soundness, adequacy and application of internal controls providing assurance within the Annual Governance Statement.
  - b) the extent to which the Council's assets and interests are accounted for and safeguarded from losses of all kinds arising from:
    - fraud and other offences
    - waste, extravagance and inefficient administration, poor value for money or other cause
  - c) the suitability, reliability, integrity and completeness of financial and other management data developed within the organisation
  - d) the soundness and adequacy of the systems operating to collect and report on performance information
  - e) the corporate governance arrangements of the Council
  - f) the risk management processes of the Council both at Corporate, Directorate and Service Level
- 10.7 The Treasurer's authorised Internal Audit representatives shall be empowered to:
- a) enter at all reasonable times any Council premises, school or land
  - b) have access to all school and council records, documentation and correspondence relating to any financial and other transactions as considered necessary
  - c) have access to records belonging to third parties such as contractors or partners when required (such rights of access shall be written into appropriate agreements)
  - d) require and receive such explanations as are regarded necessary concerning any matter under examination
  - e) require any employee or member of the Council to account for cash, stores or any other Council or school property under his/her control or possession.
- 10.8 All work carried out shall have due regard for the requirements of the Human Rights Act 1998, the Data Protection Act 1998, Freedom of Information Act 2000, Regulatory of Investigatory Powers Act (2000) and other legislation current at the time of the audit.

- 10.9 Any funding agreement with other persons in relation to community facilities must also ensure that agreements contain adequate provision for access by the Authority to the records and other property of those persons held on school premises, or held elsewhere insofar as they relate to the activity in question, in order for the Authority to satisfy itself as to the propriety of expenditure on the facilities in question.
- 10.10 Audit Services should be consulted on any changes in financial, governance or risk management procedures and on the implementation of new or updated computer systems. **Significant changes in procedures and thus internal controls should also be discussed with Audit Services.**
- 10.11 Schools are responsible for responding to Audit Services reports in accordance with the agreed standing operating procedure within children's services. Recommendations should be implemented in accordance with the agreed timescale.
- 10.12 Audit Services will produce an annual management report on the work completed within School's each year. This report will provide a conclusion on the effectiveness of the internal control, risk management and governance procedures.
- 10.13 It is the duty of any officer to comply with the Corporate Anti-Fraud and Corruption Strategy. Any Head teacher or officer who suspects that an irregularity involving cash, materials or any other property of the School or Council may have occurred must inform their Director who should report the matter directly to the Head of Audit Services or the Treasurer. Confidentiality will be respected in any dealings with Audit Services, wherever possible.
- 10.14 Governors should comply with the Code of Conduct for Governing Bodies and act fairly and without prejudice at all times.
- 10.15 The Treasurer shall report material failures of financial control to the Chair of the Audit and Standards Committee, the appropriate Cabinet Member and the appropriate Director.
- 10.16 Where evidence of fraud, misappropriation or theft is discovered, the Director of Corporate Resources shall decide after consultation with the Treasurer and relevant Head Teacher, whether to refer the matter to the Police. Where a Governor is involved the Chief Executive, Monitoring Officer and where appropriate, the External Auditor, will be consulted.
- 10.17 Each Head Teacher shall:
- a) respond without undue delay to any enquiries or recommendations made by the Treasurer or the Head of Audit Services
  - b) inform the Treasurer as soon as possible of failures of financial control, including matters which involve, or may involve financial irregularity.
- 10.18 The Head of Audit Services has the authority to report, as appropriate, on any matter, without fear or favour, to all levels of the Council. This can include reporting directly to the Chief Executive, the Leader, Cabinet Member with responsibility for Finance, Chair of the Audit and Standards Committee, Section 151 officer, Directors, Chair of Governors, the Monitoring Officer or the Council's External Auditors.

## **External Audit**

- 10.19 The Treasurer is responsible for ensuring:
- a) that the External Auditors are given access at all reasonable times to premises, personnel, documents, assets that the External Auditors consider necessary for the purposes of their work
  - b) there is effective liaison between external and internal audit
  - c) that the full Council, Cabinet and Directors are advised on their responsibilities in relation to external audit.
- 10.20 Schools are permitted to seek an additional source of assurance at its own expense from external auditors, as this does not remove the requirements that the school must also cooperate with the LA's internal and external auditors.

### **CONTACT OFFICER : Head of Audit Services**

## **11 Public Accountability - Responsibilities**

### **General**

- 11.1 Governors should ensure that they follow the Code of Conduct for Governing Bodies, have read the Governors' Handbook and declared any interests.
- 11.2 All officers should follow the Code of Conduct for Employees.
- 11.3 The Corporate Anti-Fraud and Corruption Strategy applies to all Governors and officers of the Council and they should be aware of its contents whilst representing and working for the Council / School.

### **CONTACT OFFICER : Head of Audit Services**

## **12 Purchasing Arrangements**

- 12.1 These regulations should be read in conjunction with School Standing Orders relating to Contracts and corresponding guidance. Where consultants are appointed to act on the behalf of the Governing Body in any part of a procurement exercise they will be provided with a copy of these Financial Regulations, School Standing Orders relating to contracts and a copy of the schools Financial Management Regime by the Head Teacher and it will be a condition of the engagement that these Regulations and the Standing Orders are strictly observed.
- 12.2 The procurement of a consultant should follow the limits outlined in School Standing orders relating to contracts in relation to the expenditure levels in order to obtain value for money in procuring a consultant – as well as the project that the consultant will be used to undertake.
- 12.3 Head teachers must ensure that any purchasing contracts comply with Standing Orders relating to Contracts, statutory requirements and European Directives.

12.4 Standing Orders relating to contracts for Schools applies to:

- a) the purchase of goods, materials and related services
- b) the execution of works
- c) the provision of services
- d) the provision of grants

In order to remove any doubt Standing Orders relating to contracts relates to all “non-pay” payments / purchasing decisions.

12.5 Head Teachers should seek the advice of Procurement, Contract Management and Creditor Services (Corporate Resources Directorate) , where appropriate, or the advice of the Directorate of Children’s Services purchasing department. In addition the school should utilise the DCS Procurement Manual for Schools and Procurement, Contract Management and Creditor Services shall be informed at the outset, either in writing or by e-mail, of all contracts, agreements, awards and other instruments involving the payment or receipt of money, of a value of £175,000 or over during the lifetime of the contract. These will then be included within the Forward Plan, which is a formal document used to plan the major spend within the authority.

12.6 Before inviting Quotations or Tenders or entering into Negotiations in respect of any Contract, it must be established whether a Corporate Contract exists covering the proposals. If one does exist then the school should consider the use of the Corporate Contract. The school are also requested to communicate the use of alternative suppliers to the Head of Procurement justifying the use of non Contracted Suppliers in order to inform future tendering negotiations with suppliers.

12.7 ***Consultation should be held with the Assistant Director Law and Governance for all purchases of land and buildings and the procurement of legal support.***

**CONTACT OFFICER : Head of Procurement**

**13. Partnerships**

13.1 Partnerships are defined as a group of people from two or more organisations who work together to achieve agreed strategic goals and objectives. The Council enters into a wide variety of different partnership arrangements. For the purposes of these Financial Regulations a Partnership is defined as a key strategic working partnership and/or where the Council has significant financial involvement.

13.2 The Treasurer is responsible for the following:

- a) confirming that appropriate Financial Regulations and Standing Orders relating to Contracts are in place
- b) assessing the financial viability of the partnership in the current and future years
- c) ensuring accounting/budgetary arrangements are satisfactory
- d) advising the partnership on financial matters including insurance, risk and taxation
- e) ensuring that the partnership is appropriately audited
- f) maintaining a record of partnerships where Dudley MBC is the accountable body

13.3 Head Teachers are responsible for the following:

- a) ensuring that the work to be undertaken is in accordance with the Council's statutory powers
- b) carrying out an assessment of the benefits of undertaking the work in partnership prior to entering into partnership (feasibility study)
- c) ensuring that the partnership has adequate governance procedures in place
- d) ensuring that adequate risk management procedures are in place
- e) ensuring that the partnership has adequate systems/policies/procedures in place
- f) ensuring that the responsibilities of the partners are clearly defined and recorded
- g) notifying the Treasurer that a partnership is to be entered and whether Dudley MBC is the accountable body and any information that he/she requires
- h) evaluating the effectiveness of the partnership
- i) maintaining a register of all partnerships entered into
- j) approving the entering into of a partnership arrangement
- k) keeping records of all key correspondence between the funding partners, especially those relating to agreement of specification, roles, risks and responsibilities.
- l) keeping all appropriate documents in an electronic directory and evidence required to satisfy internal and external audit requirements. This directory should be accessible to all appropriate staff
- m) ensuring that the partnership is evaluated on a regular basis using the partnership evaluation tool
- n) ensuring partnership working agreements are in place before any activity for the scheme begins or a contract is let. These must be in writing, and as a minimum should cover:
  - A definition of who the funding bodies are and what they are committed to under the agreement e.g. allocation of contractual risks, roles and responsibilities, which will be responsible for any cost overruns, etc.
  - Express agreement as to whether the Contracts (Rights of Third Parties) Act 1999 should apply to any contract subsequently entered into with a supplier by the lead partner on behalf of the partnership. This will allow the partners other than the lead body to both enforce their rights under the contract and to be held liable for default or risk under it. Please note that this clause must also be expressly stated in the contract with the supplier to be valid.
  - How the specification will be agreed by all of the funding bodies, plus any 'exit' arrangements if the parties are unable to agree. The specification should include:
    - a description of the goods/services/outputs to be produced
    - timescales
    - testing/effects procedures
    - ownership of any intellectual property (e.g. copyright, design rights etc) or physical property (e.g. goods, buildings) resulting from the agreement
    - procedure for making variations to the agreement or the project

- measures of quality/success
  - how disputes between the funding partners will be dealt with
  - written agreement to pay/physical fund transfer to the lead body (when and how this will be done)
- o) The agreement should be formally reviewed in accordance with the terms of the agreement.
- 13.4 Where a Head Teacher feels it is appropriate to discharge a service or provide a function through the formation of a new legal entity (company or otherwise), the relevant Head Teacher should consult with the Director of Corporate Resources and the Treasurer

**CONTACT OFFICER : Assistant Director Policy and Improvement**

**14 Schemes Financed Partly or Wholly by External Funding**

- 14.1 External funding programmes can pose significant risks for the Council and should only be considered after a rigorous process of consultation and internal or external assessment including financial scoping and risk assessment.
- 14.2 Community facilities within schools may dependent on a funding agreement with a third party. Any such proposed agreement should be submitted to the Local authority for its comments the designated officer is the Assistant Director (Education, Play and Learning) . In all cases schools are advised to contact the Local Authority Development Officer for advice due to their expertise in this area.
- 14.3 In circumstances where an agreement has been or is to be concluded against the wishes of the Local authority or has been concluded without informing the Local Authority and it is believed to be seriously prejudicial to the interest of the school or the Authority, that may constitute grounds for suspension of the right to a delegated budget.
- 14.4 In specific instances of use of the community facilities power by a governing body, where the LA has good reason to believe that the proposed project carries significant financial risks, it may require that the governing body concerned shall make arrangements to protect the financial interests of the Authority by either carrying out the activity concerned through the vehicle of a limited company formed for the purpose, or by obtaining indemnity insurance for risks associated with the project in question, as specified by the LA.
- 14.5 The Council has produced an External Funding Code of Practice that establishes the key procedures and protocols that must be followed by every Council officer involved in bidding for and managing projects and programmes that are largely or wholly funded through external funding. In the case of schools this Code of Practice must be followed if any Council resources are being relied on for match – funding.

- 14.6 Where an officer manages a project he should be cognisant of the Council's Project Management Principals document which provides the minimum standards for managing a project.

**CONTACT OFFICER : Childrens Services Financial Accountant**

**15 Orders for Work, Goods and Services**

- 15.1 Official Order requisitions are to be raised by staff and then approved via the school scheme of financial delegation. For schools on the Agresso system this will be electronically, for schools on alternative systems the original requisition should be approved by the budget holder and subsequent orders generated signed by an official school signatory. Authorised officers are responsible for ensuring that before an order is issued that there is an adequate budget provision and that Standing Orders relating to Contracts and Financial Regulations have been complied with.

- 15.2 As Dudley MBC operates an electronic ordering system (Agresso) authorised officers are those who are to be provided with access to approve the requisition on the system. It is a requirement that the officer who raises the requisition is different from the officer who approves the requisition. It is also a requirement that the officer who approves the requisition is different from the officer who receipts the goods or service.

This rule will not apply to self-certification of orders below a value which will be determined by the Treasurer, and compensating controls will operate whereby managers will review any self approval orders raised for their area of responsibility each month.

- 15.3 ***Official orders should be issued for all work, goods or services to be supplied to the Council (except for those exceptions detailed in the guide on No order invoices). Authorising officers must be able to demonstrate that the work, goods or services are required in order to provide School supplies. If an Authorising officer does not consider an order should be raised for any other type of payment then they should seek the written approval of the Treasurer (Head of Audit Services).***

- 15.4 The most cost effective method should be used to purchase low value items e.g. purchase card.

- 15.5 ***Telephone orders may be used in exceptional circumstances but must be confirmed by raising an order on the Corporate Financial System (Agresso) and marked "Confirmation Order" in the appropriate text field so that it will appear on the order, within 7 days of the verbal order being given. Where the supplier's invoice is received before any order is raised then there is no requirement to raise the Order.***

- 15.6 Standard terms and conditions must not be varied without the prior approval of the Director of Corporate Resources. Goods and services should be checked on receipt to ensure they are in accordance with the order. The delivery/advice note should be signed to evidence the check and retained.

- 15.7 Official orders shall indicate clearly the date of the order, the quantity, quality and nature of the goods, works and services and the contract or agreed price. An estimated price shall be provided when an agreed price is not available.
- 15.8 Goods or services may be purchased via a purchase card. The Purchase Card User Manual should be referred to for specific details on how the Purchase Card should be used and must be complied with.
- 15.9 ***Headteachers should take action to ensure invoices are paid on average within 10 days and in any case within 30 days of being received or on the stipulated date so that any settlement discounts can be obtained. To ensure compliance against the targets invoices must be date stamped on first receipt by the School.***
- 15.10 Any interest charged to the Council in respect of late payment under the Late Payment of Commercial Debts (Interest) Act 1998 will be passed on to the School that ordered the goods/services.
- 15.11 Officers should monitor the orders raised and ensure that goods/services are received/provided within the stipulated timetable. Where an order or part of an order is no longer required, then it should be cancelled off the system so that the outstanding commitment is amended on the appropriate budget report.

**CONTACT OFFICER : Head of Procurement**

**16 Payment of Accounts**

- 16.1 Where payment is to be made, Head Teachers should ensure that that the officers who authorise No Order invoices for payment or have approved invoice variations have prior to authorisation confirmed that:
- a) a valid invoice has been received
  - b) the goods, services and work have been received or carried out, examined and approved as to quality and quantity.
  - c) the expenditure is necessary, legal and within the estimates provision.
  - d) the prices are in accordance with any quotation, tender or contract and/or are reasonable.
  - e) discounts or credits due have been deducted
  - f) VAT or other tax treatment is correctly stated
  - g) the account is arithmetically correct
  - h) the amount has not been previously paid or certified for payment, either in whole or part.
  - i) appropriate entries have been made in asset registers, inventories and stock records.
  - j) the information shown on the scanned invoice is in agreement with the details to be paid
  - k) there is an appropriate separation of duty
- 16.2 Where payment is made by any other method the requirements detailed in 16.1 must be complied with, if appropriate unless exemption has been given by the Treasurer.

- 16.3 Where an invoice is found to be incorrect e.g. because of an addition error, the VAT is incorrectly calculated or the invoice is not addressed to the School, it should be returned to the supplier with an explanatory note. Hand-written amendments should not be made to an invoice as this may invalidate the recovery of VAT. A credit note should always be requested, where required.

**CONTACT OFFICER : Head of Procurement**

**17 Income and Debtors**

- 17.1 The Treasurer shall ensure that effective income collection systems are in place to ensure that all of the income due is identified, collected, receipted and banked properly. Income should be obtained in advance of supplying goods or services where it is considered that payment may be at risk.
- 17.2 Head Teachers are responsible for ensuring that all income due to the School is received at the right time using the correct and most cost effective procedures. Whenever possible for sums below £100 credit should not be given and these sums should be collected on or before service delivery.
- 17.3 All invoices should be raised on the Corporate Financial System (Agresso) to ensure that effective action shall be taken to pursue non-payment within defined timescales. Approval to not use the Corporate Financial System must be obtained from the Treasurer.
- 17.4 ***Head Teachers are responsible for ensuring when invoices / credit notes are raised that the appropriate VAT code is used and they have been authorised in accordance with the financial delegation document.***
- 17.5 Schools staff should request/produce monthly debt monitoring reports, which should be reviewed to determine whether it is appropriate to continue the provision of a service to any person or organisation that has amounts outstanding outside of the credit period.
- 17.6 Head Teachers shall, wherever possible, separate the responsibility for identifying the amount due/raising of accounts from the responsibility for collection. They should also ensure that any unbanked income is retained securely to safeguard against loss or theft and that receipts, tickets and other records of income are held securely for the appropriate period.
- 17.7 All debts will be followed up via reminder notices and debt recovery procedures as prescribed by the Treasurer. No debt in respect of an amount due to the School once established shall be discharged otherwise than by payment in full except where write-off has been properly authorised as detailed in 17.8.
- 17.8 Governing bodies are only authorised to write off debts up to a level stipulated by the Treasurer. The current limit is set at debts up to and including £1,000. In the case of debts over £1,000 the school must consult with the Treasurer. Debts over £1,000 can only be written off by the Treasurer in consultation with the Cabinet Member with responsibility for Finance.

- 17.9 The cost of all write-offs will be borne by the School, who originally benefited from the credit.
- 17.10 ***All receipts, tickets and other acknowledgements for payments received shall be approved by the Treasurer. The Head of Audit has the authority to waive the requirement to acknowledge the receipt of certain income streams if he considers it is not practical or cost effective to do so. In all instances when acknowledgement for payment is not provided two members of staff must be present when collecting, counting and recording cash and a document must be completed recording the amount collected and signed by the two officers present to certify the accuracy of the information. If this is not possible a suitable record of income due and collected should be maintained with a subsequent check on the completeness of the income by examining supporting information carried out and signed by the person undertaking that check and reconciliations undertaken where appropriate. E.g. reconciling the income taken to an electronic counter of items sold. Any subsequent transfer of cash between two employees shall be acknowledged by both officers signing and dating a record of the transfer.***
- 17.11 Each officer who receives money on behalf of the School, or for which they are accountable to the School shall keep such records as required by the Treasurer.
- 17.12 All money received by an officer on behalf of the School shall be paid promptly and completely to the Treasurer, or as he/she may direct, to the Council's bankers. This should be preferably on the same day or if this is not possible at the earliest opportunity. In the interim the money should be kept securely, preferably in a locked safe. No deductions may be made from such money other than as may be approved by the Head of Audit Services. When money is banked information as to the reason for its receipt, or its origin, shall be supplied. Head Teachers should ensure income held on premises does not exceed the insured amount. ***The insured amount can be obtained from the Council's Risk Management Team.***
- 17.13 Money held on behalf of the School shall not be used to cash personal cheques for Governors, officers or third parties.
- 17.14 Governors shall ensure charges made for services under their control are reviewed at least annually and will either be formally approved by governors or approved in accordance with the school decision planner / scheme of delegation.

**CONTACTOFFICER : Assistant Director Customer Services**

**18 Banking Arrangements**

- 18.1 All arrangements with the School's bankers outside those operating with the main accounting system must be with approved banking institutions as approved by the Treasurer.
- 18.2 Cheque signatories for bank accounts operated by schools will be communicated to the local authority and designated in writing. ***Each account will require a minimum of two cheque signatories.***

18.3 Standing order and direct debit payments are subject to the same rules as cheque signing and may only be established by authorised signatories.

18.4 The Treasurer shall maintain a list of identified senior officers who may on his/her behalf give instructions to the Council's banker and countersign cheques.

### **CONTACT OFFICER : Group Accountant – Support Services**

## **19 Payments to Employees**

19.1 *Staff costs are the largest item of expenditure for most School services. It is therefore important that there should be controls in place to ensure that payments are made only where they are due for services to the School and that payments accord with the individual's conditions of employment. This is maximised through the use of electronic claim forms and managers must ensure these are used wherever possible. The introduction of "real time" reporting to HM Revenues and Customs e.g. on a monthly basis rather than annually makes this even more important as employees could be in position of paying more tax and national insurance by not being paid the correct amounts at the correct time.*

### **19.2 Head Teachers must ensure**

- *All appointments are made in accordance with the rules of the Council (Recruitment and Selection Policy) and approved establishments, grades, scales of pay and that adequate budget provision is available for the length of the employment contract.*
- *New posts will require the approval of the Governing Body or one of its Committees.*
- *Any changes in contract are approved by Governors and amendments to contracts will be notified to the payroll section in line with the delegation documents.*
- *Where electronic forms are not used all appointments, changes in contract and variable payments e.g. overtime are approved in accordance with the financial delegation document and where relevant the collective agreement for JNC staff and the Councils pay policy.*
- *Careful consideration is given to the employment status of individuals employed on a 'self-employed consultant or sub-contract' basis as these may well be considered employees by HM Revenues & Customs and should therefore be paid through the payroll. Headteachers must be able to evidence that they have tested the employment status against HM Revenues and Customs rules. While the method of payment in isolation does not determine the employment status, it is one of a number of tests that will do so.*

- *That they or their Managers on a regular basis e.g. monthly review detailed information on the salary/wage payments made to their staff. This should be checked to ensure that the staff establishment is correct and that payments made are accurate.*
- *That changes in contracts of employment and variable payments are notified to the Human Resources and Organisational Development Division in a timely fashion, or in accordance with published deadlines, preferably before the change is due so as to avoid an overpayment occurring.*
- *That an up to date delegation document is maintained for the authorisation of personnel and payroll changes and this is shared with the Human Resources and Organisational Development Division*
- *That any benefits in kind are notified to the Assistant Director Human Resources and Organisational Development*
- *That the payment of a honorarium is approved by Governors.*
- *Audit logs are obtained from the Corporate Payroll and Personnel System (PSE) on a regular basis showing those amendments that have not gone through an electronic authorisation process. These should be checked by an independent officer to the personnel/payroll documentation processed and the checks evidenced.*
- *That Human Resources policies and procedures are adhered to.*
- *No amendment is made to the Corporate Payroll and Personnel System unless the officer entering/actioning the amendment has received personnel/payroll documentation signed/authorised in accordance with the directorate financial delegation document.*
- *No payment shall be made to a person deemed to be an employee other than through the normal payroll procedure. Under no circumstances should an employee be paid in cash.*
- *That the collective agreement on grading and pay and thus the Council's pay policy is adhered to. Where a new post is created or responsibilities of a post change discussions should be held with the Assistant Director Human Resources and Organisational Development or their delegated officers (HR and Job Evaluation Team) to secure fair job grades. These conversations should take place before advising staff of a grade in order to avoid any misunderstanding.*

**CONTACT OFFICER : Head of Human Resources - Children's Services**

## 20 Travel and Subsistence

- 20.1 **All staff should comply with the Council's Allowance Procedure and guidance.**
- 20.2 **Head Teachers are responsible for the verification of their officers' travel/mileage claims (hard copy or electronic).** This would include:
- a) that the costs have been incurred whilst officers were engaged on official Council business
  - b) the accuracy of the mileage claimed
  - c) the validity of the journeys taken
  - d) subsistence claim is appropriately supported and in line with Council policies
  - e) car parking and other expenses are appropriately supported and in line with Council policies.
- 20.3 All travel/mileage claim forms should be signed by the officer, their supervisor and a certifying officer (in accordance with the directorate financial delegations). The only exception to this would be if the supervisor and the certifying officer are one and the same i.e. the officer reports directly to the certifying officer. **Where an electronic claim form is completed the same controls would apply, but an officer's login and password would replace the manuscript signature(s). Where an electronic claim form has been submitted, a hard copy form as prescribed by the Assistant Director Human Resources and Organisational Development should be completed and submitted to their manager for review together with appropriate car mileage receipts before the manager authorises the claim on the Corporate Payroll and Personnel System. The hard copy form should be held securely by the authorising officer.**
- 20.4 Travel/mileage claim forms should be certified by an officer of a higher grade, unless the travel/mileage claim relates to a Head Teacher in which case an independent senior person should sign their claim.
- 20.5 All claims should be completed in full, appropriately authorised and must be submitted within three months of undertaking the journey or incurring the expenses, to qualify for reimbursement.
- 20.6 Head Teachers must ensure that all officers use their own vehicles for business purposes are appropriately insured and are legally allowed to drive a vehicle. This in practice means the following checks should be undertaken on an annual basis
- a) that the officer has a valid insurance certificate that includes the use of the vehicle on official business
  - b) that the officer has a valid driving licence
  - c) that the officer's vehicle has a valid MOT certificate if required

If evidence of a valid insurance certificate, driving licence and MOT cannot be provided then the officer should not be allowed to use his/her car on Council business.

- 20.7 ***Where a claim for travel / car mileage has been made electronically, then approval must be in accordance with the financial delegations. Where a hard copy claim is submitted the officer who processes the travel/mileage claim form on the Corporate Payroll and Personnel System (PS Enterprise) should ensure that the claim form has been completed in full and certified in accordance with the financial delegation document.***
- 20.8 ***Where travel / care mileage are entered manually onto the Corporate Payroll and Personnel System (PS Enterprise) audit logs should be obtained from the system on a regular basis and checked by an independent officer to the actual travel / mileage claim forms. This is to ensure information has been accurately entered onto the system. All checks should be documented.***

**CONTACT OFFICER : Head of Human Resources - Children's Services Personnel**

## **21 Petty Cash**

- 21.1 The Treasurer shall provide petty cash imprests of such amounts as may from time to time be required for the purpose of paying minor items of expenditure and any other items as may be approved by him/her. Individual petty cash payments should not exceed £100 although wherever possible a purchase card should be used to make payment.
- 21.2 Where the Treasurer considers it appropriate, he shall open an account with the School's bankers for use by the petty cash imprest holder. The accounts will not have overdraft facilities. An officer independent to the imprest holder should undertake regular reconciliations of the bank account i.e. bank statements to supporting records.
- 21.3 The Treasurer should approve the petty cash records maintained. Petty cash should be maintained on an imprest basis.
- 21.4 A petty cash payment slip must be completed for every reimbursement that is made and must be signed by the claimant. A review petty cash expenditure should be undertaken by an independent officer termly of the amounts paid out via petty cash and evidenced to verify that all expenditure made is appropriate.
- 21.5 Receipts must be obtained for all payments over £5, unless the Head Teacher is satisfied that the obtaining of a receipt is impracticable and for under £5, wherever possible.
- 21.6 The Treasurer reserves the right to withdraw petty cash facilities from officers if it is deemed that they are being used inappropriately, the expenditure limit is exceeded, or the facility is rarely used.
- 21.7 No income received on behalf of the School may be paid into a petty cash account but must be separately banked, unless the agreement of the Treasurer has been obtained.

- 21.8 Petty cash accounts must never be used to cash personal cheques or make personal loans. Car mileage payments may not be paid by petty cash as these are generally subject to tax and national insurance rules.
- 21.9 The petty cash account should be continually kept in balance and regular reconciliations should be undertaken by an independent officer of the cash in hand to the records maintained. These checks should be documented.
- 21.10 Petty cash payments and petty cash imprest reimbursements should be authorised in accordance with the school financial delegation document.
- 21.11 The officer responsible for an petty cash account shall, if requested, give the Treasurer a certificate confirming the amount held. Upon leaving the School or at the request of the Treasurer the responsible officer shall repay to the Council the balance of the petty cash held or have the petty cash formally transferred to another officer.

**CONTACT OFFICER: Head of Audit Services**

**22 Risk Management**

- 22.1 The Treasurer is the lead officer in respect of risk management and is responsible for the corporate risk management processes of the Council. However, it is the responsibility of all Head teachers, governors and officers to be aware of the principles of risk management and to manage risks, where appropriate for their area.
- 22.2 All Head teachers have a responsibility for ensuring that risks are managed within the school environment. The principles of risk management for schools are outlined in the school financial procedures manual.
- 22.3 It is the responsibility of the Head teacher to inform the Director of Children's Services of any significant risks that the school faces so that he may in turn include any significant risks as part of his duty to complete a quarterly risk assurance protocol report to the Treasurer ,
- 22.4 The Treasurer will keep the Cabinet informed of the Council's key risks via the Quarterly Performance Report and will report on a regular basis to the Audit and Standards Committee.

**CONTACT OFFICER : Risk and Insurance Manager**

**23 Insurance**

- 23.1 The Treasurer is responsible for ensuring the Council's assets and liabilities are adequately and properly insured. Only the officer identified by the Treasurer may obtain insurance cover on behalf of the Council. All insurance covers will be reviewed by the Treasurer not less than annually.

- 23.2 The Treasurer shall keep a record of all insurances related to the tangible assets of the Council e.g. buildings, vehicles, equipment etc. Head Teachers must therefore notify the Risk Management & Insurance Section of acquisitions, disposals or any other material fact impacting upon the status of tangible assets/ Failure to do so may mean the asset is not insured.

Head Teachers must also consult the Risk Management & Insurance Section with regard to activities and working arrangements not generally or exclusively associated with tangible assets. Typically these insurances will relate to the action / inactions of the Council e.g. Public Liability, Fidelity Guarantee, Professional Negligence, Officials Indemnity etc. Head Teachers must therefore ensure that any changes to existing or new working arrangements are covered by the Council's insurance arrangements. Typically these 'arrangements' will include incorporating the School (Head Teachers, Governors or Officers thereof) into; partnerships, limited companies, ad hoc or unusual secondments, consultancies etc. Failure to do so may mean the Council is not insured for liabilities it incurs. It is likely that the Director of Corporate Resources should also be consulted before engaging in legally binding agreements to ensure the School has the statutory powers to do so.

- 23.3 Head Teachers must consult with the Treasurer in respect of the terms of any indemnity, which the Council is requested to give under contract to ensure the adequacy of the Council's insurance arrangements.
- 23.4 Any loss, liability or damage causing event that may give rise to a claim of any kind against the Council or School must be notified to the Treasurer as soon as practicably possible who will take the appropriate action to safeguard the Council's position. Any incident involving a death must be notified to the Treasurer immediately.
- 23.5 The Treasurer shall process all claims relating to the Council's external and internal insurance arrangements and negotiate settlements (where liability is accepted) within the limits and terms and conditions of these insurance arrangements.
- 23.6 Head Teachers are responsible for ensuring that anyone covered by the Council's insurances is aware that they must not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.
- 23.7 Appropriate officers will co-operate at all times with the investigations of the Treasurer into any claims and will supply all information upon request. It is imperative that officers comply with the timescales for investigating claims. Failure could directly affect the Council's ability to defend a claim or could result in financial penalties being imposed on the Council. Where it is deemed an insurance recovery will not be forthcoming the Treasurer shall notify the relevant School as soon as possible to enable them to take any further action necessary.

- 23.8 It is the responsibility of Head Teacher to ensure that all hirers of the School's buildings sign a formal hiring agreement requiring them to indemnify the School against the cost of any damage caused to School property or legal claim(s) arising from the negligent actions of the hirer.
- 23.9 All employees concerned with the receipt, custody and/or disbursement of the monies and property of the School shall be included in a suitable Fidelity Guarantee insurance policy. Headteachers must ensure that the Risk Management and Insurance Section is notified of all employees who have a limit of authority in excess of £5,000,000.

**CONTACT OFFICER : Risk and Insurance Manager**

**24 Stocks and Stores**

**24.1 *Stocks could be defined as items that generally are not held on a long-term basis e.g. over one year, are of a consumable nature or have been purchased for resale. As a guide stock held with an aggregate value exceeding £2,000 should be recorded on a manual or computerised stock system and the controls detailed below should be enforced.***

24.2 Head Teachers are responsible for

- a) determining an efficient stock holding policy to ensure stock levels are not in excess of normal operating requirements.
- b) determining minimum stock holding levels and efficient order quantities where a stock control system is operated
- c) supplying the Treasurer with such information relating to stores as may be required for the accounting, costing and financial records of the Council
- d) ensuring all stocks are held in a secure location with limited access and appropriately segregated into marked areas
- e) ensuring stock checks are undertaken at least once a year either in full or as part of a rolling programme of checks and the stock record will be signed by the Head Teacher to certify that they have ensured the check has been carried out
- f) ensuring stock check variances are thoroughly investigated and the appropriate adjustments are authorised and made to the stores records, whether manual or electronic, on a timely basis. If the adjustments exceed £500 then this should be reported to the appropriate Governing Body and the Treasurer
- g) approving the disposal of surplus material or obsolete stock. All disposals should be recorded and the disposal must be in accordance with Standing Orders relating to Contracts

24.3 The Treasurer is responsible for advice on:

- a) providing the basis for the valuation of stock
- b) ensuring stock values are appropriately recorded in the Authority's accounts.

**CONTACT OFFICER: Head of Accountancy**

## **25 Inventories**

### **Furniture, Equipment, Plant, Vehicles**

- 25.1 Items of furniture, equipment, plant and vehicles costing over £100 [or are of a highly attractive and portable nature or electrical] should be included on the inventory record.
- 25.2 An inventory of all significant ICT assets shall be available at the School. This will usually be in the form of a list supplied by Resource Machines (RM) of the leased equipment. Head Teachers should not arrange relocation or disposal without appropriate notification to RM. This does not absolve the responsibility of Head Teachers from carrying out annual checks on their ICT equipment or recording ICT equipment on their inventory if it is not recorded on the inventory maintained by RM. Any IT equipment purchased by the School should be recorded on the School inventory.
- 25.3 An adequate inventory record should be maintained which records the following:
- full description of the item and including the make, model and serial number, where appropriate
  - the location of the item
  - the cost
  - order number, or where appropriate detailing whether the item has been donated.
- 25.4 The inventory should be updated as soon as any new items are received
- 25.5 Inventory items should be marked "Dudley MBC", or with the Name or abbreviation of the School where appropriate
- 25.6 Inventory items should be held securely at all times, particularly expensive, moveable items.
- 25.7 An annual check of the inventory record should be carried out by an independent person to the person maintaining the inventory record, and the person who normally has custody of the assets. The inventory record should be signed and dated to demonstrate that the annual check has taken place.
- 25.8 The results of the annual check should be presented to governors annually.
- 25.9 All discrepancies should be reported to the Governing and any significant discrepancies (over the value of £1,000) to the Treasurer and the Director of Children's Services.
- 25.10 The disposal of obsolete / broken items should be appropriately authorised and documented and undertaken in accordance with Standing Orders relating to Contracts and the Code of Practice on inventories. All disposals should be authorised by the Head Teacher or Deputy.
- 25.11 All leased or third party inventory items should be clearly identified and labelled. The labelling should indicate that the item should not be sold or disposed of

**CONTACT OFFICER : Head of Accountancy**

## Land and Buildings

- 25.12 The Director of Corporate Resources is responsible for the following:
- a) ensuring the Corporate Property Policy is up to date
  - b) maintaining a database of all properties owned / part owned or rented by the Council and for ensuring that valuations are reviewed on a regular basis.
  - c) for the acquisition and disposal of all land and property owned / to be owned by the Council, letting, subletting, rent reviews, renewal of leases and tenancy agreements and the appointment of any outside valuers.
- 25.13 ***Head Teachers are responsible for ensuring the security of building and adherence to the Corporate Security Strategy.***

### **CONTACT OFFICER : Assistant Director Law and Governance**

## 26 Management of Information

- 26.1 Head Teachers are responsible for the security and good records and information management of all information within their School. Information exists in many forms. It can be printed or written on paper, stored electronically, transmitted by post or using electronic means, shown on films, or spoken in conversation. Whatever form the information takes, or means by which it is shared or stored, it must be appropriately protected.
- 26.2 ***Schools are legal entities in their own right and registered with the Information Commissioner as a separate entity to the local authority. Head Teachers need to ensure compliance with the Data Protection Act. Compliance with the Council's Information Security Policy for Schools will allow them to ensure compliance with relevant laws and the good practice in information handling.***
- 26.3 Head Teachers must ensure that data quality is maintained within their Schools.
- 26.4 Head Teachers are responsible for evaluating the adequacy of third parties' security arrangements and where appropriate ensure that contracts include clauses relating to the processing of personal data in accordance with the requirements of the Data Protection Act 1998 (Data Processor Agreements).
- 26.5 ***Each school must have a Senior Information Risk Owner (SIRO) typically the SIRO should be the head teacher or a member of the Senior Leadership team. The SIRO will be responsible for looking into any actual or suspected breaches of information security. Any breaches in information security are appropriately investigated. The completion of the information security checklist by the SIRO and identification and resolving of any issues following the assessment being carried out will help ensure the Information Security Policy for schools is being complied with.***

[http://insidedudley/corporate/infogov/library/informationfors\\_schoolsinformat-1/default.htm](http://insidedudley/corporate/infogov/library/informationfors_schoolsinformat-1/default.htm)

### **CONTACT OFFICER : Principal Information Security Officer**

## **27 Treasury Management**

- 27.1 No person other than the Treasurer may make investments of School monies or money held in trust by the Council. Such investments shall be in the name of the Council or the trust as appropriate.
- 27.2 Schools that operate their own bank account may place money short term ( 1 day to 30 days) on the money market with their main banker. The Head Teacher must be satisfied that these banking arrangements are secure and all money returning from the money market will be paid into the school fund bank account.

### **CONTACT OFFICER : Children's Services Finance Manager**

## **28 Unofficial and Voluntary Funds**

- 28.1 An unofficial or voluntary fund is defined as any fund, other than an official fund for the Council, which is controlled wholly or in part by an officer by reason of his or her employment by the Council. The unofficial fund may only be set up with the approval of the Governing Body.
- 28.2 Head Teachers must ensure that the fund money is held securely.
- 28.3 Each Head Teacher shall maintain a list of such funds and ideally include them in the financial procedures manual. The manual will include the following details for each fund:
- a) the name of the 'Responsible Officer'
  - b) the accounting period (which should generally be 1<sup>st</sup> April to 31<sup>st</sup> March)
  - c) bank account details; and
  - d) cheque signatories.
- 28.4 Head Teachers shall ensure that the Governing Body appoint or re-appoint a suitably qualified independent auditor and ensure all such fund accounts are prepared and audited on an annual basis. The accounts should be submitted within 12 months of the end of the accounting period to the Governing Body and a copy then forwarded to the Local Authority Audit department.
- 28.5 The Treasurer reserves the right to inspect all documentation relating to unofficial funds and to seek such explanations that are necessary to ensure they are being appropriately managed. The Treasurer should be notified of any funds, which do not comply with all of these requirements.

### **CONTACT OFFICER : Head of Audit Services**

## **29 Controlled Stationery and Retention of Documents**

- 29.1 Controlled stationery means serially numbered stationery where it is necessary to account for the use of the items.
- 29.2 The Treasurer will determine whether or not any particular item is to be included as part of his overall responsibility for the financial system.
- 29.3 Head Teachers will be responsible for ensuring:
- a) controlled stationery is securely held and appropriately recorded/accounted for
  - b) stock is issued in a controlled manner
  - c) periodic stock checks are undertaken by someone independent of the ordering, issuing and recording
- 29.4 Head Teachers should ensure that the Council's document retention policy is complied, which can be found on the council website, in addition a further guide specifically relating to schools can be found at : <  
[http://insidedudley/corporate/infogov/library/informationfors\\_/recordsretentio/default.htm](http://insidedudley/corporate/infogov/library/informationfors_/recordsretentio/default.htm)>

### **CONTACT OFFICER : Head of Audit Services**

## **30 Financial Assistance to Voluntary Bodies**

- 30.1 All financial assistance must be provided in accordance with the Grants to Voluntary Bodies code of Best Practice and the Local Compact Code of Practice on Funding or Area Committee procedures.
- 30.2 In terms of Financial Regulation, financial assistance is defined as monetary payments or subsidy provided. It does not include financial assistance given in kind e.g. officer of member time.
- 30.3 All financial assistance provided to voluntary bodies should at the time the assistance is given be recorded on the corporate electronic record, This record will act as a listing of all financial assistance given and should aid communication within the Council.

### **CONTACT OFFICER : Head of Audit Services**