# *AGENDA MANAGEMENT SHEET*

| | |
|---|---|
| ***Name of Committee*** | **County Council** |
| ***Date of Committee*** | **31 October 2006** |
| ***Report Title*** | **Review of Financial Standing Orders** |
| ***Summary*** | This report summarises the outcome of a review of the Council's Financial Standing Orders.<br><br>At its meeting on the 12 October 2006 the Cabinet supported the proposed amendments to the Financial Standing Orders and agreed to recommend them to the Council for approve. |
| ***For further information please contact:*** | Neill Butler<br>Performance Development Accountant<br>Tel: 01926 476967<br>neillbutler@warwickshire.gov.uk |
| ***Would the recommended decision be contrary to the Budget and Policy Framework?*** | No. |
| ***Background papers*** | A copy of the revised Council's Financial Standing Orders has been placed in each of the Political Group Rooms. |

***CONSULTATION ALREADY UNDERTAKEN:-*** Details to be specified

| | | |
|---|---|---|
| Other Committees | ☒ | Audit and Standards Committee - 25 September 2006<br>Cabinet – 12 October 2005 |
| Local Member(s) | ☐ | |
| Other Elected Members | ☐ | ................................................ |
| Cabinet Member | ☒ | Councillor Alan Cockburn |
| Chief Executive | ☐ | ................................................ |
| Legal | ☒ | Tony Maione |
| Finance | ☒ | David Clarke - reporting officer |
| Other Chief Officers | ☐ | ................................................ |

| | | |
|---|---|---|
| District Councils | ☐ | ................................................. |
| Health Authority | ☐ | ................................................. |
| Police | ☐ | ................................................. |
| Other Bodies/Individuals | ☐ | ................................................. |

***FINAL DECISION NO***

| ***SUGGESTED NEXT STEPS:*** | | Details to be specified |
|---|---|---|
| Further consideration by this Committee | ☐ | ................................................. |
| To Council | ☐ | |
| To Cabinet | ☐ | ................................................. |
| To an O & S Committee | ☐ | ................................................. |
| To an Area Committee | ☐ | ................................................. |
| Further Consultation | ☐ | ................................................. |

**Agenda No 6**

# County Council - 31 October 2006.

# Review of Financial Standing Orders

# Report of the Strategic Director of Resources

| **Recommendation from Cabinet** |
| --- |
| That the County Council approve the amendments to Financial Standing Orders. |

## 1. Background

1.1 All Local Authorities are required by law to conduct their business efficiently and to ensure they have sound financial management policies in place, which are strictly adhered too. Part of this process requires Local Authorities to establish Financial Standing Orders, which set out the financial policies of the Council. Financial Standing Orders apply to every Member and Officer of the Council and anyone acting on its behalf.

1.2 To achieve a good CAP score for use of resources, the need to review Financial Standing Orders should have been considered within the last twelve months. The Director of Resources undertakes major review of Financial Standing Orders every other year and a desktop review in alternate years.

1.3 The last major review of Financial Standing Orders took place last year in 2005, therefore a lighter touch has been adopted for this current review.

## 2. Outcome of the Review

2.1 The main changes to the Financial Standing Orders are:

- Restructuring of the County Council from nine departments to six directorates.
- The appointment of six Strategic Directors.
- The transfer of the Internal Audit and Risk Management Section form the previous County Treasurer's Department to the Performance and Development Directorate.
- The transfer of the Procurement Section from the previous Chief Executive's Department to the Resources Directorate.

- Increase the income and asset write off limits, which Strategic Directors can approve, from £500 to £1,000.

2.2 A copy of the proposed Council's Financial Standing Orders has been placed in each of the Political Group Rooms.

## 3. Conclusion

3.1 The Cabinet supported the proposed amendments to the Financial Standing Orders as set out in this report and agreed to recommend them to the Council for approval.

DAVID CLARKE
Strategic Director of Resources

Shire Hall
Warwick
October 2006

# Draft Financial Standing Orders
# Strategic Directors

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**Draft Financial Standing Orders**
**Strategic Directors**

# Draft Financial Standing Orders
# Strategic Directors

## 1. INTRODUCTION

1.1. This document sets out the financial responsibilities of Strategic Directors.

1.2. The County Council is responsible for providing a wide range of services which involves spending significant amounts of money. To help ensure the County Council makes best use of this money a range of financial responsibilities have been delegated to Strategic Directors who, in turn, have delegated some financial responsibilities to Cost Centre and Managers of Traded Services.

1.3. The Director of Resources does, however, have a statutory responsibility for the overall financial administration of the County Council's affairs. To achieve this the Director of Resources issues Financial Standing Orders which set out the high standards of financial administration expected of managers, in this case Strategic Directors, with delegated financial responsibilities.

1.4. The standards and rules of financial administration which Strategic Directors must follow are set out in this document. These include ensuring that the rights of Cost Centre Managers (set out in the Cost Centre Manager's Charter) are met. A copy of the Charter is included as Appendix A.

1.5. The Financial Standing Orders also form an important part of the County Council's approach to achieving Best Value. In order to deliver services efficiently and effectively it is important to ensure clarity in the financial rules of the Authority.

**Draft Financial Standing Orders**
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## 2. FINANCIAL DECISION MAKING

Why is this Area Important?

2.1. In making financial decisions, Members take account of the information and advice given to them by Strategic Directors. Strategic Directors also have delegated financial responsibilities that require them to take financial decisions. These decisions can have major financial and legal implications, and it is therefore important that they are soundly based on accurate and appropriate information.

Strategic Directors must: -

2.2. Ensure that all financial information given to Members, or used by themselves or Officers in their directorate, to make decisions with financial implications: -

- takes account of all relevant directorate and corporate considerations;
- takes account of both long and short term costs and benefits;
- takes account of financial advice and any financial implications (the Director of Resources should be consulted when drafting Committee or other reports which contain proposals which have financial implications);
- takes account of legal advice and any legal implications (the Director of Performance and Development should be consulted when drafting Committee or other reports which contain proposals which have legal implications);
- takes account of other professional advice, where appropriate;
- is compiled in accordance with best professional practices by suitable staff;
- is appropriate and provides a sound basis for financial decision-making; and
- is presented at the most appropriate time to allow effective decisions to be made.

2.3. Strategic Directors are reminded that these requirements extend to the legal reasonableness and financial prudence of all decisions taken by either Members or Officers.

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## 3. PLANNING FOR THE USE OF RESOURCES

Why is this area important?

3.1. The County Council is a large, complex organisation providing a multitude of different services and, like any organisation of this scale, it needs to plan effectively and to develop systems to ensure that scarce resources are allocated in accordance with carefully weighed priorities.

3.2. All items of expenditure of the County Council are classified as either revenue or capital. All decisions on the revenue budget are taken by the County Council, except, those that relate to the current year's approved budget and the use of the directorates' earmarked reserves which are delegated to the Cabinet.

3.3. The revenue budget is the expression in financial terms of directorates' service plans. It is concerned with the day to day spending required to provide a service, for example, pay, supplies and services, energy costs etc. The process for preparing and setting the revenue budget should be more than an incremental process from one year to the next. It should be developed to reflect each directorate's aims and objectives in financial terms for the period ahead, not least to demonstrate that the directorate's plans are affordable.

3.4. The capital programme is the expression in financial terms of a directorate's plans to purchase, construct or improve assets with a lasting value, for example, land, buildings and large items of equipment.

3.5. It is important to ensure that the full revenue consequences of capital expenditure is reflected in the revenue budget and the options of a revenue or capital approach to service delivery is considered.

**Revenue/Capital Resources**

Strategic Directors must: -

3.6. Prepare a written statement of the directorate's aims and objectives to provide the basis for constructing budget plans. This may take the form of a service or business plan for the directorate.

3.7. Prepare and submit with the Director of Resources, joint reports to the Cabinet outlining likely developments, including resource constraints set by the Government and changing demands on services, which will have an influence upon the revenue and capital budgets of the County Council.

3.8. Establish formal procedures and timetables for planning the budget by: -

- providing Cost Centre Managers with a framework and timetable for reporting anticipated savings and spending pressures; and

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- providing Cost Centre Managers with preliminary budget targets for the following year in time for them to prepare business/service plans, and a final budget by 31 March.

3.9. Prepare the budget in a way which is consistent with the County Council's budget cycle and guidelines approved by Cabinet and issued by the Director of Resources.

3.10. Present the budget to the Cabinet in accordance with County Council required practice as detailed in Warwickshire Statement of Required Practice 4 (WSORP 4), Revenue Estimates Format.

3.11. Comply with guidance concerning capital expenditure, issued by the Director of Resources.

3.12. Provide guidance to Cost Centre and Managers of Traded Services concerning expenditure.

3.13. Ensure that the directorate maintains an Asset Register, as defined by the Director of Resources, for the purpose of calculating notional capital charges.

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## 4. CONTROLLING THE USE OF RESOURCES

Why is this area important?

4.1. Budgetary control is the process by which directorates monitor, review and adjust financial targets during the financial year. The identification and explanation of variances against budgetary targets provides a mechanism by which the County Council can identify changes in trends and resource requirements at the earliest opportunity.

4.2. There is also an additional pressure to monitor capital schemes carefully, to ensure that the County Council's capital financing capacity, set by the Prudential Code, is fully utilised, but not exceeded.

**Revenue Resources**

Strategic Directors must: -

4.3. Prepare and submit with the Director of Resources, joint reports to the Cabinet in respect of any revenue expenditure for which the Strategic Director concerned is unable to identify appropriate resourcing from within the existing approved budget.

4.4. Make sure that expenditure for each financial year does not exceed the available budget.

4.5. Make sure that all income and expenditure, including forecasts of future income and expenditure, are entered on the general ledger.

4.6. Ensure that, when budgets are delegated, responsibility for financial control is clearly defined.

4.7. Ensure that they receive regular and frequent reports on spending, including sums committed, but not yet paid, against the approved budget and forecasted income and expenditure.

4.8. Ensure that they receive regular and frequent reports on forecasted income and expenditure (at least quarterly).

4.9. Adopt reporting arrangements which identify budgetary pressures as early as possible.

4.10. Monitor the budget and, where it appears that areas of the budget are likely to be over or underspent, agree appropriate adjustments and/or corrective action with the Cost Centre Manager.

4.11. Ensure that they comply with the County Council's Scheme of Virement (see Appendix B) and notify the Director of Resources as to how the Scheme of Virement will apply to their directorate, including any additional authorisation limits/reporting arrangements they may wish to set.

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4.12. Ensure that Cost Centre Managers are notified of any virements affecting their cost centre and that the reason for the virement is explained.

4.13. Ensure that Cost Centre Managers have access to regular, accurate and timely budget monitoring information.

4.14. Determine their directorate's carry forward arrangements in accordance with the framework set by the Director of Resources (Appendix C), in particular, the setting of maximum limits for the carry forward of any underspends against the revised budget, by Cost Centre Managers, to the following year.

4.15. Strategic Directors may during the course of the year raise these maximum limits or decide to set no maximum limit at all. They cannot, however, reduce the maximum below that originally set.

4.16. Inform the Director of Resources immediately of any planned or actual expenditure that the Strategic Director believes to be illegal. During the time between informing the Director of Resources and receiving his response, ensure that no payments are incurred other than those required to meet contractual commitments (this applies equally to revenue and capital expenditure).

**Capital Resources**

Strategic Directors must: -

4.17. Present reports to the Cabinet on significant changes to the Capital Programme for their service.

4.18. Ensure that adequate contract records are maintained in respect of all capital contracts.

4.19. Proceed with projects only when there is adequate provision in the capital programme.

4.20. Prepare and submit reports to the Cabinet for any variation in contract costs greater than the approved limits (see Appendix D).

4.21. Prepare and submit reports to the Cabinet on completion of all contracts where the final expenditure exceeds the approved contract sum by more than the specified amount (see Appendix D).

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## 5. ACCOUNTING FOR THE USE OF RESOURCES

Why is this area important?

5.1. The County Council has a statutory responsibility to prepare its annual accounts to fairly represent its operations during the year. These are then subject to external audit scrutiny before publication. This provides assurance that all expenditure is legal, the accounts are properly prepared and appropriate accounting practices have been followed.

Strategic Directors must: -

5.2. Ensure that the final accounts for the directorate are prepared in accordance with the timetable and County Council required practice.

5.3. Allocate overheads in accordance with Warwickshire Statement of Required Practice 1 (WSORP 1), 'Managing the Cost of Support Services'.

5.4. Provide Cost Centre Managers with a detailed closedown timetable in order to meet the deadlines specified by the Director of Resources.

5.5. Submit reports to the Cabinet each year outlining, firstly, probable and, subsequently, actual income and expenditure, in accordance with the timetable provided by the Director of Resources.

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## 6. FINANCIAL ADMINISTRATION

Why is this area important?

6.1. The County Council, being a public body, has a responsibility to the local community to ensure that its financial affairs are properly administered and its assets safeguarded. The public are entitled to expect the highest standards of financial conduct and integrity. Financial Administration also includes a variety of measures that can be summarised as "good housekeeping".

### ASSETS

Why is this area important?

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

**General**

Strategic Directors must: -

6.3. Ensure the safe custody of buildings, vehicles, equipment, furniture, stocks, stores and other property belonging to the County Council.

6.4. Ensure that stocks are maintained at an adequate level to facilitate the economical operation of the directorate.

**Asset/ Stock Records**

Strategic Directors must: -

6.5. Ensure that appropriate records are maintained for the Authority's assets, especially in respect of all attractive and portable items such as computers, cameras and videos.

6.6. Make arrangements to identify the items, record the location of the assets and ensure that all assets are appropriately marked.

6.7. Ensure that their Asset Register is updated to reflect: -

- acquisition of assets above the value set out in Appendix H; and
- disposal of assets.

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### Insurance

Strategic Directors must: -

6.8. Ensure assets are appropriately insured and, in particular, ensure that arrangements cover off-site use.

### Security/ Maintenance Arrangements

Strategic Directors must: -

6.9. Ensure that assets are adequately secured from theft and damage and are appropriately maintained.

6.10. Ensure cash holdings on premises are kept to a minimum and in accordance with insurance limits. Safes and similar secure containers should be kept locked and the keys removed. Key holders are required to carry keys on their person so as not to invalidate the County Council's insurance arrangements in the event of a break-in or theft.

6.11. Ensure that arrangements are in place for keeping appropriate records and for complying with insurance requirements, whenever directorate property, for example, computers, cameras, video recorders etc., is taken off-site.

### Stock Checks

Strategic Directors must: -

6.12. Ensure that the existence of assets/stock is subject to regular independent physical checks.

### Stock Discrepancies

Strategic Directors must: -

6.13. Review and, if appropriate, authorise all write-offs of stock discrepancies as outlined in Appendix H.

6.14. Obtain approval from Cabinet for the write-off of stock discrepancies in excess of pre-determined sums as outlined in Appendix H.

### Surplus and Redundant Stock/ Equipment

Strategic Directors must: -

6.15. Establish and agree with the Director of Resources procedures for achieving value for money when disposing of surplus stocks and equipment. These should include, where appropriate, the advertising of surplus stock and equipment within the directorate, to other directorates and to voluntary organisations supported by the County Council, followed by competitive quotations or auctions.

6.16. Make sure that Cost Centre Managers are aware of these procedures.

6.17. Review and, if appropriate, authorise all write-offs and disposals of redundant stock and equipment (see Appendix H).

6.18. Obtain the approval of Cabinet for the write-off of redundant stocks and equipment in excess of the limit detailed in Appendix H.

**Intellectual Property**

Strategic Directors must: -

6.19. Ensure that staff do not carry out private work in Council time and that staff are aware of an employer's rights with regard to intellectual property.

6.20. Comply with any guidance issued by the Director of Performance and Development.

**BANK ACCOUNTS, PETTY CASH AND PROCUREMENT CARDS**

Why is this area important?

6.21. Bank accounts, petty cash and procurement cards are strictly controlled in order to maximise the cash flow benefits, and minimise the risks, to the County Council of theft or dishonest use.

6.22. The County Council operates 3 types of bank account: -

- the County Fund;
- school bank accounts; and
- imprest accounts.

6.23. The County Fund is the bank account used by all directorates. It could be described as the County Council's bank account. Imprest accounts are small bank accounts set up by directorates, where using the County Fund would be difficult.

6.24. Petty cash is small sums of cash kept by directorates to pay minor expenses.

6.25. Procurement cards are similar to corporate credit cards and can be used for low value purchases. Procurement cards reduce the administration cost of purchasing by automating parts of the process.

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Strategic Directors must: -

6.26. Not open any bank accounts without the prior approval of the Director of Resources.

6.27. Comply with any requirements the Director of Resources may place on the operation of bank accounts.

6.28. Agree an appropriate level, and regularly review, the amount of an imprest account or petty cash to be held, bearing in mind the need for ready access to funds for local payment and the risk of holding cash on premises. The directorate should ensure that the likely maximum value of cash held on site is covered by insurance.

6.29. Agree appropriate controls for and regularly review the use of procurement cards.

6.30. Ensure that imprest accounts, petty cash or procurement cards are only used for the approved purposes of the directorate, and that appropriate records are maintained.

6.31. Ensure that the directorate maintains, and reviews regularly, a list of staff approved to administer imprest accounts, petty cash and procurement cards. Names of authorised Officers together with specimen signatures and details of the limits of their authority should be forwarded to the Director of Resources.

6.32. Ensure that imprest accounts have at least two signatories, ideally three, and where possible cheques should be signed by two signatories.

6.33. Ensure that only authorised signatories have access to imprest account cheque books or petty cash. Each signatory authorised to hold an imprest account or petty cash is responsible for: -

- obtaining appropriate vouchers and receipts for all cash payments made;
- obtaining a receipt or acknowledgement of payment which identifies the supplier's VAT registration number;
- ensuring the safe custody of cheque books and cash;
- producing on demand to the auditor, or other authorised person, cash or vouchers to the total of the amount shown; and
- submitting regular claims for reimbursement, properly supported by vouchers and receipts.

6.34. Ensure bank accounts, petty cash or procurement cards are not used for personal purposes in any way.

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6.35. Arrange for monthly checks on the completeness of funds held by imprest account or petty cash holders.

6.36. Operate any procurement cards within their directorate strictly in accordance with the scheme agreed for their use with the Director of Resources.

**BEST VALUE**

Why is this area important?

6.37. The County Council has always sought to achieve value for money in the use of its resources. The Government's Best Value initiative places additional emphasis on this area.

Strategic Directors must: -

6.38. Ensure best use of resources and value for money by working to identify opportunities to improve economy, efficiency and effectiveness.

6.39. Ensure that all decisions, particularly purchasing decisions, are based on a full assessment of costs, benefits and quality.

**COST CENTRE MANAGEMENT**

Why is this area important?

6.40. Cost centre management is the management of the financial side of providing a service. Each Cost Centre Manager should have been trained on practical aspects of cost centre management and the use of financial systems. However, most Cost Centre Managers are not financial experts and will from time to time require financial advice.

Strategic Directors must: -

6.41. Establish a directorate scheme of delegation which outlines the responsibilities of Cost Centre Managers in their directorate.

6.42. Update the scheme of delegation, at least once a year, to indicate the names of authorised Cost Centre Managers and the budget(s) for which they are responsible.

6.43. Implement a scheme of cost centre management which is in accordance with the Cost Centre Management Model.

6.44. Ensure that all Cost Centre Managers have access to a financial adviser within their directorate's financial services section. The performance standards, including response times, for financial support should be detailed in a service level agreement or similar document.

6.45. Provide Cost Centre Managers with appropriate training.

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6.46. Make sure Cost Centre Managers are provided with copies of: -

- the Cost Centre Manager's Guide;
- their directorate's Scheme of Delegation;
- their directorate's Managers' Charter;
- a copy of Financial Standing Orders (this includes the Cost Centre Managers' Charter);
- the County Council's Contract Standing Orders and any additional directorate purchasing procedures; and
- appropriate systems user guides.

**DETERRING FRAUD AND CORRUPTION**

Why is this area important?

6.47. Unfortunately, like all organisations, the County Council faces the possibility of fraud and corruption. This may be perpetrated from within, by employees, or from outside, by other organisations and individuals with whom the County Council has contact.

6.48. Each sub-section within the section on Financial Administration deals to some extent with deterring fraud and corruption, for example the section on Purchasing requires Strategic Directors to ensure different staff certify and authorise payments to suppliers. There are, however, a number of responsibilities that apply to all areas of Financial Administration.

Strategic Directors must: -

6.49. Encourage high standards of conduct within their directorate and ensure that their staff receive training in the standards required.

6.50. Comply with all relevant legislation, regulations and guidance regarding the good stewardship of the County Council's resources.

6.51. Make all staff aware of the County Council's Anti-Fraud and Anti-Corruption Strategy and Confidential Reporting Code.

6.52. Establish procedures for checking the honesty and integrity of prospective new staff during recruitment.

6.53. Ensure all staff are well trained and aware of their specific responsibilities in relation to deterring fraud and corruption.

6.54. Encourage all staff to report any suspected fraud or irregularity to the Audit Services Manager and to their Strategic Director.

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6.55. Notify the Audit Services Manager immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the authority's property or resources. Pending investigation and reporting, the Strategic Director should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.

6.56. Ensure that internal controls do not break down during periods of sickness/absence or vacancy.

6.57. Instigate the authority's disciplinary procedures where the outcomes of an audit investigation indicate improper behaviour.

6.58. Maintain and review a directorate register of interests, gifts and hospitality in accordance with guidance issued by the Director of Resources or the Director of Performance and Development.

**EXTERNAL FUNDING**

Why is this Area Important?

6.59. External funds are a significant proportion of the Council's budget. There are a multitude of funding sources from Central Government grants to a range of grants from external agencies such as the National Lottery. Whatever the source, funding conditions need to be carefully considered to ensure that they are compatible with the authority's aims and objectives.

6.60. There is a financial risk to the Authority when entering into long term financial commitments especially where ongoing external funding is not guaranteed. It is also important to ensure that any conditions attached to external funding are fully met to avoid the repayment of grant or incurring unclaimable expenditure. It is therefore important to have a financial system of control in place to negate any risks inherent in this type of funding arrangement.

Strategic Directors must: -

6.61. Have agreed plans in place on how the grant funds will support service plan objectives.

6.62. Ensure that any match funding requirements are considered prior to entering into agreements.

6.63. Ensure that future revenue or capital budgets are sufficient to meet any potential funding shortfalls.

6.64. Notify the Director of Resources of any match funding arrangements prior to agreement.

6.65. Maintain an up to date directorate record of all external funding sources.

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## FINANCIAL STANDING ORDERS

Why is this area important?

6.66. While every attempt has been made to make the Financial Standing Orders comprehensive and appropriate, there may be circumstances which fall outside the Financial Standing Orders or where their rigid application could work against the best interests of the County Council.

Strategic Directors must: -

6.67. Consult with the Director of Resource and the Director of Performance and Development in situations where it is considered that the rigid application of the Financial Standing Orders would be likely to work against the best interests of the County Council.

## FINANCIAL SYSTEMS AND PROCEDURES

Why is this area important?

6.68. Members and Strategic Directors rely on the information provided by the County Council's financial systems to support their decisions.

6.69. In addition to the County Council's financial systems, financial information is sometimes held on other types of system, for example, fleet management systems, inventories etc. Accordingly, the information must be accurate and the systems and procedures sound and well administered, in particular, systems should have appropriate procedures and contain controls to ensure that transactions are properly processed and errors detected promptly.

### General

Strategic Directors must: -

6.70. Ensure that accounting records are properly maintained and held securely. Vouchers and documents should not be destroyed until after the recommended retention period for documents (see Appendix F).

6.71. Ensure that a complete management trail, which allows all financial transactions to be traced from the original document to the accounting records, and vice versa, is maintained.

6.72. Incorporate appropriate controls to ensure that: -

- all input is genuine, complete, accurate, not previously processed and timely;
- all processing is carried out in an accurate, complete and timely manner; and

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- output from the system is complete, accurate and timely.

6.73. Ensure that the organisational structure provides for an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice.

6.74. Ensure that arrangements are in place to minimise the effect of interruptions to services by: -

- carrying out a risk assessment to identify the potential effect of interruptions to services;
- maintaining a documented and tested disaster recovery plan to allow information system processing to resume operations as quickly as possible in the event of an interruption; and maintaining a contingency plan for providing alternative arrangements where the delay in resumption of normal operations would be unacceptable.

6.75. Ensure that the systems are fully documented and staff trained in these operations.

6.76. Consult with the Director of Resources before changing any existing financial system or introducing new financial systems.

**Computerised Systems**

Strategic Directors must: -

6.77. Ensure that effective back-up procedures exist. It is advisable for all back-up discs, tapes etc. to be securely retained in a fireproof location, preferably off site.

6.78. Ensure that only authorised staff have access to computer hardware and software.

6.79. Ensure that, where appropriate, systems are registered and operated in accordance with the current Data Protection legislation and that staff are aware of their responsibilities under the legislation.

6.80. Ensure that all relevant standards and guidelines issued by the Director of Resources are observed in full.

6.81. Ensure that computer equipment and software are protected from loss and damage through theft, vandalism, virus infection etc.

6.82. Comply with the current Copyright, Designs and Patents legislation and the terms of software licences and, in particular, ensure that: -

- only authorised software which has been legally acquired by the County Council is installed and used on the County Council's computers;

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- adequate records are maintained to demonstrate compliance with legislation and licence conditions;
- an inventory is maintained of all software installed and used on the County Council's computers; and
- staff are aware of the provisions of the legislation.

6.83. Comply with the current Computer Misuse legislation and ensure that staff are aware of the provisions of the legislation.

6.84. Ensure that new systems are appropriately tested.

6.85. Ensure that there are procedures for authorising and implementing changes to systems.

**INCOME**

Why is this area important?

6.86. Cash is a vulnerable asset and effective income collection systems are therefore necessary to ensure that all income due is identified, all collections are receipted and banked promptly and completely, and that the County Council's accounting records are properly and promptly updated.

6.87. It is preferable to obtain income in advance of supplying goods or services as it improves the County Council's cash flow and so avoids the time and cost of administering debts.

Strategic Directors must: -

6.88. Establish a legal charging policy for the supply of goods and services and review it regularly.

6.89. Separate the responsibility for identifying amounts due from the responsibility for collection, as far as is practicable.

6.90. Encourage the collection of income in advance of the supply of goods and services.

6.91. Ensure that invoices are raised through the County Council's Income System or through an approved alternative system. Where manual invoices are still used, ensure that official pre-numbered invoices are used.

6.92. Ensure that Cost Centre Managers raise invoices promptly. Where this activity is carried out outside cost centres, ensure that invoices are raised promptly.

6.93. Establish and agree with the Director of Resources procedures for the prompt collection of income including monitoring and review arrangements.

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6.94. Initiate appropriate recovery proceedings in respect of debts which are not paid within the County Council's standard payment terms (21 days), including the referral of all debts not paid within 42 days for legal action. If a debt is not referred for legal action at 42 days, Strategic Directors must be able to justify the reason for not doing so.

6.95. Issue official receipts or maintain other formal documentation for all income collected including the form in which monies are received, for example, credit card, cheque, cash etc.

6.96. Ensure that at least two Officers are present when post is opened to ensure that monies received by post are properly identified and recorded on receipt.

6.97. Ensure receipts, tickets and other records of income are securely retained.

6.98. Ensure all cash is locked away to safeguard against loss or theft.

6.99. Ensure income in its entirety is paid promptly into the appropriate County Council bank account in the form in which it is received. Appropriate details should be recorded onto paying in slips to provide an adequate audit trail, for example, for cheques the cheque number, name of payee and receipt number if issued.

6.100. Ensure income is not used for personal purposes, for example, cashing cheques etc.

6.101. Review and, if appropriate, approve all debts to be written off and keep a record of all sums written off, up to the approved limit (see Appendix E).

6.102. Obtain the approval of the Director of Performance and Devlopment to the write-off of debts in excess of the approved limit (see Appendix E).

**JOINT COMMISSIONING**

Why is this Area Important?

6.103. There may be circumstances when it makes more sense, both in the interest of service users and of the most effective use of resources, for an authority and its partner(s), to undertake a joint commission.

6.104. Joint commissioning is most likely to be used to provide integrated services across organisational or administrative boundaries. Governance and accountability issues would need to be agreed at the beginning of the joint commission partnership.

6.105. Joint Commissioning provides an opportunity, for example, for bundling together small PFI schemes which might otherwise be unattractive to the private sector because of their size. An example of this may be the renewal and upgrading of street lighting across two or more authority areas.

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Strategic Directors must: -

6.106. Ensure before any contractual arrangement has been signed, that the Director of Performance and Development has been consulted and approval obtained.

6.107. Ensure that the directorate has the appropriate expertise, staff and resources to commit to the joint commissioning arrangement.

6.108. Ensure that any financial control framework for joint commissioning working as laid down by the Director of Resources has been followed.

6.109. Have in place a service delivery monitoring system for the joint commissioning arrangements.

6.110. Ensure all agreements and arrangements have been appropriately documented.

6.111. Ensure an annual memorandum of account is prepared and is included within the authority's statement of account.

**MONEY LAUNDERING**

Why is this area important?

6.112. Money laundering is the term used for a number of offences involving the proceeds of crime or terrorist funds. It also includes the processing, or in any way dealing with, or concealing, the proceeds of crime.

6.113. The Proceeds of Crime Act 2002 and Money Laundering Regulations 2003 place some important obligations on all staff. It also places specific obligations on professional advisors from a wide range of sectors, including Tax Advisors, Accountants, Auditors and Legal Advisors. Such professionals are required to fulfil a range of obligations to prevent money laundering.

Strategic Directors must: -

6.114. Ensure all staff are aware of their obligations under the Proceeds of Crime Act 2002 and Money Laundering Regulations 2003.

6.115. Notify the Director of Resources of any known or suspected money laundering activities.

**PARTNERSHIPS**

Why is this Area Important?

6.116. Partnership working has become a key feature of the Modernisation Agenda. Partnerships offer a potentially flexible approach to service delivery outside the more traditional confines of statutory duties. Partnership working can

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provide access to new sources of funds, access to greater knowledge about service users and a more efficient way of working that avoids duplication across various Government Agencies, Health Bodies and the voluntary sector.

6.117. Although partnership working has been around for many years the scale, diversity and complexity has grown dramatically over recent years. Partnership working can take many forms ranging from simple informal information sharing to complex Private Finance Initiatives.

6.118. This provides a major financial management challenge. There is a risk that partnership activities could slip through the net of established financial controls and procedures to the detriment of the County Council's position.

6.119. The Director of Resources responsibility for maintaining financial administration and stewardship carries over into partnerships, whatever form the partnership takes.

Strategic Directors must: -

6.120. Ensure before any contractual arrangement has been signed, that the Director of Performance and Development has been consulted and approval obtained.

6.121. Ensure that the directorate has the appropriate expertise, staff and resources to undertake the partnering arrangement.

6.122. Ensure that the financial control framework for Partnership working as laid down by the Director of Resources has been followed.

6.123. Have in place service delivery monitoring system for the Partnership arrangements.

6.124. Ensure all agreements and arrangements have been appropriately documented.

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## PAYMENTS TO EMPLOYEES AND EX-EMPLOYEES

Why is this area important?

6.125. In most directorates the largest item of expenditure is the cost of staffing. It is therefore important to have controls in place to ensure that payments are only made to genuine employees or ex-employees, are in accordance with individuals' conditions of employment, are only made in respect of services provided to the directorate, that all amendments to the payroll are properly authorised and that payments are made on time.

Strategic Directors must: -

6.126. Establish and document procedures for the efficient administration of personnel activities including appointments, terminations of employment, variations in salaries, wages, other employee costs and, where appropriate, pensions.

6.127. Ensure that the full costs and benefits of appointments, terminations and variations are considered before any decisions are made.

6.128. Maintain authorisation controls for the completion of all documents, claims and input relating to appointments, terminations of employment, salaries, wages, other employee costs and, where appropriate, pensions.

6.129. Ensure that the Authority's standard documentation are used when setting up starters, making changes to individuals' conditions of service or terminating the employment of staff.

6.130. Ensure that only Cost Centre Managers authorise changes to staffing costs which affect their budget(s).

6.131. Retain personnel records securely and administer those records held on computer files in accordance with the provisions of the Data Protection legislation.

6.132. Only allow payroll transactions to be processed through the payroll system. Directorates should not process pay via the creditor payment system, imprest accounts or petty cash.

6.133. Ensure that Payroll and, where appropriate, Pension Services, are provided with valid, accurate and timely information, in accordance with the Payroll Timetable, whether this input is carried out by Payroll Services or directorates themselves.

6.134. Encourage all employees to be paid by BACS as this is the most cost effective way for the Council to pay its employees.

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**PENSIONS**

Why is this area important?

6.135. When an employee retires, it is important that pension arrangements for the appropriate scheme are properly applied. Mistakes may not be detected for many years and corrections can be difficult and time consuming for the directorate, and stressful to the pensioner.

Strategic Directors must: -

6.136. Comply with the Local Government Pension Scheme or Teachers' or Fire-Fighters' Schemes, whichever is appropriate.

6.137. Comply with the County Council's discretionary policy (agreed by County Council) as regards the Local Government Pension Scheme, early retirements and redundancies.

**POOLED BUDGETS**

Why is this Area Important?

6.138. Pooled budgets aim to achieve flexibility in the use of funds, and other resources, brought together by partners. These are placed in a discrete fund in order to meet the common needs of an identified group of the community.

6.139. The key principle of this arrangement is that regardless of the size of contribution the authority or partner(s) commit to the pool, the resource is then unified and available to provide agreed services. Expenditure, therefore, is based on the needs of the partnership and its customers, and not on the level of contribution from each partner.

6.140. The pooled fund could be hosted by the authority or one of its partners. A pooled budget would not absolve the authority or any other public body involved in the partnership from their statutory responsibility but should provide a way of discharging them more flexibly.

Strategic Directors must: -

6.141. Ensure before any contractual arrangement has been signed, that the Director of Performance and Development has been consulted and approval obtained.

6.142. Ensure that the directorate has the appropriate expertise, staff and resources to commit to the pooled budget arrangement.

6.143. Ensure that any financial control framework for pooled budget working as laid down by the Director of Resources has been followed.

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**Strategic Directors**

6.144. Have in place a service delivery monitoring system for the pooled budget arrangements.

6.145. Ensure all agreements and arrangements have been appropriately documented.

6.146. Ensure an annual memorandum of account is prepared and is included within the authority's statement of account.

**PROCUREMENT**

Why is this area important?

6.147. Directorates should seek to achieve value for money from all of their purchases. Value for money in this context means getting what is needed in the correct quality and quantity, at the right time and at the best price possible. Although price is not always the overriding factor in deciding which supplier to use it is invariably an important consideration.

6.148. To help ensure purchases are made in a way which obtains value for money, maintains high standards of conduct and complies with legal requirements, the County Council has an overall purchasing framework (approved by County Council) called Contract Standing Orders supported by a Procurement Code of Practice.

6.149. This section sets out Strategic Directors responsibilities regarding the purchase of goods and services, including their responsibilities under the County Council's Contract Standing Orders and Procurement Code of Practice. It also covers the placing of orders and paying for goods and services from internal and external suppliers when using approved systems, (it also covers the use of manual systems, where they are still used).

**Procurement Policy**

Strategic Directors must: -

6.150. Ensure that any expenditure of a capital nature is in accordance with the approved Capital Programme, and is properly authorised in advance.

6.151. Ensure that where an existing corporate contract exists this is used (details are available on the corporate document library under procurement).

6.152. Ensure that the directorate obtains best value for money from any purchases by testing the market before committing any expenditure.

- When ordering goods and services from Eastern Shires Purchasing Organisation (ESPO) or against an ESPO negotiated framework contract this market testing has already been done, and it will not be necessary to obtain further quotes unless the directorate wishes to do so.

- When ordering goods and services from other consortia type contractual arrangements, for example, Office for Government Commerce (OGC) this market testing may have already been done, and it will not be necessary to obtain further quotes unless the directorate wishes to do so. However arrangements must be made to ensure that adequate market testing has been undertaken in these instances.

- If an existing central contract, ESPO or other consortia type arrangement is not used the Strategic Director must be able to demonstrate that the overall costs, including staff and other costs associated with the contracting process, are cheaper than the cost of purchasing through a central contract or consortia arrangement.

6.153. Comply with the County Council's Contract Standing Orders and Procurement Code of Practice.

6.154. Ensure that any additional purchasing procedures, in particular, for putting purchases out to competitive quotation or tender where appropriate, comply with the County Council's Contract Standing Orders and Procurement Code of Practice.

6.155. Ensure that Cost Centre Managers are made aware of the County Council's Contract Standing Orders, the Procurement Code of Practice and any directorate purchasing/contracting procedures.

6.156. Ensure that Officers are aware of the booklet "Employer and Employee responsibilities" (copies available from Personnel Units) which deals with important issues such as the non-acceptance of gifts from suppliers.

6.157. Ensure that no loan or leasing arrangements is entered into unless prior agreement has been obtained from the Director of Resources, because of the potential impact on the County Council's borrowing powers.

6.158. Ensure that the Director of Resources approves the financial standing of prospective tenderers/contractors, where appropriate.

**Orders for Goods and Services**

Strategic Directors must: -

6.159. Ensure that, wherever feasible, external orders are only raised through the County Council's recognised ordering systems such as Orders and Payments, Hotline, Carefirst and ESPO on-line. The exceptions to these will be utilities, rents, rates, petty cash payments and goods order using a procurement card operated under a scheme agreed with the Director of Resources. Where urgency requires a verbal order, this should be followed up by a confirmatory order as soon as possible.

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6.160. Ensure that, where manual orders are still used, written official pre-numbered order forms are used. These are controlled stationery and should be retained securely when not in use.

6.161. Ensure that orders are only used for goods and services provided to the directorate. Individuals must under no circumstances use official orders to obtain goods and services for their private use.

6.162. Ensure that only authorised Officers raise orders. The directorate should maintain an up to date list of such authorised staff identifying in each case the limits of their authority. For sections using manual orders the list should include specimen signatures.

6.163. Ensure that any procurement card scheme is operated and maintained strictly in accordance with rules and procedures agreed by the Director of Resources.

6.164. Ensure that a budgetary control system is established which enables accurate identification of expenditure already committed, i.e. orders placed for which payments have yet to be made. Upon placing an order, the estimated cost should be committed against the appropriate budget allocation so that it features in the budget monitoring report.

**Payment of Accounts**

Strategic Directors must: -

6.165. Ensure that goods and services are checked upon receipt to ensure that they are in accordance with the order. This check should ideally be carried out by a different Officer from the one who authorised the order.

6.166. Ensure that payment is not made unless a proper invoice has been received, checked, coded and certified for payment confirming: -

- receipt of goods or services;
- the invoice has not previously been paid;
- expenditure has been properly incurred and is within budget provision;
- prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices;
- correct accounting treatment of VAT;
- the invoice is correctly coded;
- discounts have been taken where available;

- that copy orders, inventories and accounting records have been properly endorsed; and
- that contract records have been properly updated.

6.167. Ensure that invoices are certified for payment. Because Cost Centre Managers are able to authorise payments they must not also be able to certify invoices for payment from their budget(s).

6.168. Ensure that a list of staff approved to certify invoices is maintained and reviewed periodically. For sections not on the Orders and Payments System a list of certifying Officers with specimen signatures and details of the limits of their authority should be maintained.

6.169. Ensure that only Cost Centre Managers, or their authorised representatives, authorise payment for goods and services from their budget(s), having satisfied themselves that the payments have been properly certified in accordance with 6.166 above.

6.170. Notify and explain to Cost Centre Managers any payment made by the Strategic Director from a Cost Centre Manager's budget.

6.171. Not make any payment on a photocopied or faxed invoice, statement, or on any document other than a formal invoice.

6.172. Encourage suppliers of goods and services to receive payment by BACS as this is the most cost effective way for the Council to pay its suppliers.

6.173. Ensure that petty cash/imprest accounts are only used for very small purchases.

**TAX**

Why is this area important?

6.174. The County Council needs to ensure that it complies with all relevant tax legislation/regulations and pays the correct amount of tax.

Strategic Directors must: -

6.175. Ensure staff take advice on all tax matters from the Director of Resources.

6.176. Make sure staff consider the tax implications of any decisions they take.

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## TRADED SERVICES AND THE INTERNAL MARKET

Why is this area important?

6.177. Some activities of the County Council have been established as Business Units to prepare them for possible future competition and/or to demonstrate explicitly that support services are valued and provide value for money.

Strategic Directors must: -

6.178. Ensure that Traded Services comply with Warwickshire Statement of Required Practice 2 (WSORP 2), Reporting the Financial Performance of Business Units, in particular: -

- that separate trading accounts are maintained for each Business Unit;
- that the pro-forma trading account as set out in WSORP 2 is used by all Traded Services when reporting annual financial performance; and
- that the trading account is produced in accordance with the accounting principles set out in WSORP 2.

6.179. Ensure that Traded Services' budgets are prepared as a component of an annual Business Plan.

6.180. Ensure that the Business Plan addresses the need to make appropriate financial arrangements for the replacement of assets.

6.181. Ensure that the Business Plan includes detailed unit costs and explicit pricing policies for all services provided by the Business Unit.

6.182. Seek Cabinet approval annually for any Business Unit service which requires subsidisation.

6.183. Comply with the County Council's rules on the operation of Traded Services and the Internal Market.

6.184. Obtain independent verification of the profit levels of any section intending to make payments to staff under a profit share scheme, from the Director of Resources.

6.185. Obtain authorisation from the Regulatory Committee for verified profit share payments to staff under an approved profit share scheme.

6.186. Ensure that the Regulatory Committee approve any new or changes to existing profit share schemes in their directorate.

## UNOFFICIAL FUNDS (VOLUNTARY FUNDS)

Why is this Area Important?

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6.187. For reasons of probity and accountability, the good practice applied to Council funds should also be applied to unofficial and voluntary funds.

6.188. It is important therefore that administrative arrangements for unofficial and voluntary funds meet the standards expected by the Council.

Strategic Directors must: -

6.189. Ensure they comply with any guidance issued by the Director of Resources.

6.190. Ensure that they notify the Director of Resources of any unofficial funds they are aware of within their directorate.

**WORK FOR THIRD PARTIES**

Why is this area important?

6.191. Local government legislation enables the County Council to provide a range of services to other bodies. Traded Services in particular, are undertaking some external work to utilise their capacity fully. Arrangements should be in place to ensure that any risk associated with this work is minimised.

Strategic Directors must: -

6.192. Comply with the County Council's Contract Standing Orders.

6.193. Establish procedures to ensure that the approval of the Director of Performance and Development is obtained for all proposed third party work.

6.194. Ensure that when obtaining approval from the Director of Performance and Development it is confirmed that: -

- the proposed contract is within the County Council's powers;
- the contract terms and conditions are adequate;
- insurance clearance has been obtained i.e. there is adequate insurance in force to cover any liability the County Council may have under the proposed contract; and
- that the Director of Resources has been consulted and is satisfied that the proposal is financially viable.

6.195. Ensure that the County Council is not unduly put at risk regarding any bad debts.

6.196. Ensure that no contract is subsidised by the County Council.

6.197. Ensure that wherever possible cash is received in advance of the delivery of the service.

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6.198. Ensure that the directorate has the appropriate expertise to undertake the contract.

6.199. Ensure that such contracts do not impact adversely upon the services provided for the County Council.

6.200. Ensure that all contracts are properly documented.

6.201. Maintain a register of all contracts entered into with third parties in accordance with procedures specified by the Director of Performance and Devlopment in the County Council's Contract Standing Orders.

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## 7. INTERNAL CONTROLS

Why is this area important?

7.1. The control environment comprises the organisation's policies, procedures and operations in place to: -

- Establish and monitor the achievement of the organisation's objectives;
- Identify, assess and manage the risks to achieving the organisation's objectives;
- Facilitate policy and decision making;
- Ensure the economical, effective and efficient use of resources; and
- Ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws and regulations;
- Safeguard the organisation's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption;
- Ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes; and
- Encompass elements of corporate governance and risk management.

7.2. Internal audit is an assurance function that provides an independent opinion to the authority on the efficiency and effectiveness of internal controls.

7.3. Some of the risks the organisation faces can be protected by insurance. They include third party liability, employer's liability, theft or accidental damage to property, theft or loss of money, fire and other damage and motor policies.

7.4. It is important that the County Council regularly reviews its exposure to risks to ensure that they are minimised and where economically advantageous covered by insurance.

### GENERAL

Strategic Directors must: -

7.5. Comply with guidance on risk management and business continuity issued by the Director of Performance and Development.

7.6. Take responsibility for risk management and business continuity in their directorate, having regard to advice from the Director of Performance and Development and other specialist Officers, for example, crime prevention, fire prevention, health and safety, internal audit.

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7.7. Ensure that there are regular reviews of risk within their directorates and to report the results of reviews to the Director of Performance and Development.

7.8. Ensure that appropriate action is taken to address the risks identified and to report the proposed action to the Director of Performance and Development.

7.9. Ensure that all risks arising from any new initiatives or projects are fully evaluated before these new activities are undertaken. Internal Audit, Insurance and Risk Management should be contacted when any significant new projects are in the planning stage to ascertain whether there are any insurance or risk management implications.

7.10. Ensure that business continuity plans are prepared for all key services within their directorate.

7.11. Ensure that internal controls within their directorate are efficient and effective.

**AUDIT**

Strategic Directors must: -

7.12. Ensure that both internal and external auditors are given access, at all reasonable times, to such premises, personnel, documents and assets as the auditors consider necessary for the purposes of their work.

7.13. Ensure that auditors are provided with any information (including that held in electronic form) and explanations that they seek in the course of their work.

7.14. Ensure that they consider and respond promptly to audit reports.

7.15. Provide internal audit with information on progress in implementing recommendations.

7.16. Ensure that any agreed actions arising from audit recommendations are implemented in accordance with an action plan agreed with the auditors.

7.17. Ensure that any material changes to any systems, procedures or risks are discussed with the County Council's internal auditors prior to implementation.

7.18. Ensure that Internal Audit and Risk Management is notified promptly of any suspected financial or other irregularity and consulted before any employee suspected of a financial irregularity is suspended.

**INSURANCE**

Strategic Directors must: -

7.19. Comply with guidance on insurance matters issued by the Director of Performance and Development.

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7.20. Annually review all risks to ensure that insurance is arranged in relation to appropriate risks, and that sums insured are reasonable, and provide a written summary of the outcome of the review to the Director of Performance and Development.

7.21. Notify the Director of Performance and Development of all new risks/potential areas of liability, property, equipment and vehicles that require either new insurance or any alteration or addition to existing insurances.

7.22. Ensure that appropriate arrangements are made regarding professional indemnity.

7.23. Ensure that no indemnity is given to any third party without the consent of the Director of Performance and Development.

7.24. Notify the Director of Performance and Development immediately of any loss, liability or damage that may lead to a claim against the authority, together with any information or explanation required by the Director of Performance and Development or the Authority's insurers.

7.25. Ensure that Officers involved in insurance claims do not admit liability as this will prejudice insurance cover.

# Draft Financial Standing Orders
# Director of Performance and Development

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## 1. INTRODUCTION

1.1. In addition to having financial responsibilities as a Strategic Director, the Director of Performance and Development has other specific financial responsibilities, which are set out in this document.

1.2. Corresponding responsibilities are included in the Strategic Directors and Cost Centre Manager's Financial Standing Orders.

1.3. The financial limits referred to are set out in the Appendices.

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## 2. FINANCIAL DECISION MAKING

Why is this Area Important?

2.1. In making financial decisions which may have legal implications, Members need to take account of the information and advice given to them by the Director of Performance and Development. It is particularly important that Members can feel confident that all decisions which commit expenditure are within the legal powers of the County Council.

2.2. These decisions can have major financial and legal implications, and it is therefore important that they are soundly based on accurate and appropriate information

The Director of Performance and Development must (in consultation with Strategic Directors): -

2.3. Ensure that all legal advice given to Members or used by Officers to make decisions with financial implications: -

- takes account of all relevant directorate and corporate considerations;
- is compiled in accordance with best professional practice by suitable staff;
- is appropriate and provides a sound basis for decision-making; and
- is presented at the most appropriate time to allow effective decisions to be made.

2.4. These requirements extend to the legal reasonableness and financial prudence of all decisions taken by either Members or Officers.

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## 3. FINANCIAL ADMINISTRATION

Why is this area important?

3.1. The County Council, being a public body, has a responsibility to the local community to ensure that its financial affairs are properly administered and its assets safeguarded. The public are entitled to expect the highest standards of financial conduct and integrity. Financial Administration also includes a variety of measures which can be summarised as "good housekeeping".

### ASSETS

Why is this area important?

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

**Intellectual Property**

The Director of Performance and Development must: -

3.3. Maintain and promote guidance to other Strategic Directors on maintaining intellectual property rights.

### DETERRING FRAUD AND CORRUPTION

The Director of Performance and Development must: -

3.4. Maintain and promote the Council's Confidential Reporting Code.

3.5. In consultation with the Director of Resources provide Strategic Directors with guidance on maintaining a register of interests, gifts and hospitality.

### EXTERNAL FUNDING

Why is this Area Important?

3.6. External funds are a significant proportion of the Council's budget. There are a multitude of funding sources from Central Government grants to a range of grants from external agencies such as the National Lottery. Whatever the source, funding conditions need to be carefully considered to ensure that they are compatible with the authority's aims and objectives.

3.7. There is a financial risk to the Authority when entering into long term financial commitments especially where ongoing external funding is not guaranteed.

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It is also important to ensure that any conditions attached to external funding are fully met to avoid the repayment of grant or incurring unclaimable expenditure. It is therefore important to have a financial system of control in place to negate any risks inherent in this type of funding arrangement.

The Director of Performance and Development must: -

3.8. Provide guidance on whether grant funded activities are within the legal powers of the Authority.

**INCOME**

Why is this area important?

3.9. The County Council wants to ensure that payments for services are received as quickly as possible. Failure to do so can result in the loss of income, loss of interest and additional recovery costs. The aim should be to maximise collection whilst minimising collection costs.

The Director of Performance and Development must: -

3.10. Ensure that the recovery of debts referred for legal action is conducted promptly and in accordance with best practice.

3.11. Approve the write-off of debts between predetermined amounts (see Appendix E).

3.12. Refer the write-off of debts over a predetermined amount to the Cabinet (see Appendix E), detailing what action was taken to recover the debt and why it was unrecoverable.

**JOINT COMMISSIONING**

3.13. There may be circumstances when it makes more sense, both in the interest of service users and of the most effective use of resources, for an authority and its partner(s), to undertake a joint commission.

3.14. Joint commissioning is most likely to be used to provide integrated services across organisational or administrative boundaries. Governance and accountability issues would need to be agreed at the beginning of the joint commission partnership.

3.15. Joint Commissioning provides an opportunity, for example, for bundling together small PFI schemes which might otherwise be unattractive to the private sector because of their size. An example of this may be the renewal and upgrading of street lighting across two or more authority areas.

The Director of Performance and Development must: -

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3.16. Ensure that proposed joint commissioning arrangements fall within existing powers.

3.17. Ensure that other public body partners have the power to enter into a joint commissioning arrangement.

3.18. Approve all proposed joint commissioning arrangements checking to ensure that: -

- the proposed arrangement is within the County Council's powers;
- the contract is in an approved form;
- the contract terms and conditions are adequate;
- insurance clearance has been obtained i.e. there is adequate insurance in force to cover any liability the County Council may have under the proposal ; and
- that the Director of Resources is satisfied that the proposal is financially viable.

3.19. Ensure that a constitution exists clarifying where appropriate: -

- each partner's responsibility in terms of financial liability;
- asset ownership issues as result of the joint commissioning arrangement;
- confidentiality issues;
- lead partner status;
- the partner whose financial standing orders will take precedence over other partners regulatory framework;
- exit arrangements; and
- dispute management arrangements

3.20. Provide general advice on undertaking joint commissioning arrangements

**MONEY LAUNDERING**

Why is this area important?

3.21. Money laundering is the term used for a number of offences involving the proceeds of crime or terrorist funds. It also includes the processing, or in any way dealing with, or concealing, the proceeds of crime.

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3.22. The Proceeds of Crime Act 2002 and Money Laundering Regulations 2003 place some important obligations on all staff. It also places specific obligations on professional advisors from a wide range of sectors, including Tax Advisors, Accountants, Auditors and Legal Advisors. Such professionals are required to fulfil a range of obligations to prevent money laundering.

The Director of Performance and Development must: -

3.23. Ensure all staff are aware of their obligations under the Proceeds of Crime Act 2002 and Money Laundering Regulations 2003.

3.24. Notify the Director of Resources of any known or suspected money laundering activities.

**PARTNERSHIPS**

Why is this Area Important?

3.25. Partnership working has become a key feature of the Modernisation Agenda. Partnerships offer potentially flexible approach to service delivery outside the more traditional confines of statutory duties. Partnership working can provide access to new sources of funds, access to greater knowledge about service users and a more efficient way of working that avoids duplication across various Government Agencies, Health Bodies and the voluntary sector.

3.26. Although partnership working has been around for many years the scale, diversity and complexity has grown dramatically over recent years. Partnership working can take many forms ranging from simple informal information sharing to complex Private Finance Initiatives.

3.27. This provides a major financial management challenge. There is a risk that partnership activities could slip through the net of established financial controls and procedures to the detriment of the County Council's position.

3.28. The Director of Performance and Development responsibility for maintaining financial administration and stewardship carries over into partnerships, whatever form the partnership takes.

The Director of Performance and Development must: -

3.29. Maintain and review the Legal Framework for Partnership working

3.30. Approve all proposed Partnering arrangements checking to ensure that: -

- the proposed arrangement is within the County Council's powers;
- the contract is in an approved form;
- the contract terms and conditions are adequate;

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- insurance clearance has been obtained i.e. there is adequate insurance in force to cover any liability the County Council may have under the proposal ; and
- that the Director of Resources is satisfied that the proposal is financially viable.

3.31. Ensure that a constitution exists clarifying where appropriate:

- each partner's responsibility in terms of financial liability
- asset ownership issues as result of the partnership
- Confidentiality issues
- Lead partner status
- The partner whose financial standing orders will take precedence over other partners regulatory framework
- Exit arrangements
- Dispute management arrangements

3.32. Provide general advice on undertaking Partnership arrangements.

**POOLED BUDGETS**

Why is this Area Important?

3.33. Pooled budgets aim to achieve flexibility in the use of funds, and other resources, brought together by partners. These are placed in a discrete fund in order to meet the common needs of an identified group of the community.

3.34. The key principle of this arrangement is that regardless of the size of contribution the authority or partner(s) commit to the pool, the resource is then unified and available to provide agreed services. Expenditure, therefore, is based on the needs of the partnership and its customers, and not on the level of contribution from each partner.

3.35. The pooled fund could be hosted by the authority or one of its partners. A pooled budget would not absolve the authority or any other public body involved in the partnership from their statutory responsibility but should provide a way of discharging them more flexibly.

The Director of Performance and Development must: -

3.36. Ensure that proposed pooled budget arrangements fall within existing powers.

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**Director of Performance and Development**

3.37. Ensure that other public body partners have the power to enter into a pooled budget arrangement.

3.38. Approve all proposed pooled budget arrangements checking to ensure that: -

- the proposed arrangement is within the County Council's powers;
- the contract is in an approved form;
- the contract terms and conditions are adequate;
- insurance clearance has been obtained i.e. there is adequate insurance in force to cover any liability the County Council may have under the proposal ; and
- that the Director of Resources is satisfied that the proposal is financially viable.

3.39. Ensure that a constitution exists clarifying where appropriate that: -

- each partner's responsibility in terms of financial liability;
- asset ownership issues as result of the pooled budget arrangement;
- confidentiality issues;
- lead partner status;
- the partner whose financial standing orders will take precedence over other partners regulatory framework;
- exit arrangements; and
- dispute management arrangements

3.40. Provide general advice on undertaking pooled budget arrangements

**PROCUREMENT**

Why is this area important?

3.41. All directorates purchase supplies and services. The County Council needs to make sure that directorates comply with both UK and EC procurement legislation and secure value for money from all of their purchases.

3.42. The County Council's Contract Standing Orders and Procurement Code of Practice are designed to provide directorates with a code of practice and guidance to enable Strategic Directors to establish directorate purchasing procedures that meet this objective.

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**Director of Performance and Development**

The Director of Performance and Development must: -

3.43. Monitor the operation of Contract Standing Orders and the Procurement Code of Practice.

3.44. Issue any general or specific approvals relating to directorate procedures as required under Contract Standing Orders.

3.45. Specify procedures for the maintenance of contract registers, by directorates, under Contract Standing Orders.

**WORK FOR THIRD PARTIES**

Why is this area important?

3.46. Local Government legislation enables the County Council to provide a range of services to other bodies.

3.47. Arrangements should be in place to ensure that any risk associated with this work is minimised.

The Director of Performance and Development must: -

3.48. Maintain and review a framework for work for third parties as part of the Contract Standing Orders.

3.49. Approve all proposed contracts with third parties, in particular, check each contract to ensure that: -

- the proposed contract is within the County Council's powers;
- the contract is in an approved form;
- the contract terms and conditions are adequate;
- insurance clearance has been obtained i.e. there is adequate insurance in force to cover any liability the County Council may have under the proposed contract; and
- that the Director of Resources is satisfied that the proposal is financially viable.

3.50. Specify procedures for the maintenance of contract registers, for third party work, by directorates.

3.51. Provide general advice on undertaking work for third parties.

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**Director of Performance and Development**

## 4. INTERNAL CONTROLS

Why is this area important?

4.1. The control environment comprises the organisation's policies, procedures and operations in place to: -

- Establish and monitor the achievement of the organisation's objectives;
- Identify, assess and manage the risks to achieving the organisation's objectives;
- Facilitate policy and decision making;
- Ensure the economical, effective and efficient use of resources; and
- Ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws and regulations;
- Safeguard the organisation's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption
- Ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes; and
- Encompass elements of corporate governance and risk management.

4.2. Internal audit is an assurance function that provides an independent opinion to the authority on the efficiency and effectiveness of internal controls.

4.3. Some of the risks the organisation faces can be protected by insurance. They include third party liability, employer's liability, theft or accidental damage to property, theft or loss of money, fire and other damage and motor policies.

4.4. It is important that the County Council regularly reviews its exposure to risks to ensure that they are minimised and where economically advantageous covered by insurance.

### GENERAL

The Director of Performance and Development must: -

4.5. Assist the Authority to put in place an appropriate control environment and effective internal controls.

4.6. Monitor the effectiveness of the Risk Management process.

4.7. Monitor the effectiveness of the system of internal control.

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**Director of Performance and Development**

4.8. Prepare and promote the authority's risk management policy statement.

4.9. Issue guidance to Strategic Directors on risk management procedures, which must be followed.

4.10. Regularly report to the Cabinet the Authority's key risks and action being taken to address those risks.

4.11. Maintain effective liaison with other Strategic Directors.

**AUDIT**

The Director of Performance and Development must: -

4.12. Maintain an adequate and effective internal audit in accordance with legislative and regulatory requirements; in particular the Accounts and Audit Regulations 2003 and the CIPFA Code on Internal Audit Practice and its associated Internal Audit Manual.

4.13. Maintain and update terms of reference for the internal audit service.

4.14. Investigate any suspected fraud or irregularity which is identified during the course of audit work or which comes to light in other ways.

4.15. Consult Strategic Directors about the internal audit work programme for their directorates.

4.16. Consult Strategic Directors about the external audit work programme for the Council.

**INSURANCE**

The Director of Performance and Development must: -

4.17. Ensure the effective management of the County Council's insurance arrangements.

4.18. Negotiate the terms and conditions of insurance policies and renewals.

4.19. Maintain effective liaison with the County Council's insurers.

4.20. Issue guidance to Strategic Directors about the County Council's insurance arrangements and any procedures that should be followed.

4.21. Offer advice to Strategic Directors about whether insurance is the most appropriate way to cover particular risks.

4.22. Negotiate all claims in consultation with other Officers, where necessary.

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## APPENDIX A - COST CENTRE MANAGERS' CHARTER

### Your Rights

1. Your Strategic Director notifies you of a preliminary budget target for the following year in sufficient time for you to prepare business/service plans and provides you with a final budget by the 31 March preceding the financial year. For Traded Services your net budget will be zero unless the Cabinet agrees a subsidy.

2. You have access to nominated Finance Officers within your directorate Financial Services Section. The performance standards, including response times, for financial support are detailed in a service level agreement or similar document.

3. You have access to regular, accurate and timely budget monitoring information.

4. No one may approve payments against your cost centre or Traded Service or vary your budget without prior notification and explanation of the reasons for doing so.

5. You are provided with copies of the Cost Centre Manager's Guide, Directorate Manager's Charter, Directorate Scheme of Delegation, Financial Standing Orders, Contract Standing Orders and Systems User Guides. You have appropriate training in cost centre management.

6. Underspendings against the approved budget which have been identified before the year end (or a later date agreed with the Director of Resources), and any overspendings are carried forward within your cost centre from one year to the next, subject to any maximum amount defined before the start of the year in question by your Strategic Director. Your Strategic Director may waive the maximum amount at any time.

### Your Responsibilities

7. You are required to project expenditure and income to the end of the financial year on a regular basis and to notify your Senior Manager of any variances to budget (surpluses and deficits) and the action you propose to take to address them.

8. You are expected to notify your Senior Manager of the continuing financial impact in future years of decisions you are taking in the current year or which you have taken, in good time for these to be taken into account in the production of the following year's budget.

9. You must comply with Financial Standing Orders, Contract Standing Orders and relevant directorate rules which require you, in particular, not to overspend your budget.

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10. You should utilise the general ledger for budget monitoring purposes and bring any discrepancies between this and other systems which you may choose to use to the attention of your nominated Finance Officer.

11. Following the issuing of your budget targets each year, you are required, at each stage to analyse your projected spending and notify your Strategic Director of any spending pressures which you are unable to absorb.

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## APPENDIX B - SCHEME OF VIREMENT

1. Each February, Council meets to approve the County Council's budget. Once approved these become the budgets with which Strategic Directors and Cost Centre Managers deliver their Service Plans.

2. During the year Strategic Directors and Cost Centre Managers may need to transfer money between budgets to reflect changed service needs. These transfers are known as virements and must be carried out in accordance with this Scheme of Virement. Whilst the general presumption of this Scheme is that Strategic Directors and Cost Centre Managers should be empowered to take such decisions as are required to achieve agreed objectives and at the same time constrain expenditure within agreed cash limits, virements may have implications which Members will wish to consider. As a consequence the County Council has a set of rules governing the reporting and authorisation of virements.

**Strategic Directors are required to: -**

3. Seek Cabinet approval for all virements greater than £50,000 which lead to a transfer of money (whether individually or as part of a cumulative total): -

   - consequent on a change of policy, the introduction of a new service or the termination of an existing service; or

   - to fund expenditure in the current year where the full year financial impact is greater; in this case the limit applies to the full year value of the virement; or

   - between client groups; or

   - between geographical areas where services are provided on an area by area basis.

4. For each Service the above amounts apply to any transfers of money between lines within the objective analyses provided within the standard Revenue Estimates.

5. Obtain the prior approval of the Cabinet, after consultation with the Director of Resources, for all virements irrespective of size where it is proposed to vire between budgets of different services which are managed by different Strategic Directors.

6. Identify the changes to the objective analysis of the standard Revenue Estimates for each virement reported to the Cabinet.

7. Give prior notification to Cost Centre Managers of any virements affecting their cost centre(s) and provide an explanation of the reason for the virement.

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8. Set maximum limits for virements in their directorates beyond which their personal approval is required and notify the Director of Resources of any limits set.

9. Carry out all virements in the financial year to which they relate i.e. up to 31 March, and make all necessary adjustment to the financial systems by this date, unless otherwise agreed with the Director of Resources.

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## APPENDIX C - CARRY FORWARD RULES

1. Before the start of each financial year Strategic Directors must set maximum carry forward limits for cost centres, if they wish limits to apply. Such limits may be expressed as cash sums or percentages of net expenditure, either for groups of cost centres or individually.

2. During the course of the financial year Strategic Directors may revise these limits, at any time, in favour of higher limits. However, maximum limits should not be reduced once the financial year has begun.

### Year End

3. Any overspends against the Approved Budget, within individual cost centres, will be carried forward by the Cost Centre Manager to future years, unless otherwise agreed and funded by the relevant Strategic Director.

4. Any underspendings against the Approved Budget within individual cost centres, up to the maximum limit set by the Strategic Director, will be carried forward by the Cost Centre Manager to future years unless the Cabinet on recommendation from the Director of Resources determine otherwise.

5. A recommendation by the Director of Resources to Cabinet not to allow a carry forward of any underspending will be made on the grounds of inadequate forecasting or financial management. Evidence of inadequate forecasting could include: -

   - Failure to provide a forecast in accordance with the agreed corporate timetable.

   - Failure to ensure that procedures and systems provide all relevant information in a timely fashion for completion of a robust forecast.

   - Failure to take into account information about actual income and expenditure in completing the forecast.

   - Failure to follow a logical, robust and documented process of estimation for income and expenditure where the actual figures cannot be available at the time of the forecast.

### Traded Services Carry Forward Rules

6. All Traded Services' surpluses will be carried forward automatically to the following year, except to the extent to which they form a predetermined profit target to be retained by services.

7. All Traded Services' deficits are carried forward automatically unless the Strategic Director obtains approval from the Cabinet to do otherwise.

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## APPENDIX D - CAPITAL SCHEME RULES

1. To ensure funds are available for capital schemes and to keep capital costs within capital programme budgeted project allocations, the County Council has a set of rules governing the approval and management of capital schemes.

2. The rules cover three main types of capital spending: -

   - Individual capital (corporate) projects;
   - Block capital allocations where spending is at the discretion of Strategic Directors;
   - School level capital expenditure.

3. For each of the above categories the rules distinguish between the different stages of development and implementation.

4. Income and expenditure on corporate projects is directly charged to the capital ledger in the authority's accounts as opposed to school level projects where the school accounts for financial transactions.

### Value For Money

5. Irrespective of this guidance on capital projects the requirements for Strategic Directors to ensure best use of resources and value for money (Part 3 Section 6.3, paragraphs 6.24 to 6.26 of the Constitution) shall apply to all capital projects.

### INDIVIDUAL PROJECTS (CORPORATE)

#### Changes in Capital Programme Estimates during Design, Feasibility, or at Pre-Tender Stages

6. The Director of Resources will, periodically, report to the Cabinet changes in capital estimates. Where the estimated cost of a project increases by more than 5% of the cost previously agreed by the Cabinet, Strategic Directors shall report the reason for the increase to the Cabinet.

7. Also, Strategic Directors must separately inform the Director of Resources of any increases in estimated expenditure.

#### Changes in Capital Programme Estimates at the Receipt of Tender / Written Quotation Stage

8. On receipt of tenders or written quotations (not block allocations), Strategic Directors shall be authorised to commence individual schemes or proceed with purchases of vehicles, plant and equipment, provided the estimated capital expenditure does not exceed the last figure approved by the Cabinet by more than the tolerances specified below (after adjusting estimates from November prices to current prices): -

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| Schemes | Estimated Variations Requiring a Cabinet Report |
|---|---|
| Under £50,000 | Any increase, or the aggregate of any increases, in excess of £5,000 above the capital programme estimate. |
| £50,000 to £250,000 | Any increase, or the aggregate of any increases, in excess of 10% of the capital programme estimate. |
| Over £250,000 | Any increase, or the aggregate of any increases, in excess of £25,000 above the capital programme estimate. |

9. If tolerances are exceeded Strategic Directors must obtain Cabinet approval to proceed with the work.

10. Strategic Directors must also separately inform the Director of Resources of any estimated increases.

**Actual Expenditure Variations**

11. When a scheme is in progress, the Director of Resources and Strategic Directors must report the following variations in actual expenditure to the Cabinet: -

| Schemes | Actual Variations Requiring a Cabinet Report |
|---|---|
| Under £50,000 | Any variation, or the aggregate of any variations, which results in an increase of more than £5,000 above the contract sum. |
| £50,000 to £250,000 | Any variation, or the aggregate of any variations, which results in an increase of more than 10% above the contract sum. |
| Over £250,000 | Any variation, or the aggregate of any variations, which results in an increase of more than £25,000 above the contract sum. |

12. Any such variations should be reported to the Cabinet at the earliest opportunity.

**Final Expenditure Variations**

13. When a scheme has been completed, the Director of Resources and Strategic Directors must report the following final variations in actual expenditure to the Cabinet: -.

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| **Schemes** | **Final Expenditure Variations Requiring a Cabinet Report** |
|---|---|
| Under £50,000 | Any variation in the total actual cost which results in an increase of more than £5,000 above the contract sum. |
| £50,000 to £250,000 | Any variation in the total actual cost which results in an increase of more than 10% above the contract sum. |
| Over £250,000 | Any variation in the total actual cost which results in an increase of more than £25,000 above the contract sum. |

**BLOCK ALLOCATIONS (CORPORATE)**

14. Block Allocations are intended to cover two or more corporate projects costing individually less than £100,000. Projects costing more than £100,000 should be identified separately within the capital programme and governed by the rules relating to corporate projects.

**Changes in Capital Programme Estimates during Design, Feasibility or at Pre-Tender Stages**

15. The Director of Resources will, periodically, report to the Cabinet changes in capital block allocations. Where the estimated cost of a block allocation increases by more than 5% of the cost previously agreed by the Cabinet, Strategic Directors shall report the reason for the increase to the Cabinet.

**Changes in Capital Programme Estimates at the Receipt of Tender / Written Quotation Stage**

16. Strategic Directors shall be authorised to commence individual schemes or proceed with purchases of vehicles, plant and equipment provided there is adequate uncommitted provision within the allocation.

17. Should the potential inclusion of a project result in estimated expenditure exceeding the block allocation by more than £5,000 the approval of Cabinet is required before Strategic Directors can proceed with the scheme.

**Actual or Final Expenditure Variations**

18. Any variations in the cost of projects during or at the end of projects shall be reported back to Cabinet if they result in the block allocation being overspent by more than £5,000.

**SCHOOL LEVEL CAPITAL EXPENDITURE**

19. Every school receives its own capital allocations from the Government, for example, devolved formula funding or seed challenge monies allocated to the

school. Also schools can generate their own funding and finance capital expenditure from the own revenue budgets.

**Changes in Capital Programme Estimates during Design, Feasibility or at Pre-Tender Stages and at the Receipt of tender / Written Quotation Stage.**

20. Schools shall be authorised to undertake capital projects at school level provided that the overall cost of these projects does not exceed the sum of: -

- Government funding allocations to the school
- Locally raised contributions
- Revenue contributions to capital
- Other sources of funding agreed by the Director of Children, Young People and Families

21. Where funding spans more than one financial year paragraph 20 will apply in total for projects/programmes across all years.

**Actual or Final Variations**

22. Where unforeseen variations arise during projects or in the final cost of projects schools will be expected to find any shortfall of funding from the sources available to them, in particular Government allocations.

23. Schools may make available devolved formula or other locally raised funds of up to £50,000 to increase the cost of corporate projects with the approval of the Director of Children, Young People and Families prior to the letting of contracts. The £50,000 limit would replace the current tolerances of up to £25,000 in these circumstances. Amounts in excess of £50,000 would require the approval of Cabinet. The rules at paragraph 6 would still apply to schemes that have already commenced.

**Schools will inform the Director of Children, Young People and Families of any schemes costing more than £250,000 which are under taken at school level.**

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## APPENDIX E - INCOME WRITE-OFF RULES

1. The write-off limits set out below will be reviewed annually.

### Strategic Directors Write-Off Limits

2. Strategic Directors can approve the write-off of debts up to the value of £500.

### Director of Performance and Development Write-Off Limits

3. The Director of Performance and Development can approve the write-off of debts up to the value of £1,000.

4. For specific categories of work the Director of Performance and Development may choose to delegate this approval limit to Strategic Directors.

### Committee Approval

5. The Director of Performance and Development must refer debts over £1,000 in value to the Cabinet for write-off.

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## APPENDIX F - RETENTION PERIOD FOR DOCUMENTS

**The following list refers to the length of time financial records must be retained.**

1. Accounting Records*

| 6 years plus current financial year |
|---|

2. Contract Documents Under Seal

| Indefinitely |
|---|

3. Deeds/Title Documents

| Indefinitely |
|---|

4. Personal & Pay Records

| Indefinitely |
|---|

5. Personal Superannuation Records

| Indefinitely |
|---|

6. Final Account Reports

| Indefinitely |
|---|

7. All Other Records

| 2 years plus current financial year |
|---|

***** time sheets, invoices, bank paying in books, stores documents, travel and subsistence returns, bonus sheets etc.

If in any doubt, before disposing of records not referred to above, Cost Centre Managers should consult their financial adviser.

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## APPENDIX G - DIRECTOR OF RESOURCES SCHEME OF DELEGATION

This appendix details finance staff with delegated responsibility to act on behalf of the Director of Resources for particular Financial Standing Orders.

### 1. Resources Directorate Structure

**DIRECTOR OF RESOURCES**
**David Clarke**
**☎2003**

- **HEAD OF FINANCE** – Oliver Winters ☎ 2441
  - Budget & Technical
  - Exchequer
  - Financial Accounting
  - Payroll
  - Procurement
  - Treasury & Pensions
- **HEAD OF STRATEGIC RESOURCE DEVELOPMENT** – Joanna Rhodes ☎ 2245
  - Finance
  - HR & Admin
  - Projects
  - Service & Organisational Development
- **HEAD OF ICT** – Tonino Ciuffini ☎ 2879
  - Business Systems & Innovation Group
  - Customer & Supplier Services
  - Infrastructure Strategy
  - Production Services
  - Systems Centre
- **HEAD OF PROPERTY** – Steve Smith ☎ 2672
  - Development
  - Estates
  - Procurement & Monitoring
  - Property Support
- **HEAD OF TRADED SERVICE & FACILITIES MANAGEMENT** – Phil Evans ☎ 2293
  - Cleaning & Caretaking
  - County Catering
  - Schools Technical Support
  - Shire Hall Facilities Management

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## 2. Financial Services Managers

Each directorate has its own Financial Services Manager detailed below: -

| Directorate | Name | Extension |
|---|---|---|
| Adult, Health & Community Services | Philip Lumley-Holmes | 2443 |
| Children, Young People & Families | To be agreed | (73)8417 |
| Community Protection | Helen Murphy | 753218 |
| Environment & Economy | Liz Firmstone | 2534 |
| Performance & Development | Nicola Cumberledge | 2836 |
| Resources | Graham Shaw | 2161 |

## 3. Delegated Responsibilities

The following section identifies the Finance Officer(s) with delegated responsibility for specific financial standing orders, contained in the **Financial Standing Orders for the Director of Resources**.

### Financial Decision Making

| | |
|---|---|
| 2.2 | All staff whose duties involve providing information to Members |
| 2.3 | All staff whose duties involve providing information to Members |

### Planning for the Use of Resources (All Sections)

| | |
|---|---|
| 3.7 to 3.12 | Head of Finance |

### Controlling the Use of Resources

| | |
|---|---|
| 4.3 | Head of Finance |
| 4.4 | Head of Finance and Group Accountant Budget and Technical as advised by Financial Services Managers |
| 4.5 | Head of Finance and Group Accountant Budget and Technical |
| 4.6 | Financial Services Managers after consultation with the Group Accountant Budget and Technical |
| 4.7 | Head of Finance and/or Group Accountant Budget and Technical |
| 4.8 | Head of Finance and/or Group Accountant Budget and Technical |
| 4.9 | Head of Finance and/or Group Accountant Budget & Technical |
| 4.10 | Head of Finance and/or Group Accountant Treasury & Pensions |

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### Accounting for the Use of Resources

| | |
|---|---|
| 5.2 | Head of Finance and/or Group Accountant Financial Accounting |
| 5.3 | Head of Finance and/or Group Accountant Financial Accounting |
| 5.4 | Head of Finance and/or Group Accountant Financial Accounting |

### Financial Administration

| | |
|---|---|
| **Assets** | |
| 6.4 | Head of Finance and/or Group Manager Budget and Technical |
| 6.5 | Head of Finance and/or Group Manager Budget and Technical |
| 6.6 | Head of Finance advised by Financial Services Managers |
| **Bank Accounts, Borrowing and Petty Cash** | |
| 6.7 | Head of Finance and Exchequer Services Manager |
| 6.8 | Head of Finance and Exchequer Services Manager |
| 6.9 | Head of Finance and Exchequer Services Manager |
| 6.10 | Head of Finance and Exchequer Services Manager |
| 6.11 | Head of Finance and Exchequer Services Manager |
| 6.12 | Head of Finance and Exchequer Services Manager |
| 6.13 | Head of Finance and Group Accountant Treasury & Pensions |
| 6.14 | Head of Finance and Group Accountant Treasury & Pensions |
| 6.15 | Head of Finance and Group Accountant Treasury & Pensions |
| 6.16 | Head of Finance and Group Accountant Treasury & Pensions |
| 6.17 | Head of Finance and Group Accountant Treasury & Pensions |
| 6.18 | Head of Finance and Group Accountant Treasury & Pensions |
| 6.19 | Head of Finance and Exchequer Services Manager |
| **Best Value** | |
| 6.20 | Head of Finance |
| 6.21 | Head of Finance |
| 6.22 | Head of Finance and/or Head of Strategic Resource Development |
| **Cost Centre Management** | |
| 6.23 | Head of Finance and/or Head of Strategic Resource Development |
| 6.24 | Head of Finance and/or Head of Strategic Resource Development |
| 6.25 | Head of Finance and/or Head of Strategic Resource Development |
| 6.26 | Head of Finance and/or Head of Strategic Resource Development |
| 6.27 | Head of Finance and/or Head of Strategic Resource Development |
| **Deterring Fraud and Corruption** | |
| 6.28 | Head of Law & Governance |
| 6.29 | Head of Law & Governance |
| **External Funding** | |
| 6.32 | Head of Finance |
| **Financial Standing Orders** | |
| 6.33 | Head of Finance |
| 6.34 | Head of Finance |
| 6.35 | Head of Finance |
| 6.36 | Head of Finance |

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| | |
|---|---|
| **Financial Systems and Procedures** | |
| 6.37 | Head of Finance |
| 6.38 | Head of Finance |
| 6.39 | Head of Finance |
| **Income** | |
| 6.40 | Head of Finance or Group Accountant Budget and Technical |
| 6.41 | Head of Finance or Group Accountant Budget and Technical |
| **Joint Commissioning** | |
| 6.45 | Head of Strategic Resource Development |
| 6.46 | Head of Strategic Resource Development |
| 6.47 | Head of Strategic Resource Development |
| 6.48 | Head of Strategic Resource Development |
| **Money Laundering** | |
| 6.51 | Head of Finance |
| **Partnerships** | |
| 6.56 | Head of Strategic Resource Development |
| 6.57 | Head of Strategic Resource Development |
| 6.58 | Head of Strategic Resource Development |
| 6.59 | Head of Strategic Resource Development |
| **Payments to Employees and Ex-employees** | |
| 6.60 | Head of Law & Governance |
| 6.61 | Head of Law & Governance |
| 6.62 | Head of Law & Governance |
| **Pensions** | |
| 6.63 | Head of Finance and/or Group Accountant Treasury & Pensions |
| 6.64 | Head of Finance and/or Group Accountant Treasury & Pensions |
| **Pooled Budgets** | |
| 6.68 | Head of Finance |
| 6.69 | Head of Finance |
| 6.70 | Head of Finance |
| 6.71 | Head of Finance |
| **Procurement** | |
| 6.74 | Head of Finance |
| 6.75 | Head of Finance |
| 6.76 | Head of Finance |
| 6.77 | Head of Finance |
| 6.78 | Head of Finance |
| 6.79 | Head of Strategic Resource Development |
| 6.80 | Head of Finance |
| 6.81 | Head of Finance |
| 6.82 | Head of Finance |
| 6.83 | Head of Finance |

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| | |
|---|---|
| **Tax** | |
| 6.84 | i) Income tax on payments to employees<br>Head of Finance<br><br>ii) Income tax on payments to Superannuation Fund Contributors/Pensioners<br>Head of Finance<br><br>iii) Construction Industry Tax Scheme<br>Head of Finance<br><br>iv) VAT<br>Head of Finance and/or Group Accountant Budget & Technical |
| **Traded Services and the Internal Market** | |
| 6.85 | Head of Finance |
| 6.86 | Head of Finance and/or Head of Strategic Resource Development |
| **Unofficial Funds (Voluntary Funds)** | |
| 6.89 | Head of Law & Governance and Audit Services Manager |
| **Work for Third Parties** | |
| 6.90 | Head of Strategic Resource Development |

**Internal Controls (All Sections)**

| | |
|---|---|
| 7.5 to 7.7 | Head of Law & Governance |

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## APPENDIX H - ASSET RULES

This Appendix details the County Council's rules for the maintenance of asset registers and for asset write-offs.

The write-off limits will be reviewed annually.

### Asset Registers

1. For all Services, excluding Primary Schools, assets of £6,000 in value and above should be recorded. For Primary Schools assets of £3,000 in value or above should be recorded.

### Asset Write-Off Rules

2. For **discrepancies** between actual and recorded stock/equipment that require writing-off, the following rules apply: -

- Cost Centre Managers must obtain the prior approval of their Strategic Director for the write-off of all shortfalls;
- Strategic Directors can write-off individual shortfalls with a book value of up to £1,000; and
- Strategic Directors must obtain the prior approval of the Cabinet for individual write-offs greater than £1,000 and also for individual write-offs of £1,000 and below once the cumulative total of such write-offs has exceeded £2,000 in any financial year.

3. For the write-off of **redundant** stock and equipment the following rules apply: -

- Cost Centre Managers must obtain the prior approval of their Strategic Director for the write-off of all redundant stock and equipment;
- Strategic Directors can write-off redundant stock and equipment with a book value of up to £1,000; and
- Strategic Directors must obtain the prior approval of the Cabinet for all write-offs of redundant stock and equipment greater than £1,000; and also for individual write-offs of £1,000 and below once the cumulative total of such write-offs has exceeded £2,000 in any financial year.

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## APPENDIX I - GLOSSARY OF TERMS

| | |
|---|---|
| Approved Budget | The budget which has been approved by full council, adjusted to reflect in year virements. |
| Best Value | Under the Local Government Act 1999, local authorities must constantly aim to improve their services. Best Value gives local authorities a duty to provide local people with high-quality and efficient services. |
| Capital Spending | Spending on assets that have a lasting value, for example, land, buildings and large items of equipment such as vehicles. |
| Comprehensive Performance Assessment (CPA) | This is a process used by the Audit Commission to assess how well local authorities are performing. Authorities which are considered to be well run and have a rating of “Good” or “Excellent” have been given greater flexibilities and freedoms, and are subject to lower levels of inspection than poorer performing authorities. |
| Earmarked Reserve | Money set aside for a specific purpose. |
| Imprest Account | Small bank accounts set up by directorates, where using the County Fund would be impractical. |
| Internal Market | The provision of support services to other directorates within the County Council. |
| Petty Cash | Small sums of cash kept by directorates to pay minor expenses. |
| Prudential Code | A framework for local authority capital finance that ensures:<br>• Capital expenditure plans are affordable;<br>• All external borrowing and other long term liabilities are within prudent and sustainable levels; and<br>• Treasury management decisions are taken in accordance with professional good practice. |
| Revenue Spending | Spending on the day-to-day running of services - mainly wages, running expenses of buildings and equipment, and debt charges. These costs are met from the Council Tax, government grants, fees and charges. |
| Traded Services | A service that has a zero budget and has to generate sufficient income from the delivery of services to paying customers to cover their total costs. |

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| | |
|---|---|
| Virement | The transfer of budget from one spending head to another. |

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# Cost Centre Managers

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## 1. INTRODUCTION

1.1. This document sets out the financial responsibilities of Cost Centre Managers.

1.2. The County Council is responsible for providing a wide range of services which involves spending significant amounts of money. To help ensure the County Council makes best use of this money a range of financial responsibilities have been delegated by the Director of Resources and Strategic Directors to Cost Centre and Managers of Traded Services.

1.3. The Director of Resources does, however, retain a statutory responsibility for the overall financial administration of the County Council's affairs. To achieve this the Director of Resources issues Financial Standing Orders which set out the high standards of financial administration expected of managers, in this case Cost Centre Managers, with delegated financial responsibilities.

1.4. The standards and rules of financial administration which Cost Centre Managers must follow are set out in this document. These include Cost Centre Managers' rights, set out in the Cost Centre Manager's Charter, a copy can be found in Appendix A.

1.5. The Financial Standing Orders also form an important part of the County Council's approach for achieving Best Value. In order to deliver services efficiently and effectively it is important to ensure clarity in the financial rules of the Authority.

1.6. For more detailed guidance Cost Centre Managers should refer to the Cost Centre Manager's Guide or to their Financial Services Manager.

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## 2. FINANCIAL DECISION MAKING

Why is this Area Important?

2.1. In making decisions, Members take account of the information and advice given to them by Strategic Directors, who in turn receive advice from their Cost Centre Managers. Cost Centre Managers also have delegated financial responsibilities that require them to take financial decisions. These decisions can have major financial and legal implications, and it is therefore important that they are soundly based on accurate and appropriate information.

Cost Centre Managers must: -

2.2. Ensure that all financial information given to Strategic Directors or used by themselves or other Officers in their individual directorate to make financial decisions: -

- takes account of all relevant directorate and corporate considerations;
- takes account of both long and short term costs and benefits;
- takes account of financial advice (Officers must consult the Director of Resources when drafting Committee or other reports which contain proposals which have financial implications);
- takes account of legal advice and any legal implications (the Director of Performance and Development should be consulted when drafting Committee or other reports which contain proposals which have legal implications);
- takes account of other professional advice, where appropriate;
- is compiled in accordance with best professional practices by suitable staff;
- is appropriate and provides a sound basis for financial decision-making; and
- is presented at the most appropriate time to allow effective decisions to be made.

2.3. Cost Centre Managers are reminded that these requirements extend to the legal reasonableness and financial prudence of all decisions taken by either Members or Officers.

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### 3. PLANNING FOR THE USE OF RESOURCES

Why is this area important?

3.1. The County Council is a large, complex organisation providing a multitude of different services, and like any organisation of this scale it needs to plan effectively and to develop systems to ensure that scarce resources are allocated in accordance with carefully weighed priorities.

3.2. All items of expenditure of the County Council are classified as either revenue or capital.

3.3. The revenue budget is the expression, in financial terms, of a directorate's service plans. It is concerned with the day to day spending required to provide a service, for example, pay, supplies and services, energy costs etc. Cost Centre Managers play a key part in determining the revenue budget. They identify spending pressures and anticipated savings, and prepare detailed estimates of their planned income and expenditure for the coming year, in accordance with a framework laid down by their Strategic Director.

3.4. The capital programme is the expression in financial terms of a directorate's plans to purchase, construct or improve assets with a lasting value i.e. land, buildings and large items of equipment. Cost Centre Managers should ensure that detailed estimates are prepared for capital schemes which they are responsible for together with identify sources of income to support these capital schemes.

3.5. It is important to ensure that the full revenue consequences of capital expenditure is reflected in the revenue budget and the options of a revenue or capital approach to service delivery is considered.

**Revenue / Capital Resources**

Cost Centre Managers must: -

3.6. Comply with their directorate's formal procedures and timetable for planning the budget by: -

- identifying, costing and reporting spending pressures and anticipated savings, in accordance with the framework and timetable provided by their Strategic Director; and
- preparing detailed revenue estimates of planned spending and income for the year ahead within the budget targets set by their Strategic Director.

3.7. Notify their senior manager of the continuing financial impact in future years of decisions they are taking in the current year, or which they have taken, in good time for these to be taken into account in the production of the following year's budget.

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3.8. Following the issuing of their budget targets each year, analyse their projected spending and notify their Financial Services Manager of any spending pressures that they are unable to absorb.

3.9. Comply with guidance concerning capital expenditure issued by the Director of Resources and their Strategic Director.



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## 4. CONTROLLING THE USE OF RESOURCES

Why is this area important?

4.1. Budgetary control and monitoring is a continual process by which directorates monitor, review and adjust financial targets during the financial year. Cost Centre Managers are responsible for managing specific budget(s), and budgetary control allows them to take action to stay within their budgets. Startegic Directors carry out budget monitoring to review the performance of the Cost Centre Managers in their directorate.

4.2. There is also an additional pressure to monitor capital schemes carefully, to ensure that the County Council's capital financing capacity, set by the Prudential Code, is fully utilised, but not exceeded.

**Revenue Resources**

Cost Centre Managers must: -

4.3. Make sure that their income and expenditure is accurately entered on the general ledger and bring any discrepancies, between the general ledger and other systems that they use, to the attention of their financial adviser.

4.4. Monitor their spending, income and budget, and report the performance of their cost centre in accordance with their directorate's procedures.

4.5. Make sure that they prepare forecasts of their planned income and expenditure, using information from the general ledger and other appropriate systems, and make sure their forecasts are posted to the general ledger at least quarterly.

4.6. Make sure that their expenditure for each financial year does not exceed the budget(s) they are responsible for.

4.7. Notify their senior manager and Financial Services Manager of any: -

- significant variances between budgeted and actual expenditure as soon as they become aware of them, and the action they propose to take to address them; and
- areas of their budget that are likely to be over or under spent, the reasons and the effect on future years.

4.8. Comply with the Authority's Scheme of Virement (see Appendix B) and any additional authorisation limits/reporting arrangements set by their Strategic Director.

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4.9. Comply with their Strategic Director's rules on carrying forward under spendings and overspendings. The Strategic Director's rules are based on the County Council's Carry Forward Rules, as detailed in Appendix C.

4.10. Inform their Strategic Director immediately of any planned or actual expenditure which they believe to be illegal. During the time between informing their Strategic Director and receiving his/her response, make sure that no payments are incurred other than those required to meet contractual commitments (this applies equally to revenue and capital expenditure).

**Capital Resources**

Cost Centre Managers must: -

4.11. Make sure that their income and expenditure is accurately entered on the general ledger and bring any discrepancies, between the general ledger and other systems that they use, to the attention of their financial adviser.

4.12. Prepare regular forecasts of anticipated expenditure against capital schemes to ensure any significant variations are identified as soon as possible.

4.13. Notify their Strategic Director of any significant variations in capital schemes in either cost or time.

4.14. Provide information to allow their Strategic Director to prepare regular reports reviewing the Capital Programme provisions for their services.

4.15. Ensure that adequate contract records are maintained in respect of all capital contracts under their control. This applies whether the contract is funded from revenue or capital.

4.16. Proceed with projects under their control only when there is adequate provision in the capital programme (see Appendix D).

4.17. Provide information to allow their Strategic Director to prepare and submit reports to the Cabinet of any variation in contract costs greater than the approved limits (see Appendix D).

4.18. Provide information to allow their Strategic Director to prepare and submit reports to the Cabinet on completion of all contracts where the final expenditure exceeds the approved contract sum by more than the specified amount (see Appendix D).

## 5. ACCOUNTING FOR THE USE OF RESOURCES

Why is this area important?

5.1. The County Council has a statutory responsibility to prepare annual accounts that present fairly its financial position. These are then subject to external audit scrutiny before publication. This provides assurance that all expenditure is legal, the accounts are properly prepared and appropriate accounting practices have been followed.

Cost Centre Managers must: -

5.2. Ensure that all expenditure and income is coded to relevant areas of their budget to accurately reflect service activity in the financial year.

5.3. Make sure that they comply with their directorate's procedures for closing the accounts at the end of the financial year.

5.4. Make sure that they meet their directorate's closedown timetable.

5.5. Maintain suitable accounting records and make these records available for inspection by external audit when necessary.

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## 6. FINANCIAL ADMINISTRATION

### ASSETS

Why is this area important?

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

**General**

Cost Centre Managers must: -

6.2. Ensure that buildings, vehicles, equipment, furniture, stocks, stores and other property belonging to the County Council, for which they are responsible, are safely kept.

6.3. Ensure that appropriate records are maintained for the assets for which they are responsible, in accordance with any arrangements and policies laid down by their Strategic Director. Particular care should be taken in respect of all attractive and portable items such as computers, cameras and videos.

6.4. Identify the items for which they are responsible, record their location and ensure that they are appropriately marked.

6.5. Ensure that their Asset Register is updated to reflect: -

- acquisition of assets above the value set out in Appendix H; and
- disposal of assets.

**Insurance**

Cost Centre Managers must: -

6.6. Ensure assets which they are responsible for are appropriately insured, and that insurance arrangements cover off-site use.

Security/ Maintenance Arrangements

Cost Centre Managers must: -

6.7. Ensure that assets for which they are responsible are adequately secured from theft and damage.

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6.8. Ensure assets for which they are responsible are appropriately maintained.

6.9. Ensure cash holdings for which they are responsible are kept to a minimum, and in accordance with insurance limits. Safes and similar secure containers should be kept locked and the keys removed. Designated key holders are required to carry keys on their person so as not to invalidate the County Council's insurance arrangements in the event of a break-in or theft.

6.10. Ensure that whenever equipment for which they are responsible, for example, computers, cameras, video recorders etc. is taken off-site appropriate records are kept and insurance requirements are complied with.

**Stock and Equipment Checks**

Cost Centre Managers must: -

6.11. Ensure that stocks for which they are responsible are maintained at reasonable levels and that the physical existence of stock and equipment is regularly checked.

**Stock and Equipment Discrepancies**

Cost Centre Managers must: -

6.12. Thoroughly investigate any discrepancies in the stock for which they are responsible, and report the reasons for any discrepancies to their Financial Services Manager. No discrepancies can be written-off without the authorisation of their Strategic Director.

**Surplus and Redundant Stock and Equipment**

Cost Centre Managers must: -

6.13. Identify surplus and redundant stock and equipment and follow their directorate's procedures for its disposal. No asset can be written off without the approval of the Strategic Director.

**Intellectual Property**

Cost Centre Managers must: -

6.14. Ensure that staff do not carry out private work in Council time and that staff are aware of an employer's rights with regard to intellectual property.

6.15. Comply with any guidance issued by the Director of Performance and Development.

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**Leasing**

Cost Centre Managers must: -

6.16. Ensure all lease agreements are authorised by the Director of Resources before they are signed on behalf of the County Council.

**BANK ACCOUNTS, PETTY CASH AND PROCUREMENT CARDS**

Why is this area important?

6.17. Bank accounts are strictly controlled in order to maximise the cash flow benefits, and minimise the risks to the County Council of theft or misappropriation. Imprest accounts are a special type of bank account usually controlled by front-line service staff.

6.18. Petty cash is administratively convenient for making small payments. However, cash is a particularly vulnerable asset that must be properly controlled and kept securely. Cost Centre Managers should make sure that it is used only for approved purposes, that appropriate records are maintained and that there are regular reconciliations to verify that the sums in hand are correct.

6.19. Procurement cards are similar to corporate credit cards and can be used for low value purchases. Procurement cards reduce the administration cost of purchasing by automating parts of the process.

Cost Centre Managers must: -

6.20. Make sure that any imprest account, petty cash fund or procurement card for which they are responsible is only used for the approved purposes of the directorate, and that appropriate records are maintained.

6.21. Make sure that imprest accounts have at least two signatures, ideally three and where possible cheques should be signed by two signatories.

6.22. Make sure that only authorised staff have access to imprest account cheque books or petty cash. The signatories authorised to hold an imprest account or petty cash should be responsible for: -

- obtaining appropriate vouchers and receipts for all cash payments made;
- obtaining a receipt or acknowledgement of payment which identifies the supplier's VAT registration number and any VAT paid;
- ensuring the safe custody of cheque books and cash;
- carrying out regular reconciliations to make sure that all funds are properly accounted for;

- producing on demand to the auditor, or other authorised person, cash or vouchers to the total of the amount shown;
- submitting regular claims for reimbursement, properly supported by vouchers and receipts; and
- completing and providing Exchequer Services with an imprest account certificate at the end of each financial year (and a copy of the bank statement covering the 31 March).

6.23. Make sure bank accounts, petty cash funds or procurement cards are not used for personal purposes in any way.

**BEST VALUE**

Why is this area important?

6.24. The County Council has always sought to achieve value for money in the use of its resources. However, the Government's Best Value initiative places additional emphasis on this area.

Cost Centre Managers must: -

6.25. Ensure best use of resources and value for money, by working to identify opportunities to improve economy, efficiency and effectiveness.

6.26. Ensure that decisions, in particular purchasing decisions, are based on an appropriate assessment of costs, benefits and quality.

6.27. Where possible, obtain income in advance of supplying goods or services, as this improves the County Council's cash flow and avoids the time and cost of administering debts.

**COST CENTRE MANAGEMENT**

Why is this area important?

6.28. Cost centre management is the management of the financial side of providing a service. Each Cost Centre Manager should have been trained on the practical side of cost centre management and the use of financial systems. To further assist Cost Centre Managers the County Council has a framework of rules within which Cost Centre Managers must operate.

Cost Centre Managers must: -

6.29. Comply with Council and directorate rules, in particular: -

- their directorate's Scheme of Delegation;

- the Council's Financial Standing Orders;
- the Council's Contract Standing Orders; and
- any additional directorate contract letting and/or purchasing arrangements

6.30. Seek advice from their Financial Adviser on financial decisions outside these rules.

**DETERRING FRAUD AND CORRUPTION**

Why is this area important?

6.31. Unfortunately, like all organisations, the County Council faces the possibility of fraud and corruption. This may be perpetrated from within, by employees, or from outside, by other organisations and individuals with whom the County Council has contact.

6.32. Each sub-section within Financial Administration deals to some extent with deterring fraud and corruption, for example the section on Purchasing requires Cost Centre Managers to ensure that payments are not made on photocopied invoices. There are, however, a number of responsibilities that apply to all areas of Financial Administration.

Cost Centre Managers must: -

6.33. Encourage high standards of conduct and ensure their staff receive appropriate training in standards of conduct expected of them.

6.34. Comply with all relevant legislation, regulations and guidance regarding the good stewardship of the County Council's resources.

6.35. Make sure all their staff are aware of the County Council's Anti-Fraud and Anti-Corruption Strategy and Confidential Reporting Code.

6.36. Follow their directorate's procedures for checking the honesty and integrity of prospective new staff during recruitment.

6.37. Make sure all staff are well trained and aware of their specific responsibilities in relation to deterring fraud and corruption.

6.38. Encourage all their staff to report any suspected fraud or irregularity.

6.39. Make sure that internal controls do not break down during periods of sickness/absence or vacancy

6.40. Notify the Audit Services Manager and their Strategic Director immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the authority's property or resources. Pending investigation and reporting, the

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Strategic Director should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.

6.41. Instigate the Authority's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.

6.42. Ensure that staff notify any interests, gifts and hospitality in accordance with guidance issued by the Director of Resources or Director of Performance and Development.

**EXTERNAL FUNDING**

Why is this Area Important?

6.43. External funds are a significant proportion of the Council's budget. There are a multitude of funding sources from Central Government grants to a range of grants from external agencies such as the National Lottery. Whatever the source, funding conditions need to be carefully considered to ensure that they are compatible with the authority's aims and objectives.

6.44. There is a financial risk to the Authority when entering into long term financial commitments especially where ongoing external funding is not guaranteed. It is also important to ensure that any conditions attached to external funding are fully met to avoid the repayment of grant or incurring unclaimable expenditure. It is therefore important to have a financial system of control in place to negate any risks inherent in this type of funding arrangement.

Cost Centre Managers must: -

6.45. Ensure that grant expenditure is adequately monitored and recorded following the principles of budgetary control in the Cost Centre's Managers guide.

6.46. Comply with the Authority's Contract Standing Orders.

6.47. Maintain appropriate records of all documents, arrangements and agreements.

6.48. Obtain the approval of their Strategic Director and Financial Services Manager before making any match funding commitments.

6.49. Ensure operational and financial sustainability associated with the funding arrangement.

6.50. Ensure conditions of funding and any statutory requirements are complied with.

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## FINANCIAL STANDING ORDERS

Why is this area important?

6.51. While every attempt has been made to make the Financial Standing Orders comprehensive and appropriate, there may be circumstances that fall outside the Financial Standing Orders or where their rigid application could work against the best interests of the County Council.

Cost Centre Managers must: -

6.52. Consult with their directorate's Financial Services Manager in situations where the rigid application of the Financial Standing Orders would be likely to work against the best interests of the County Council. The Financial Services Manager may decide to consult further with the Strategic Director, the Director of Resources and the Director of Performance and Development.

## FINANCIAL SYSTEMS AND PROCEDURES

Why is this area important?

6.53. Members and Startegic Directors rely on the information provided by the County Council's financial systems to support their decisions.

6.54. In addition to the County Council's financial systems, financial information is sometimes held on other types of system, for example, fleet management systems, inventories etc. Accordingly, the information must be accurate, and the systems and procedures sound and well administered, in particular, systems should have appropriate procedures and contain controls to ensure that transactions are properly processed and errors detected promptly.

### General

Cost Centre Managers must: -

6.55. Ensure that accounting records for which they are responsible are properly maintained and held securely. Vouchers and documents should not be destroyed except in accordance with the recommended retention period for documents (see Appendix F).

6.56. Ensure that a complete management trail is maintained for all systems for which they are responsible, which allows all financial transactions to be traced from the original document to the accounting records, and vice versa.

6.57. Incorporate appropriate controls, in all systems for which they are responsible, to ensure that: -

- all input is genuine, complete, accurate, not previously processed and timely;

- all processing is carried out in an accurate, complete and timely manner; and

- output from the system is complete, accurate and timely.

6.58. Make sure that, for all systems for which they are responsible, there is appropriate segregation of duties to maintain internal controls and to minimise the risk of fraud or other malpractice.

6.59. Ensure that there is a documented and tested disaster recovery plan for which they are responsible, to allow information system processing to resume operation as quickly as possible in the event of an interruption.

6.60. Ensure that all systems for which they are responsible are fully documented and staff trained in these operations.

6.61. Consult with their financial adviser before changing any existing financial system or introducing new financial systems.

**Computerised Systems**

Cost Centre Managers must: -

6.62. Ensure that effective back up procedures exist for all systems for which they are responsible. It is advisable for all back up discs, tapes etc. to be securely retained in a fireproof location, preferably off site.

6.63. Ensure that only authorised staff have access to computer hardware and software.

6.64. Ensure that, where appropriate, systems for which they are responsible are registered and operated in accordance with the Data Protection legislation and that their staff are aware of their responsibilities under the legislation.

6.65. Ensure that, for all systems for which they are responsible, all relevant standards and guidelines issued by the Head of ICT are observed in full.

6.66. Ensure that computer equipment and software for which they are responsible are protected from loss and damage through theft, vandalism, virus infection etc.

6.67. Comply with the Copyright, Designs and Patents legislation and the terms of software licences; and, in particular, ensure that: -

- only authorised software which has been legally acquired by the County Council is installed and used on the County Council's computers; and

- staff are aware of the provisions of the legislation.

6.68. Comply with the Computer Misuse legislation and ensure that, where appropriate, staff are aware of the provisions of the legislation.

**INCOME**

Why is this area important?

6.69. Cash is a vulnerable asset and effective income collection systems are therefore necessary to ensure that all income due is identified, all collections are receipted and banked promptly and completely, and that the County Council's accounting records are properly and promptly updated.

Cost Centre Managers must: -

6.70. Follow the directorate's charging policy for the supply of goods and services.

6.71. Separate the responsibility for identifying amounts due from the responsibility for collection, as far as is practicable.

6.72. Agree payment terms with external and internal customers within the guidelines laid down by their directorate.

6.73. Collect income in advance of the supply of goods and services, as far as is practicable.

6.74. Make sure that invoices are raised through the County Council's Income System or through an approved alternative system. Where manual invoices are still used ensure that official pre-numbered invoices are used.

6.75. Comply with their directorate's procedures for the prompt collection of income, including monitoring and review arrangements.

6.76. Comply with their directorate's arrangements for debt recovery in respect of debts that are not paid within the County Council's standard payment terms (21 days).

6.77. Issue official receipts or maintain other formal documentation for all income collected including the form in which money is received, for example, credit card, cheque, cash etc.

6.78. Ensure receipts, tickets and other records of income are securely retained.

6.79. Lock away all cash to safeguard against loss or theft.

6.80. Ensure income in its entirety is paid promptly into the County Council's appropriate bank account in the form in which it is received. Appropriate details should be recorded onto paying in slips to provide an adequate audit trail, for example, for cheques the cheque number, name of payee and receipt number if issued.

6.81. Ensure income is not used for personal purposes, for example, cashing cheques etc.

6.82. Monitor and instigate appropriate action to collect outstanding debts relating to their cost centre.

6.83. Follow their directorate's procedures for writing off bad debts. No debt can be written off without the approval of the Strategic Director (see Appendix E).

**JOINT COMMISSIONING**

Why is this Area Important?

6.84. There may be circumstances when it makes more sense, both in the interest of service users and of the most effective use of resources, for an authority and its partner(s), to undertake a joint commission.

6.85. Joint commissioning is most likely to be used to provide integrated services across organisational or administrative boundaries. Governance and accountability issues would need to be agreed at the beginning of the joint commission partnership.

6.86. Joint Commissioning provides an opportunity, for example, for bundling together small PFI schemes which might otherwise be unattractive to the private sector because of their size. An example of this may be the renewal and upgrading of street lighting across two or more authority areas.

Cost Centre Managers must: -

6.87. Comply with the County Council's Contract Standing Orders.

6.88. Comply with any financial control framework for joint commissioning as laid down by the Director of Resources.

6.89. Check that their cost centre and directorate has the expertise to set-up and undertake the joint commissioning arrangement.

6.90. Make sure that such arrangements do not impact adversely upon the services of the County Council.

6.91. Document all agreements and arrangements.

6.92. Declare any conflict of interest in the joint commissioning arrangement

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6.93. Ensure all joint commissioning arrangements are notified to the Strategic Director and Directorate Financial Services Manager for evaluation before any formal agreement has been made.

6.94. Ensure that adequate resources are available within existing budgets.

6.95. Prepare an annual memorandum of account within the authority's statement of account which shows expenditure and income during the year.

**MONEY LAUNDERING**

Why is this area important?

6.96. Money laundering is the term used for a number of offences involving the proceeds of crime or terrorist funds. It also includes the processing, or in any way dealing with, or concealing, the proceeds of crime.

6.97. The Proceeds of Crime Act 2002 and Money Laundering Regulations 2003 place some important obligations on all staff. It also places specific obligations on professional advisors from a wide range of sectors, including Tax Advisors, Accountants, Auditors and Legal Advisors. Such professionals are required to fulfil a range of obligations to prevent money laundering. Further information can be obtained from guidance issued by the Consultative Committee of Accountancy Bodies.

Cost Centre Managers must: -

6.98. Notify the Director of Resources of any known or suspected money laundering activities.

**PARTNERSHIPS**

Why is this Area Important?

6.99. Partnership working has become a key feature of the Modernisation Agenda. Partnerships offer a potentially flexible approach to service delivery outside the more traditional confines of statutory duties. Partnership working can provide access to new sources of funds, access to greater knowledge about service users and a more efficient way of working that avoids duplication across various Government Agencies, Health Bodies and the voluntary sector.

6.100. Although partnership working has been around for many years the scale, diversity and complexity of such arrangements has grown dramatically over recent years. Partnership working can take many forms ranging from simple informal information sharing to complex Private Finance Initiatives.

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6.101. This provides a major financial management challenge. There is a risk that partnership activities could slip through the net of established financial controls and procedures to the detriment of the County Council's position.

6.102. Cost Centre Managers responsibility for maintaining financial administration and stewardship carries over into partnerships, whatever form the partnership takes.

Cost Centre Managers must: -

6.103. Comply with the County Council's Contract Standing Orders.

6.104. Comply with financial control framework for Partnership working as laid down by the Director of Resources.

6.105. Check that their cost centre and directorate has the expertise to set-up and undertake the partnership arrangement.

6.106. Make sure that such arrangements do not impact adversely upon the services of the County Council.

6.107. Document all agreements and arrangements.

6.108. Declare any conflict of interest in the Partnership arrangement

6.109. Ensure all partnerships arrangements are notified to the Strategic Director and directorate Financial Services Manager for evaluation before any formal agreement has been made.

**PAYMENTS TO EMPLOYEES AND EX-EMPLOYEES**

Why is this area important?

6.110. In most directorates the largest item of expenditure is the cost of staffing. It is therefore important to have controls in place to ensure that payments are only made to genuine employees or ex-employees, are in accordance with individuals' conditions of employment, are only made in respect of services provided to the directorate, that all amendments to the payroll are properly authorised and that payments are made on time. These principles exist no matter what arrangements are made for payroll input.

Cost Centre Managers must: -

6.111. Follow their directorate's procedures for the efficient administration of personnel activities including appointments, terminations of employment, variations in salaries, wages, other employee costs and, where appropriate, pensions.

6.112. Ensure that the full costs and benefits of appointments, terminations and variations are considered.

6.113. Ensure that the Authority's standard documentation is used when setting up starters, making changes to individuals' conditions of service or terminating the employment of staff.

6.114. Only allow payroll transactions to be processed through the payroll system. Pay must not be processed via the creditor payment system, imprest accounts or petty cash.

6.115. Ensure that payroll and pension input is submitted in accordance with the Payroll Timetable, whether this input is carried out by Payroll Services or directorates themselves.

6.116. Make sure that all information given to Payroll Services or entered directly onto the Human Resources Management System (HRMS) is valid and accurate.

6.117. Encourage all employees to be paid by BACS as this is the most cost effective way for the Council to pay its employees.

**PENSIONS**

Why is this area important?

6.118. When an employee retires, it is important that pension arrangements for the appropriate scheme are properly applied. Mistakes may not be detected for many years and corrections can be difficult and time consuming for the directorate, and stressful to the pensioner.

Cost Centre Managers must: -

6.119. Follow their directorate's arrangements for complying with the Local Government Pension Scheme, Teachers Pension Schemes or Fire-Fighters Pension Scheme, whichever is appropriate. If in doubt, advice should be sought from their Financial Adviser.

6.120. Comply with the County Council's discretionary policy (agreed by County Council) regards the Local Government Pension Scheme, early retirements and redundancies.

**POOLED BUDGETS**

Why is this Area Important?

6.121. Pooled budgets aim to achieve flexibility in the use of funds, and other resources, brought together by partners. These are placed in a discrete fund in order to meet the common needs of an identified group of the community.

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6.122. The key principle of this arrangement is that regardless of the size of contribution the authority or partner(s) commit to the pool, the resource is then unified and available to provide agreed services. Expenditure, therefore, is based on the needs of the partnership and its customers, and not on the level of contribution from each partner.

6.123. The pooled fund could be hosted by the authority or one of its partners. A pooled budget would not absolve the authority or any other public body involved in the partnership from their statutory responsibility but should provide a way of discharging them more flexibly

Cost Centre Managers must: -

6.124. Comply with the County Council's Contract Standing Orders.

6.125. Comply with any financial control framework for pooled budgets as laid down by the Director of Resources.

6.126. Check that their cost centre and directorate has the expertise to set-up and undertake the pooled budget arrangement.

6.127. Make sure that such arrangements do not impact adversely upon the services of the County Council.

6.128. Document all agreements and arrangements.

6.129. Declare any conflict of interest in the pooled budget arrangement

6.130. Ensure all pooled budget arrangements are notified to the Strategic Director and directorate Financial Services Manager for evaluation before any formal agreement has been made.

6.131. Ensure that adequate resources are available within existing budgets.

6.132. Ensure that partners jointly appoint a Pool Manager who is responsible for the pooled budget.

6.133. Prepare an annual memorandum of account within the authority's statement of account which shows expenditure and income during the year and what remains in the pooled budget at the end of the financial year.

**PROCUREMENT**

Why is this area important?

6.134. Directorates should seek to achieve value for money from all of their purchases. Value for money in this context means getting what is needed in the correct quality and quantity, at the right time and at the best price

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possible. Although price is not always the overriding factor in deciding which supplier to use it is invariably an important consideration

**Procurement Policy**

Cost Centre Managers must: -

6.135. Ensure that any expenditure of a capital nature is in accordance with the approved Capital Programme, and is properly authorised in advance. Authorisation is taken to mean that the approved budget holder confirms that the payment is covered by an appropriate Council approved budget, which applies to the relevant year, complies with the overall budget plan and is approved for payment.

- Ensure that they obtain best value for money from any purchases by testing the market before committing any expenditure. When ordering equipment and services from Eastern Shires Purchasing Organisation (ESPO) or against an ESPO negotiated framework contract, this market testing has already been done, and it is not necessary to obtain further quotes unless their directorate wishes to do so.

- When ordering goods and services from other consortia type contractual arrangements, for example, Office for Government Commerce (OGC) this market testing may have already been done, and it will not be necessary to obtain further quotes unless the directorate wishes to do so. However arrangements must be made to ensure that adequate market testing has been undertaken in these instances.

- If an existing central contract, ESPO or other consortia type arrangement is not used the Cost Centre Manager must be able to demonstrate that the overall costs, including staff and other costs associated with the contracting process, are cheaper than the cost of purchasing through a central contract or consortia arrangement.

6.136. Comply with the County Council's Contract Standing Orders and Procurement Code of Practice.

6.137. Comply with their directorate's purchasing procedures.

6.138. Obtain the Director of Resources approval of the financial standing of prospective tenderers and contractors where appropriate.

**Orders for Goods and Services**

Cost Centre Managers must: -

6.139. Ensure that, wherever feasible, external orders are only raised through the County Council's recognised ordering systems such as Orders and Payments, Hotline, Carefirst and ESPO on-line. The exceptions to these will be utilities, rents, rates, petty cash payments and goods order using a procurement card operated under a scheme agreed with the Director of Resources. Where urgency requires a verbal order, this should be followed up by a confirmatory order as soon as possible.

6.140. Ensure that a commitment order is raised on the Orders and Payments System as appropriate for goods and services that do not require an order, for example utilities, rents and rates.

6.141. Ensure that commitment records are maintained for all orders placed using a procurement card in the format approved by the Director of Resources.

6.142. Ensure that, where manual orders are still used, written, official pre-numbered order forms are used. These are controlled stationery and should be retained securely.

6.143. Ensure that orders are only used for goods and services provided to the directorate. Individuals must under no circumstances use official orders to obtain goods and services for their private use.

6.144. Ensure that only authorised Officers, in accordance with a list kept by the directorate, raise orders.

6.145. Ensure that they have enough money in their budget to pay for the goods and services they plan to order.

6.146. When placing an order, commit the estimated cost against the appropriate budget allocation so that it features in the budget monitoring report.

**Payment of Accounts**

Cost Centre Managers must: -

6.147. Ensure that goods and services are checked upon receipt to ensure that they are in accordance with the order. This check should ideally be carried out by a different Officer from the one who authorised the order.

6.148. Ensure that payment is not made unless a proper invoice has been received, checked, coded and certified for payment confirming: -

- receipt of goods or services;
- that the invoice has not previously been paid;
- expenditure has been properly incurred and is within budget provision;
- prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices;

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- correct accounting treatment of VAT;
- the invoice is correctly coded;
- discounts have been taken where available;
- that copy orders, inventories and accounting records have been properly endorsed; and
- that contract records have been properly updated.

6.149. Not make any payment on a photocopied or faxed invoice, statement, or on any document other than a formal invoice.

6.150. Encourage suppliers of goods and services to receive payment by BACS as this is the most cost effective way for the Council to pay its suppliers.

6.151. Ensure that petty cash/ imprest accounts are only used for very small purchases.

**TAX**

Why is this area important?

6.152. The County Council needs to ensure that is complies with all relevant tax legislation/regulations and pays the correct amount of tax.

Cost Centre Managers must: -

6.153. Take advice on all tax matters from the Director of Resources.

6.154. Consider the tax implications of any decisions they take.

**TRADED SERVICES AND THE INTERNAL MARKET**

Why is this area important?

6.155. Some activities of the County Council have been established as Traded Services to prepare them for possible future competition and/or to demonstrate explicitly that support services are valued and provide value for money.

Cost Centre Managers who are also Managers of Traded Services must: -

6.156. Ensure they comply with WSORP 2, Reporting the Financial Performance of Business Units, in particular: -

- that separate trading accounts are maintained for each Business Unit;

- that the pro-forma trading account (see WSORP 2) is used by all Traded Services when reporting annual financial performance; and
- that the trading account is produced in accordance with the accounting principles set out in WSORP 2.

6.157. Ensure that their Traded Services' budgets are prepared as a component of an annual Business Plan.

6.158. Ensure that the their Business Plan addresses the need to make appropriate financial arrangements for the replacement of assets.

6.159. Ensure that their Business Plan includes detailed unit costs and explicit pricing policies for all services provided by the their Business Unit.

6.160. Seek Cabinet approval annually for any Business Unit service which requires subsidisation.

6.161. Comply with the County Council's rules on the operation of Traded Services and the Internal Market.

6.162. Obtain independent verification of the profit levels of any section intending to make payments to staff under a profit share scheme, from the Director of Resources.

6.163. Obtain authorisation from the Regulatory Committee for verified profit share payments to staff under an approved profit share scheme.

6.164. Ensure that the Regulatory Committee approve any new or changes to existing profit share schemes in their directorate.

**UNOFFICIAL FUNDS (VOLUNTARY FUNDS)**

Why is this Area Important?

6.165. For reasons of probity and accountability, the good practice applied to Council funds should also be applied to unofficial and voluntary funds.

6.166. It is important therefore that administrative arrangements for unofficial and voluntary funds meet the standards expected by the Council.

Cost Centre Managers must: -

6.167. Ensure they comply with any guidance issued by the Director of Resources.



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## WORK FOR THIRD PARTIES

Why is this area important?

6.168. Local government legislation enables the County Council to provide a range of services to other bodies. Arrangements should be in place to ensure that any risk associated with this work is minimised.

Cost Centre Managers must: -

6.169. Comply with the County Council's Contract Standing Orders.

6.170. Comply with any additional directorate procedures for approving or authorising third party work.

6.171. Make sure the County Council is not unduly put at risk regarding any bad debt.

6.172. Make sure that no contract is subsidised by the County Council.

6.173. Wherever possible receive cash up front in advance of the delivery of service.

6.174. Check that their cost centre and directorate has the expertise to undertake the contract.

6.175. Make sure that such contracts do not impact adversely upon the services of the County Council.

6.176. Document all contracts properly.

6.177. Record all such contracts in their directorate's register of third party work.

## 7. INTERNAL CONTROLS

Why is this area important?

7.1. The control environment comprises the organisation's policies, procedures and operations in place to: -

- Establish and monitor the achievement of the organisation's objectives;
- Identify, assess and manage the risks to achieving the organisation's objectives;
- Facilitate policy and decision making;
- Ensure the economical, effective and efficient use of resources; and
- Ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws and regulations;
- Safeguard the organisation's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption;
- Ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes; and
- Encompass elements of corporate governance and risk management.

7.2. Internal audit is an assurance function that provides an independent opinion to the authority on the efficiency and effectiveness of internal controls.

7.3. Some of the risks the organisation faces can be protected by insurance. They include third party liability, employer's liability, theft or accidental damage to property, theft or loss of money, fire and other damage and motor policies.

7.4. It is important that the County Council regularly reviews its exposure to risks to ensure that they are minimised and where economically advantageous covered by insurance.

**GENERAL**

Cost Centre Managers must: -

7.5. Comply with guidance on risk management and business continuity issued by the Director of Performance and Development and their Strategic Director.

7.6. Take responsibility for risk management and business continuity within their service area, having regard to advice from the Director of Performance and

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Development and other specialist Officers, for example, crime prevention, fire prevention, health and safety, internal audit.

7.7. Ensure that there are regular reviews of risk within their area of responsibility and report the results of reviews to their line manager.

7.8. Ensure that appropriate action is taken to address the risks identified and to report the proposed action to their line manager.

7.9. Ensure that all risks arising from any new initiatives or projects are fully evaluated before these new activities are undertaken. Internal Audit, Insurance and Risk Management should be contacted when any significant new projects are in the planning stage to ascertain whether there are any insurance or risk management implications.

7.10. Ensure that business continuity plans are prepared for all the key services they are responsible for.

7.11. Ensure that internal controls within their area of responsibility are efficient and effective.

**AUDIT**

Cost Centre Managers must: -

7.12. Ensure that both internal and external auditors are given access, at all reasonable times, to such premises, personnel, documents and assets as the auditors consider necessary for the purposes of their work.

7.13. Ensure that auditors are provided with any information (including that held in electronic form) and explanations that they seek in the course of their work.

7.14. Ensure that they consider and respond promptly to audit reports.

7.15. Provide internal audit with information on progress in implementing recommendations.

7.16. Ensure that any agreed actions arising from audit recommendations are implemented in accordance with an action plan agreed with the auditors.

7.17. Ensure that any material changes to any systems procedures and risks are discussed with the County Council's internal auditors prior to implementation.

7.18. Ensure That Internal Audit and Risk Management is notified promptly of any suspected financial or other irregularity and consulted before any employee suspected of a financial irregularity is suspended.

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## INSURANCE

Why is this area important?

7.19. All directorates have risks that need to be covered by insurance. They include third party liability, employers' liability, theft or accidental damage to property, theft or loss of money, fire and other damage and motor policies.

7.20. It is important that each directorate regularly reviews its exposure to risks and maintains appropriate insurance cover at all times.

Cost Centre Managers must: -

7.21. Comply with guidance on insurance matters issued by the Director of Performance and Development and their Strategic Director on insurance arrangements.

7.22. Notify their Financial Services Manager immediately, of all new risks, property, equipment and vehicles that require either new insurance, or any alteration or addition to existing insurances.

7.23. Not give any indemnity to a third party without the consent of the Director of Performance and Development.

7.24. Immediately inform an appropriate manager and the Director of Performance and Development of all accidents, losses and other incidents which may give rise to an insurance claim. These should be reported irrespective of the application of any insurance excess. This includes all allegations of improper/inappropriate behaviour or negligence, including physical, racial or sexual abuse.

7.25. Not admit liability if they are involved in an insurance claim, as this will prejudice insurance cover.

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# Director of Resources

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## 1. INTRODUCTION

1.1. This document sets out the responsibilities of the Director of Resources for the financial affairs of the County Council.

1.2. The County Council is responsible for providing a wide range of services which involves spending significant amounts of money. To help ensure the County Council makes best use of this money a range of financial responsibilities have been delegated to Strategic Directors who, in turn, have delegated some financial responsibilities to Cost Centre and Managers of Traded Services.

1.3. The County Council is, however, required by S151 of the Local Government Act (1972), to appoint an Officer responsible for the overall financial administration of the County Council's financial affairs. The County Council has designated the Director of Resources to fulfil this role. Many of the responsibilities outlined in this document arise from this designation.

1.4. It would, of course, be impossible in an organisation as large and complex as the County Council for the Director of Resources to discharge all of these responsibilities personally. For this reason the Director of Resources is authorised to delegate a number of these functions to appropriately qualified staff (see Appendix G); or to contract for these services to be provided to the County Council by a third party.

1.5. The Standing Orders also form an important part of the County Council's approach to achieving Best Value. In order to deliver services efficiently and effectively it is important to engender clarity in the financial rules of the Authority.

1.6. The need to review Financial Standing Orders should be considered on an annual basis.

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## 2. FINANCIAL DECISION MAKING

Why is this Area Important?

2.1. In making financial decisions, Members take account of the information and advice given to them by Officers and, in particular, the Director of Resources. The Director of Resources also has delegated financial responsibilities which require him to take financial decisions, usually in consultation with the Director of Performance and Development. These decisions can have major financial and legal implications, and it is therefore important that they are soundly based on accurate and appropriate information.

The Director of Resources must: -

2.2. Ensure that all financial information given to Members or used by Officers to make decisions with financial implications: -

- takes account of all relevant directorate and corporate considerations;
- takes account of both long and short term costs and benefits;
- takes account of financial advice (Officers must consult the Director of Resources when drafting Committee or other reports which contain proposals which have financial implications);
- takes account of legal advice and any legal implications (the Director of Performance and Development should be consulted when drafting Committee or other reports which contain proposals which have legal implications);
- takes account of other professional advice, where appropriate;
- is compiled in accordance with best professional practices by suitable staff;
- is appropriate and provides a sound basis for financial decision making; and
- is presented at the most appropriate time to allow effective decisions to be made.

2.3. These requirements extend to the legal reasonableness and financial prudence of all decisions taken by either Members or Officers.

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## 3. PLANNING FOR THE USE OF RESOURCES

Why is this area important?

3.1. The County Council is a large complex organisation providing a multitude of different services, and like any organisation of this scale it needs to plan effectively and to develop systems to ensure that scarce resources are allocated in accordance with carefully weighed priorities. All decisions on the revenue budget are taken by the County Council except those that relate to the current year's approved budget and the use of directorates' earmarked reserves which are delegated to the Cabinet.

3.2. All items of expenditure of the County Council are classified as either revenue or capital.

3.3. The revenue budget is the expression in financial terms of directorates' service plans. It is concerned with the day to day spending required to provide a service, for example, pay, supplies and services, energy costs etc.

3.4. The capital programme is the expression in financial terms of a directorate's plans to purchase, construct or improve assets with a lasting value, for example, land, buildings and large items of equipment.

3.5. The process for preparing and setting the budget should ensure that it reflects each directorate's aims and objectives in financial terms for the period ahead. Budgets should be based on projections about pay and inflation and all cost savings should be identified, assessed for achievability and planned in advance. Known developments should be anticipated and fully costed. Revenue and capital budgets should be integrated and presented as such to Members.

3.6. It is important to ensure that the full revenue consequences of capital expenditure is reflected in the revenue budget and the options of a revenue or capital approach to service delivery is considered.

**Revenue/Capital Resources**

The Director of Resources must (in consultation with the Chief Executive, the Director of Performance and Development, and with Strategic Directors): -

3.7. Prepare and submit reports to the Cabinet outlining likely developments, including resource constraints set by the Government and changing demands on services, which will have an influence upon the revenue and capital budgets of the County Council.

3.8. Provide advice to the Cabinet about the guidelines it sets for the preparation of budgets.

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3.9. Prepare and submit reports to the Cabinet summarising the budget proposals and, where appropriate, identify the implications for the level of precept to be levied by the County Council and the impact on local taxpayers.

3.10. Provide guidance to Startgic Directors on revenue and capital budgets.

3.11. Ensure directorates maintain Asset Registers in order that notional capital charges can be calculated.

**Treasury Management**

The Director of Resources must: -

3.12. Recommend, in accordance with the relevant CIPFA Code of Practice, a policy statement and strategy for the year ahead, setting out the arrangements for the operation, management, and performance assessment of the treasury management function.

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## 4. CONTROLLING THE USE OF RESOURCES

Why is this area important?

4.1. Budgetary control is the process by which directorates monitor, review and adjust financial targets during the financial year. The identification and explanation of variances against budgetary targets provides a mechanism by which the County Council can identify changes in trends and resource requirements at the earliest opportunity.

4.2. There is also an additional pressure to monitor capital schemes carefully, to ensure that the County Council's capital financing capacity, governed by the Prudential Code, including other internal funds and external grants and receipts, is fully utilised, but not exceeded.

**Revenue/Capital Resources**

The Director of Resources must: -

4.3. Administer the County Council's scheme of Virement as detailed in Appendix B.

4.4. Prepare and submit with Startgic Directors joint reports to the Cabinet in respect of any revenue expenditure for which the Startgic Director concerned is unable to identify appropriate resourcing from within the existing approved budget.

4.5. Prepare and submit reports to the Cabinet in respect of any planned or actual expenditure which the Director of Resources (in consultation with the Director of Performance and Development) believes to be unlawful; and during the time between the possibility of unlawful expenditure coming to light and its consideration by Cabinet, prevent any payments other than those which are contractual commitments.

4.6. Prepare and submit regular reports to the Cabinet on progress against the approved capital programme, highlighting any slippage and detailing any requests for amendments to approved programmes.

4.7. Administer the authorisation of capital schemes by the Cabinet and reporting arrangements to the Cabinet as detailed in Appendix D.

4.8. Provide Startgic Directors and Cost Centre Managers with appropriate guidance and advice.

4.9. Administer the County Council's arrangements for under and overspendings to be carried forward to the following financial year (see Appendix C).

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**Treasury Management**

The Director of Resources must: -

4.10. Prepare and submit reports, at least annually, to the Cabinet before 30 September comparing actual treasury management performance against the approved strategy, for the previous year.

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## 5. ACCOUNTING FOR THE USE OF RESOURCES

Why is this area important?

5.1. The County Council has a statutory responsibility to prepare its annual accounts to fairly represent its operations during the year. The full council is responsible for approving the annual accounts. These are then subject to external audit scrutiny before publication. This provides assurance that all expenditure is legal, the accounts are properly prepared and appropriate accounting practices have been followed.

**Revenue/Capital Resources**

The Director of Resources must: -

5.2. Provide Startgic Directors with guidance and a timetable for closing their accounts, to ensure compliance with the Warwickshire Statement of Required Practice (WSORP).

5.3. Prepare and submit reports to the Cabinet outlining, firstly, probable and, subsequently, the actual income and expenditure of the County Council, for each financial year.

5.4. Prepare and publish the audited accounts of the County Council for each financial year in accordance with the Accounts and Audit Regulations, in particular: -

- make appropriate arrangements for the external audit of the County Council's accounts;
- prepare the full statement of accounts and present them to Cabinet and then Council for approval within 3 months of the financial year end;

  This represents a reduction of some 3 months from the previous timescale. The transitional arrangements are as follows; -

  - 2004/5 accounts prepared within 4 months of the year end;
  - 2005/6 accounts onwards prepared within 3 months of the year end.
- publish the statement of accounts, with the auditor's certificate or report, within 6 months of the financial year end. This represents a reduction of some 3 months from the previous timescale. The transitional arrangements are as follows;

  - 2004/5 accounts published within 7 months of the year end;
  - 2005/6 accounts onwards published within 6 months of the year end.

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## 6. FINANCIAL ADMINISTRATION

Why is this area important?

6.1. The County Council, being a public body, has a responsibility to the local community to ensure that its financial affairs are properly managed and its assets safeguarded. The public is entitled to expect the highest standards of financial conduct and integrity. It is the Director of Resource's responsibility to ensure that appropriate systems and controls are in place to satisfy these expectations.

6.2. The County Council has a statutory responsibility to make arrangements for the proper administration of its financial affairs. This includes determining the accounting systems and procedures, the form of accounts and supporting financial records. It also includes a variety of measures which can be summarised as "good housekeeping".

### ASSETS

Why is this important?

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

The Director of Resources must: -

6.4. Ensure that an Asset Register is maintained by the County Council for the purposes of capital accounting.

6.5. Advise Startgic Directors of the value above which: -

- assets, which are the property of the County Council, must be recorded in the Asset Register; and
- details of asset disposals must be recorded in the Asset Register. These values are detailed in Appendix H.

6.6. Approve the procedures, used by Startgic Directors, for the review and write-off of stores or inventory deficiencies, including obsolete items.

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## BANK ACCOUNTS, BORROWING AND PETTY CASH

### Banking Arrangements

The Director of Resources must: -

6.7. Operate the bank accounts of the County Council in accordance with the agreement of the County Council's bankers.

6.8. Specify the arrangements for signing cheques drawn on the County Council's bank accounts and ensure the security of cheque storage arrangements.

6.9. Control the order and issue of cheques for use in connection with the County Council's bank accounts.

6.10. Specify the arrangements and controls for the operation of bank accounts and authorise the opening of all new bank accounts.

6.11. Make bank account advances after consultation with the Startgic Director concerned. Arrange for the production of bank statements for all Imprest Holders for 31 March each year.

6.12. Carry out monthly bank reconciliations of the County Fund.

### Borrowing

The Director of Resources must: -

6.13. Arrange or approve all loans and other financing facilities, including leasing, which may be required.

6.14. Recommend to the Cabinet for approval by the Council each year a Treasury Management Strategy and Annual Investment Strategy to be incorporated therein prepared in accordance with current Codes of Practice.

6.15. Recommend to Cabinet for approval by Council each year other borrowing, investment and any other treasury limits as required by legislation.

6.16. Authorise all finance lease agreements before they are signed and include them in reported borrowing under the Prudential Code.

6.17. Carry out borrowing and investment activity in accordance with the approved Treasury Management Strategy and other Treasury limits approved by Council.

6.18. Produce a treasury management outturn report after year end.

### Petty Cash

The Director of Resources must: -

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6.19. Approve the use of petty cash advance accounts to pay for minor items of expenditure.

**BEST VALUE**

The Director of Resources must: -

6.20. Make sure Internal Audit consider the effectiveness of arrangements for securing value for money as part of all audits they undertake.

6.21. Administer the Policy Initiative Fund.

6.22. Encourage best use of resources and value for money by working with Startgic Directors to identify opportunities to improve economy, efficiency and effectiveness.

**COST CENTRE MANAGEMENT**

The Director of Resources must (in consultation with the Chief Executive and Startgic Directors): -

6.23. Establish the framework for cost centre management in the County Council.

6.24. Provide Startgic Directors with appropriate guidance and advice.

6.25. Promote cost centre management as an integral aspect of the County Council's approach to securing Best Value from its resources.

6.26. Review the Cost Centre Managers' Charter (see Appendix A) and the Cost Centre Management Model, and update as necessary.

The Director of Resources must: -

6.27. Review and update the Cost Centre Manager's Guide.

**DETERRING FRAUD AND CORRUPTION**

The Director of Resources must: -

6.28. Maintain and update the County Council's Anti-Fraud and Anti-Corruption Strategy.

6.29. In consultation with the Director of Performance and Development provide Startgic Directors with guidance on maintaining a register of interests, gifts and hospitality.

**EXTERNAL FUNDING**

Why is this Area Important?

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6.30. External funds are a significant proportion of the Council's budget. There are a multitude of funding sources from Central Government grants to a range of grants from external agencies such as the National Lottery. Whatever the source, funding conditions need to be carefully considered to ensure that they are compatible with the Authority's aims and objectives.

6.31. There is also a financial risk to the Authority when entering into long term financial commitments especially where ongoing external funding is not guaranteed. It is also important to ensure that any conditions attached to external funding are fully met to avoid the repayment of grant or incurring unclaimable expenditure. It is therefore important to have a financial system of control in place to negate any risks inherent in this type of funding arrangement.

The Director of Resources's must: -

6.32. Provide Startgic Directors with appropriate guidance and advice to: -

- ensure arrangements are in place so that any required match–funding is considered prior to any agreement is entered into; and
- ensure long term revenue and capital commitments are considered before any agreement is entered into.

**FINANCIAL STANDING ORDERS**

The Director of Resources must (in consultation with the Cabinet and the Standards Committee): -

6.33. Review Financial Standing Orders on a periodic basis to ensure they are effective and help the County Council achieve Best Value.

6.34. Review financial sums included in the Financial Standing Orders annually.

The Director of Resources must: -

6.35. Provide advice in circumstances which fall outside the defined Financial Standing Orders and with the Chief Executive and, or the Director of Performance and Development, exercise approval in situations where the rigid application of Financial Standing Orders would be likely to work against the best interests of the County Council.

6.36. Provide Startgic Directors and Cost Centre Managers with appropriate guidance and advice on the application of Financial Standing Orders.

**FINANCIAL SYSTEMS AND PROCEDURES**

The Director of Resources must: -

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6.37. Ensure that all the County Council's financial systems and procedures are sound and well administered.

6.38. Approve any changes to be made to existing financial systems, or new systems introduced within the County Council.

6.39. Ensure that all the County Council's financial systems help Cost Centre Managers achieve Best Value by providing accurate, relevant and timely information for decision-making.

**INCOME**

The Director of Resources must: -

6.40. Approve the procedures, systems and documentation for the collection of all income due to the County Council.

6.41. Provide Startgic Directors with guidance on charging for services.

**JOINT COMMISSIONING**

Why is this Area Important?

6.42. There may be circumstances when it makes more sense, both in the interest of service users and of the most effective use of resources, for an authority and its partner(s), to undertake a joint commission.

6.43. Joint commissioning is most likely to be used to provide integrated services across organisational or administrative boundaries. Governance and accountability issues would need to be agreed at the beginning of the joint commission partnership.

6.44. Joint Commissioning provides an opportunity, for example, for bundling together small PFI schemes which might otherwise be unattractive to the private sector because of their size. An example of this may be the renewal and upgrading of street lighting across two or more authority areas.

The Director of Resources must: -

6.45. Ensure that a financial control framework is in place for the operation of joint commissioning arrangements and is linked to existing financial accountability arrangements.

6.46. Arrange for internal or external audit scrutiny as appropriate.

6.47. Establish a clear scheme of delegation so that Officers are clear about the authority to commit County Council resources.

6.48. Provide Startgic Directors with appropriate guidance and advice.

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## MONEY LAUNDERING

Why is this area important?

6.49. Money laundering is the term used for a number of offences involving the proceeds of crime or terrorist funds. It also includes the possessing, or in any way dealing with, or concealing, the proceeds of crime.

6.50. The Proceeds of Crime Act 2002 and Money Laundering Regulations 2003 place some important obligations on all staff. It also places specific obligations upon professional advisors from a wide range of sectors, including Tax Advisors, Accountants, Auditors and Legal Advisors. Such professionals are required to fulfil a range of obligations to prevent money laundering.

The Director of Resources must: -

6.51. Appoint an Officer known as the Money Laundering Reporting Officer, to receive money laundering reports from other Officers and to report them to the National Criminal Intelligence Service.

## PARTNERSHIPS

Why is this Area Important?

6.52. Partnership working has become a key feature of the Modernisation Agenda. Partnerships offer a potentially flexible approach to service delivery outside the more traditional confines of statutory duties. Partnership working can provide access to new sources of funds, access to greater knowledge about service users and a more efficient way of working that avoids duplication across various Government Agencies, Health Bodies and the voluntary sector.

6.53. Although partnership working has been around for many years the scale, diversity and complexity of partnership working has grown dramatically over recent years. Partnership working can take many forms ranging from simple informal information sharing to complex Private Finance Initiatives.

6.54. This provides a major financial management challenge. There is a risk that partnership activities could slip through the net of established financial controls and procedures to the detriment of the County Council's position.

6.55. The Director of Resources's responsibility for maintaining financial administration and stewardship carries over into partnerships, whatever form the partnership takes.

The Director of Resources's must: -

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6.56. Ensure that a financial control framework is in place for the operation of partnership arrangements*.*

6.57. Arrange for internal or external audit scrutiny as appropriate**.**

6.58. Establish a clear scheme of delegation so that Officers are clear about the authority to commit Council resources.

6.59. Provide Startgic Directors with appropriate guidance and advice.

**PAYMENTS TO EMPLOYEES AND EX-EMPLOYEES**

The Director of Resources must: -

6.60. Arrange for the payment of salaries, wages, pensions and other payments to existing and former employees.

6.61. Record and administer the arrangements for Tax, Superannuation, National Insurance and all other deductions from pay, and comply with all relevant legislation.

6.62. Provide advice and encouragement to secure the payment of salaries and wages by the most economical means, currently BACS.

**PENSIONS**

The Director of Resources's must: -

6.63. Administer the Warwickshire Local Government Superannuation Scheme and, in particular, maintain adequate records of contributions made and provide advice and information.

6.64. Arrange for the appropriate investment, management and administration of Warwickshire's Local Government Pension Fund, in accordance with arrangements approved by the Regulatory Committee or a designated sub-committee of the Regulatory Committee, for example, the Pensions Board.

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## POOLED BUDGETS

Why is this Area Important?

6.65. Pooled budgets aim to achieve flexibility in the use of funds, and other resources, brought together by partners. These are placed in a discrete fund in order to meet the common needs of an identified group of the community.

6.66. The key principle of this arrangement is that regardless of the size of contribution the authority or partner(s) commit to the pool, the resource is then unified and available to provide agreed services. Expenditure, therefore, is based on the needs of the partnership and its customers, and not on the level of contribution from each partner.

6.67. The pooled fund could be hosted by the authority or one of its partners. A pooled budget would not absolve the authority or any other public body involved in the partnership from their statutory responsibility but should provide a way of discharging them more flexibly.

The Director of Resources must: -

6.68. Ensure that a financial control framework is in place for the operation of pooled budget arrangements and is linked to existing financial accountability arrangements.

6.69. Arrange for internal or external audit scrutiny as appropriate.

6.70. Establish a clear scheme of delegation so that Officers are clear about authority to commit Council resources.

6.71. Provide Startgic Directors with appropriate guidance and advice.

## PROCUREMENT

Why is this area important?

6.72. All directorates purchase supplies and services. The County Council needs to make sure that directorates comply with both UK and EC procurement legislation and secure value for money from all of their purchases.

6.73. The County Council's Contract Standing Orders and Procurement Code of Practice are designed to provide directorates with a code of practice and guidance to enable Strategic Directors to establish directorate purchasing procedures that meet this objective.

The Director of Resources must: -

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### General

6.74. Maintain and review the Procurement Code of Practice, to ensure directorates are provided with a framework for achieving Best Value when purchasing supplies and services.

6.75. Issue/provide Strategic Directors with guidance when appropriate.

6.76. Ensure that effective liaison arrangements exist with the Eastern Shires Purchasing Organisation (ESPO).

6.77. Provide general advice on procurement and contracting.

6.78. Provide guidance on contract letting and European procurement rules as appropriate.

### Procurement Policy

6.79. Approve the financial standing of prospective tenderers/contractors where appropriate.

6.80. Approve all schemes for the use of procurement cards or similar facilities.

### Payment of Accounts

6.81. Make all payments out of the County Fund and Warwickshire's Local Government Pension Fund for expenditure that has been duly certified and authorised in accordance with the Financial Standing Orders.

6.82. Make payments to contractors in respect of contracts, only on receipt of a contract certificate from the appropriate Startgic Director. Certificates should include details of the value of work, retention money, amounts previously certified and authorised, and amounts now certified and authorised.

6.83. Provide advice and encouragement to secure the making of payments by the most economical means, currently BACS.

### TAX

The Director of Resources must: -

6.84. Be responsible for the general management and administration of all tax matters relating to the County Council: -

- ensuring that directorates comply with all relevant legislation
- making payments to the Inland Revenue
- facilitating the provision of advice to directorates

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**TRADED SERVICES AND THE INTERNAL MARKET**

The Director of Resources must, (in consultation with the Chief Executive, the Director of Performance and Development, and Startgic Directors): -

6.85. Establish the financial framework and rules for the operation of Traded Services and the internal market.

The Director of Resources must: -

6.86. Independently verify the profit levels of any unit within the County Council making payments to staff under profit share schemes.

**UNOFFICIAL FUNDS (VOLUNTARY FUNDS)**

Why is this Area Important?

6.87. For reasons of probity and accountability, the good practice applied to Council funds should also be applied to unofficial and voluntary funds.

6.88. It is important therefore that administrative arrangements for unofficial and voluntary funds meet the standards expected by the Council.

The Director of Resources must: -

6.89. Provide Startgic Directors with appropriate guidance on the administration of unofficial and voluntary funds.

**WORK FOR THIRD PARTIES**

The Director of Resources must (in consultation with the Director of Performance and Development): -

6.90. Approve the financial viability of all proposed third party contracts.

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## 7. INTERNAL CONTROLS

Why is this area important?

7.1. The control environment comprises the organisation's policies, procedures and operations in place to:

- Establish and monitor the achievement of the organisation's objectives;
- Identify, assess and manage the risks to achieving the organisation's objectives;
- Facilitate policy and decision making;
- Ensure the economical, effective and efficient use of resources;
- Ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws and regulations;
- Safeguard the organisation's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption;
- Ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes; and
- Encompass elements of corporate governance and risk management.

7.2. Internal audit is an assurance function that provides an independent opinion to the Authority on the efficiency and effectiveness of internal controls.

7.3. Some of the risks the organisation faces can be protected by insurance. They include third party liability, employer's liability, theft or accidental damage to property, theft or loss of money, fire and other damage and motor policies.

7.4. It is important that the County Council regularly reviews its exposure to risks to ensure that they are minimised and where economically advantageous covered by insurance.

### GENERAL

The Director of Resources must: -

7.5. Monitor the balance of the insurance fund against known and potential liabilities.

7.6. Report annually to the Cabinet on the health of the insurance fund.

7.7. Periodically obtain independent advice on the adequacy of the balance of the insurance fund.