

Financial Regulations



Rhyl Town Council

Version Control

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FINANCIAL REGULATIONS

Introduction

To conduct its business efficiently, a local authority needs to ensure that it has sound financial management policies in place and that they are strictly adhered to. Part of this process is the establishment of Financial Regulations that set out the financial policies of the Authority. A modern Council should also be committed to innovation, within the regulatory framework, providing that the necessary risk assessment and approval safeguards are in place.

These Regulations, in conjunction with Financial Codes of Practice, Contract Standing Orders, the overview provided by the Risk Assessment and Strategic and Operational Planning Sub-Committees and Codes of Conduct of both employees and Members, provide a framework within which the Council conducts the business of Local Government.

Status of Financial Regulations

Financial Regulations are a part of the Council's Constitution and provide the framework for managing the Council's financial affairs. They apply to every Member and officer of the Council and anyone acting on its behalf, including partnerships, and failure to comply with Financial Regulations may result in disciplinary action.

The regulations identify the financial responsibilities of the Council, Finance and General Purposes Committee, the Committee responsible for Corporate Governance (the Risk Assessment Sub-Committee), other Committee Members, the Town Clerk, and the Responsible Financial Officer.

The Town Clerk should maintain a written record where decision making has been delegated to members of their staff, including seconded staff. Where decisions have been delegated or devolved to other responsible officers, such as the Town Centre Management Group, references to the Town Clerk in the regulations should be read as referring to them.

All Members and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, is properly authorised, provides value for money and achieves best value.

The Responsible Financial Officer is responsible for maintaining a continuous review of the Financial Regulations and submitting any additions or changes necessary to the Council for approval. The Responsible Financial Officer is also responsible for reporting, where appropriate, breaches of the Financial Regulations to the Council and/or to the Risk Assessment Sub-Committee.

Breaches will be investigated. Any breach of Financial Regulations may give rise to formal disciplinary action or action under competency procedures.

The Town Clerk is responsible for ensuring that all staff are aware of the existence and content of the Council's Financial Regulations and other internal regulatory documents and that they

comply with them. They must also ensure that an adequate number of copies are available for reference or that staff are able to access them via electronic means.

Reference to the Responsible Financial Officer and the Town Clerk are subject to arrangements for deputising and schemes of delegation. The Town Clerk must ensure that there is an effective scheme of delegation within the Council.

These Financial Regulations also apply to any Trust Funds administered by the Council. The Trust Funds are not assets of the Council and are not, therefore, included within the Council's Balance Sheet.

The Responsible Financial Officer is responsible for issuing advice and guidance to underpin the Financial Regulations that Members, officers and others, including partnerships, acting on behalf of the Council are required to follow.

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FINANCIAL MANAGEMENT & ADMINISTRATION

Purpose

All staff, Members and anybody acting on behalf of the Council have a duty to abide by the highest standards of probity in dealing with financial issues. This is facilitated by ensuring that everyone is clear about the standards to which they are working and the controls that are in place to ensure that these standards are met.

- 1.1 The Finance and General Purposes Committee is responsible for making recommendations to the Council on the allocation of the resources of the Council and for controlling the available financial resources through the preparation of the annual budget.
- 1.2 The Responsible Financial Officer shall, for the purposes of Section 151 of the Local Government Act 1972, be responsible for ensuring the proper administration of the Council's financial affairs, and the supervision of all aspects of financial management undertaken by the Council.
- 1.3 The Responsible Financial Officer has statutory duties in relation to the financial administration and stewardship of the Council. This statutory responsibility cannot be overridden. The statutory duties arise from:
 - a) Section 151 of the Local Government Act 1972
 - b) The Local Government Finance Act 1988
 - c) The Local Government and Housing Act 1989
 - d) The Accounts and Audit Regulations 2005
 - e) The Local Government Act 2003
- 1.4 The Responsible Financial Officer is responsible for:
 - a) the proper administration of the Council's financial affairs;
 - b) setting and monitoring compliance with financial management standards;
 - c) reporting on the robustness of estimates and adequacy of financial and controlled reserves for the purposes of making budgetary calculations.
- 1.5 Sections 114 and 114A of the Local Government Finance Act 1988 require the Responsible Financial Officer to report to the Council, Finance and General Purposes Committee and external auditor if the Council or one of its officers:
 - a) has made, or is about to make, a decision which involves incurring unlawful expenditure;
 - b) has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the Council;
 - c) is about to make an unlawful entry in the Council's accounts.
- 1.6 Any such report is to be sent to all Members of the Council and the external auditor. Once a report is made, the Council (or Finance and General Purposes Committee regarding executive functions) is required to hold a meeting within 21 days to consider it.

- 1.7 Section 114A of the 1988 Act also requires:
- a) the Responsible Financial Officer to nominate a properly qualified member of staff to deputise should he or she be unable to perform the duties under Section 114 personally;
 - b) the Authority to provide the Responsible Financial Officer with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under Section 114A and Section 151 of the Local Government Act 1972.
- 1.8 The Responsible Financial Officer, as financial adviser to the Council, shall each year prepare a report to the Finance and General Purposes Committee regarding the level of resources proposed for utilisation in each financial year, and shall keep the Finance and General Purposes Committee informed with respect to the Council's finances and financial performance.
- 1.9 The Responsible Financial Officer shall periodically inform the Finance and General Purposes Committee and either Risk Assessment or Strategic and Operational Planning Sub-Committees of the Council of the financial outcome of their activities, supplemented by reports by the Town Clerk, as appropriate.
- 1.10 The Responsible Financial Officer is responsible for recommending such changes to Financial Regulations to the Council as he considers necessary and desirable for the proper administration of the finances of the Council.
- 1.11 The Committee responsible for Corporate Governance shall be responsible to the Council for monitoring that appropriate control systems are in place to ensure the proper observance of the Council's Financial Regulations.
- 1.12 The Town Clerk shall consult with, and obtain the agreement of, the Responsible Financial Officer if there should exist any doubt whatsoever whether an item of expenditure may be lawful. The Town Clerk shall also inform the Responsible Financial Officer if there should exist any doubt whatsoever whether an item of expenditure may result in expenditure exceeding the available budget.
- 1.13 All staff and elected Members have a duty to abide by the highest standards of probity in dealing with financial issues. This is facilitated by ensuring that everyone is clear about the standards to which they are working and the controls in place to ensure that these standards are met.
- 1.14 The Town Clerk shall be required to bring the Council's Financial Regulations to the attention of all staff. Any employees who fail to observe Financial Regulations may be subject to disciplinary action.
- 1.15 The Town Clerk is responsible for the accountability and control of their staff and the security, custody and control of all other resources relating to the Council.
- 1.16 No officer may make a financial provision or financial commitment unless there is funding in place to support the expenditure.

- 1.17 The Town Clerk must satisfy the Responsible Financial Officer that every proposal to incur expenditure to be submitted to any committee affecting the Council's finances is:
- a) Lawful;
 - b) Can be met from within the existing budget allocations of the Council or it is proposed within a report how expenditure would be funded.
- 1.18 Every report to committee shall contain confirmation that such consultation has taken place and that the Responsible Financial Officer is satisfied that the report contains a clear statement of the financial impact and how this will be funded (if appropriate).
- 1.19 Each financial year, or as often as the Finance and General Purposes Committee may require, the Town Clerk shall prepare, in consultation with the Responsible Financial Officer and within the agreed strategy, estimates of income and expenditure of a revenue and capital nature.
- 1.20 It is the responsibility of the Town Clerk to ensure that budget estimates reflecting agreed plans are submitted to the Members of the Finance and General Purposes Committee and that these estimates are prepared in line with guidance issued by the Committee.
- 1.21 The Town Clerk shall ensure that appropriate and adequate supporting information is provided, including any reasons for increased or decreased estimated income or expenditure.

ACCOUNTING POLICIES

Purpose

Appropriate accounting policies must be in place to allow for the preparation of the Council's statement of accounts, in accordance with proper practices as set out in the format required by the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC), for each financial year ending 31 March. An Annual Return must be completed and submitted in accordance with the guidelines as set out by the Welsh Government for Town and Community Councils.

General

- 2.1 The Responsible Financial Officer is responsible for selecting accounting policies and ensuring that they are lawful and applied consistently. All accounting procedures and records of the Council and its officers shall therefore be in a form approved by the Responsible Financial Officer.

Key Controls

- 2.2 Systems of internal control must be in place to ensure that financial transactions are lawful.

- 2.3 Proper accounting records must be maintained.
- 2.4 Financial statements must be prepared which present fairly the financial position of the Council and its expenditure and income.

Responsibilities of the Responsible Financial Officer

- 2.5 To select suitable accounting policies and to apply them consistently.
- 2.6 To make judgements and estimates that are reasonable and prudent.
- 2.7 To comply with the Statement Of Recommended Practice.
- 2.8 To sign and date the statement of accounts, stating that it presents fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March.
- 2.9 To complete, sign and date the Annual Return and Annual Governance Statement for the year ended 31 March.
- 2.10 To draw up the timetable for final accounts preparation based on the advice of the external auditor and to advise staff accordingly.
- 2.11 The Responsible Financial Officer should ensure that the accounting policies are set out in the annual statement of accounts that is prepared at 31 March each year, and covers such items as:
 - a) all material reserves and provisions
 - b) tangible fixed assets
 - c) intangible assets
 - d) capital receipts
 - e) grants
 - f) interest charges
 - g) the redemption of debt
 - h) leases, covenants and similar schemes
 - i) long-term contracts such as PFI schemes and others
 - j) significant estimates included in debtors and creditors
 - k) stocks and work in progress
 - l) overheads
 - m) pensions
 - n) financial relationships with companies
 - o) other investments.

Responsibilities of the Town Clerk

- 2.12 To comply with accounting guidance provided by the Responsible Financial Officer and to supply the Responsible Financial Officer with information when required.

ACCOUNTING RECORDS & PROCEDURES

Purpose

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

General

- 3.1 The Responsible Financial Officer will determine the accounting procedures and records for the Council and arrange for the compilation of all accounts and accounting records under his or her direction.

ACCOUNTING RECORDS

Key Controls

- 3.2 The duties of providing information about sums due to or from the Council and calculating, checking and recording these sums will be separated from the duty of collecting or disbursing them.
- 3.3 Employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.

Responsibilities

- 3.4 The Responsible Financial Officer will make proper arrangements for the audit of the Council's accounts in accordance with the Accounts and Audit Regulations 2005 and ensure that all claims for funds including grants are made by the due date.
- 3.5 The Responsible Financial Officer will prepare and publish the audited accounts of the Council for each financial year, in accordance with the statutory timetable and with the requirement for the external auditor to approve the Statement of Accounts before 30 September.
- 3.6 The annual Statement of Accounts shall be produced in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC). The Annual Return shall be prepared in accordance with the guidance issued by the Welsh Audit Office which is guided by the CIPFA/LASAAC SORP.

ACCOUNTING PROCEDURES

Key Controls

- 3.7 Members and employees should operate within the required accounting standards and timetables.
- 3.8 All of the Council's transactions, material commitments and contracts and other essential accounting information should be recorded completely, accurately and on a timely basis.
- 3.9 Procedures should be in place to enable accounting records to be reconstituted in the event of systems failure.
- 3.01 Reconciliation procedures should be carried out to ensure transactions are correctly recorded.
- 3.11 Prime documents should be retained in accordance with legislative and other requirements, including Contract Standing Order 37. For most financial records this will be 6 years plus the current year. In the case of EU funding this is extended to a maximum of 50 years.

Responsibilities of the Town Clerk

- 3.12 To consult and obtain the approval of the Responsible Financial Officer before making any changes to accounting records and procedures.
- 3.13 To comply with the principles outlined in paragraphs 3.2 and 3.3 above when allocating accounting duties.
- 3.14 To maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements.
- 3.15 To supply information required to enable the statement of accounts to be completed in accordance with guidelines issued by the Responsible Financial Officer.

RESOURCE PLANNING

IMPROVEMENT PLAN & PERFORMANCE INFORMATION

Purpose

The Town Council has issued a Strategic Town Plan to 2017. As part of its performance management strategy the Council is required to publish annually a Position Statement, summarising its performance and position in relation to its Strategic Town Plan. The Outcome Agreement is a key element in the Council's programme of engaging with the public.

General

- 4.1 The Chairperson of the Strategic and Operational Planning Committee is responsible for proposing the Position Statements to the Finance and General Purposes Committee for consideration before its submission to the Council for approval.

Key Controls

- 4.2 The Position Statement and any statutory performance information should be produced on time, in the form required and be consistent from one period to the next.
- 4.3 All performance information must be accurate, complete and up to date and include improvement targets which are meaningful, realistic and challenging.

Responsibilities

- 4.4 The Responsible Financial Officer will contribute to the development of targets and objectives and performance information.
- 4.5 The Town Clerk will ensure that systems are in place to measure activity and collect accurate information for use as performance indicators and ensure that performance information is monitored at a sufficient and appropriate frequency to allow corrective action to be taken if targets are not likely to be met.
- 4.6 Rhyl Town Council employees will produce accurate, complete and up to date performance information.

BUDGETING PREPARATION

Purpose

The format of the budget determines the level of detail to which financial control and management will be exercised. The format shapes how the rules around virement operate, and sets the level at which funds may be reallocated within budgets. The revenue budget must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of the Council. Budgets (spending plans) are needed so that the Council can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for an Authority to budget for a deficit.

Key Controls

- 4.7 The Responsible Financial Officer will ensure that a programme of capital expenditure and estimates of income and expenditure on the revenue account for such future period(s) is submitted to the Finance and General Purposes Committee and Council in such form and by such date(s) as required. These will be prepared in accordance with the Code of Practice on a Prudential Approach to Local Authority Commitments, recommended for adoption by the Local Authority Associations and the Audit Commission, together with published best practices in accounting codes of practice and the Code of Practice for Treasury Management, as published by CIPFA.

- 4.8 The Finance and General Purposes Committee, on receipt of the report of the overall Council budget that has been studied by the Strategic and Operational Planning Committee, shall consider the aggregate effect of these programmes and policies upon the Council's financial resources. Following consultation on any proposed amendments, they shall be submitted to the Council for approval with a recommendation of the Precept for the ensuing financial year.
- 4.9 At least three days before the meeting of the Council, at which such matters will be considered, each Member shall be provided with a copy of the proposed programme of capital expenditure and estimates of income and expenditure on the revenue account.
- 4.10 The general format of the budget will be approved by the Council and proposed by the Finance and General Purposes Committee on the advice of the Responsible Financial Officer. The draft budget should include allocation to different services and projects, proposed taxation levels and contingency funds.
- 4.11 The use of released provisions or additional external funding shall constitute a change to the approved budget and require appropriate approval.

Responsibilities

- 4.12 The Responsible Financial Officer is responsible for ensuring that a revenue budget is prepared on an annual basis and a general revenue plan on a three-yearly basis for consideration by the Finance and General Purposes Committee, before submission to the Council. The Council may amend the budget or ask the Finance and General Purposes Committee to reconsider it before approving it.
- 4.13 The Strategic and Operational Planning Committee is responsible for publicly issuing the general content of the budget, in consultation with the Responsible Financial Officer, as soon as possible following approval by the Council.

RESOURCE ALLOCATION

Purpose

A mismatch often exists between available resources and required resources. A common scenario is that available resources are not adequate to fulfil need/desire. It is therefore imperative that needs/desires are carefully prioritised and that resources are fairly allocated, in order to fulfil all legal responsibilities. Resources may include staff, money, property, equipment, goods and materials.

Key Controls

- 4.15 Resources must be acquired in accordance with the law and using an approved authorisation process.
- 4.16 Resources should only be used for the purpose intended, to achieve the approved policies and objectives intended, and be properly accounted for.

- 4.17 Resources should be held securely.
- 4.18 Resources should be used with the minimum level of waste, inefficiency or loss for other reasons.

Responsibilities

- 4.19 The Responsible Financial Officer will advise on methods available for the funding of resources, such as grants from Central Government and borrowing requirements, if any.
- 4.20 The Town Clerk should operate within budget limits and use the resources allocated in the most efficient, effective and economic way.
- 4.21 The Town Clerk should also identify opportunities to minimise or eliminate resource requirements or consumption without having a detrimental effect on service delivery.
- 4.22 The Town Clerk should identify opportunities to generate efficiency gains, and report these to the Responsible Financial Officer.

BUDGET MONITORING & CONTROL

Purpose

Budget management ensures that once the Council has approved the budget, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the Council to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.

By continuously identifying and explaining variances against budgetary targets, the Council can identify changes in trends and resource requirements at the earliest opportunity. The Council itself operates within an annual budget limit, approved when setting the overall budget.

General

- 5.1 The approval of the revenue budget or capital programme by the Council shall constitute authority to incur such expenditure.
- 5.2 However, nothing in these Financial Regulations shall prevent expenditure being incurred in accordance with emergency powers, which is urgent or essential, to meet any immediate needs created by a sudden emergency, or which refers to Section 138 of the Local Government Act 1972; subject to their action being reported as soon as practicable to the Council.
- 5.3 The Responsible Financial Officer is responsible for periodically keeping the Finance and General Purposes Committee informed as to the state of the Council's finances.
- 5.4 It shall be the duty of Finance and General Purposes Committee to keep under review the financial performance of each type of expenditure during the budget period.

- 5.5 The Responsible Financial Officer is responsible for providing appropriate financial information to enable budgets to be monitored effectively. The Responsible Financial Officer must monitor and control expenditure against the total budget allocations and report to the Finance and General Purposes Committee on the overall position on a regular basis.
- 5.6 It is the responsibility of the Town Clerk to control income and expenditure and to monitor performance, taking account of financial information provided by the Responsible Financial Officer. They should also take any action necessary to avoid exceeding their budget allocation and alert the Responsible Financial Officer to any problems.
- 5.7 The Strategic and Operational Planning Committee, following agreement with the Responsible Financial Officer, should issue annual guidelines on the preparation of the budget to Members and the Town Clerk following initial indications of the likely Precept level. The guidelines should take account of:
- a) legal requirements
 - b) medium-term planning prospects
 - c) the Position Statement
 - d) available resources (external grants, balances and usable reserves)
 - e) spending pressures (provisions, cyclic maintenance, equipment replacement programmes)
 - f) budget timetables and the budget cycle
 - g) best value and other relevant government guidelines
 - h) other internal policy documents
 - i) cross-cutting issues (where relevant).

Key Controls

- 5.8 Town Council employees should be responsible only for income and expenditure that they can influence.
- 5.9 The Town Clerk must be a nominated budget manager for each cost centre heading.
- 5.10 Budget managers should accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities.
- 5.11 Budget managers should follow an approved certification process for all expenditure.

- 5.12 Income and expenditure must be properly recorded and accounted for.
- 5.13 Performance levels/levels of service should be monitored in conjunction with the budget, and necessary action should be taken to align service outputs and budget.
- 5.14 Variances arising on budgets should be contained initially within the service budget, if this is not possible the Responsible Financial Officer shall report this to the Finance and General Purposes Committee to obtain approval to offset adverse variances from elsewhere within the Council's budget.

Responsibilities

- 5.15 The Responsible Financial Officer will establish an appropriate framework of budgetary management and control that ensures that:
- a) budget management is exercised within annual budget limits unless Council agrees otherwise;
 - b) the Town Clerk has available timely, relevant and accurate information on receipts and payments on each budget which is sufficiently detailed to enable them to fulfil their budgetary responsibilities;
 - c) expenditure is committed only against an approved budget head;
 - d) all officers responsible for committing expenditure comply with relevant guidance, and these financial regulations;
 - e) each cost centre has a single named manager, determined by the Town Clerk. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commits expenditure;
 - f) variances from approved budgets in the virement ranges in paragraph 6.4 are investigated and reported by budget managers in accordance with Financial Regulations.
- 5.16 The Town Clerk should ensure that both revenue and capital spending remains within the Council's overall budget limit, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast. The Town Clerk should consult with the Responsible Financial Officer upon the systems and methods they adopt to ensure such control.
- 5.17 Where the Town Clerk is unable to balance expenditure and resources within existing approved budgets under his or her control, the Responsible Financial Officer will submit reports to the Finance and General Purposes Committee and to the Council.
- 5.18 Prior approval by the Finance and General Purposes Committee must be given for new proposals (not already included in the Council's Strategic Town Plan), of whatever amount, that:

- a) create financial commitments in future years
 - b) change existing policies, initiate new policies or cease existing policies
 - c) change the timescale of an existing policy
 - d) materially extend or reduce the Council's services.
- 5.19 A report on new proposals should explain the full financial implications, following consultation with the Responsible Financial Officer. Unless the Council or Finance and General Purposes Committee has agreed otherwise, the Town Clerk must plan to contain the financial implications of such proposals within their budget limit.
- 5.20 The Town Clerk should refer to Contract Standing Order 34 with regard to any variation in revenue contract costs.
- 5.21 The Town Clerk should prepare and submit reports to the Strategic and Operational Planning Committee and the Finance and General Purposes Committee on completion of all revenue contracts where expenditure exceeds the available budget. The report should be produced taking account of the virement rules in Section 6 of these financial regulations.

VIREMENT & YEAR END BALANCES

VIREMENT

Purpose

The scheme of virement is intended to enable the Finance and General Purposes Committee, the Town Clerk and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by the Council, and therefore to optimise the use of resources.

Responsibilities

- 6.1 The Council is responsible for agreeing the procedures for virement of expenditure between budget headings and budget lines.
- 6.2 The Responsible Financial Officer is responsible for proposing and administering the scheme of virement. Contingency funds are not included in the scheme of virement and may only be used if approved by Finance and General Purposes Committee.

Key Controls

- 6.3 Virement can only be approved if:
- a) the proposed expenditure is not contrary to Council policy
 - b) it is not contrary to approved Service Business Plans

- c) the future revenue burden on the service is not materially increased

6.4 All virement should follow the process set out in the following table: Amount	Within Budget Headings	Between Budget Headings
Up to £500.	Town Clerk	Town Clerk Responsible Financial Officer
Greater than £500, up to £1,000.	Town Clerk Responsible Financial Officer	Town Clerk Responsible Financial Officer
Greater than £1,000, up to £5,000.	Finance and General Purposes Committee	Finance and General Purposes Committee
Greater than £5,000	Council	Council

TREATMENT OF YEAR-END BALANCES

- 6.5 Appropriate accounting procedures must be in operation to ensure that carried-forward totals are correct and comply with Council policy.

Responsibilities

- 6.6 The Council is responsible for agreeing procedures for carrying forward under and overspends on budget headings, as proposed by the Finance and General Purposes Committee.
- 6.7 The Responsible Financial Officer will administer the scheme of carry-forward balances within the procedures approved by the Council and will report all overspendings and underspendings on all service estimates carried forward to the Finance and General Purposes Committee and to the Council.

Key Controls

- 6.8 Any overspending on estimates in total on budgets will normally be addressed in the financial year in which the overspend occurs and will have no effect on the following year's budget.
- 6.9 Net underspendings on service estimates may be carried forward if a commitment exists which cannot be paid or accrued in the current financial year, but the liability falls in the following financial year.
- 6.10 Net underspendings on service estimates under all other circumstances may only be carried forward subject to reporting to Finance and General Purposes Committee the source of underspending or additional income and the proposed application of those resources.

MAINTENANCE OF RESERVES

Purpose

The Local Authority must decide the level of general reserves it wishes to maintain before it can decide the level of Precept. Reserves are maintained as a matter of prudence. They enable the Authority to provide for unexpected events and thereby protect it from overspending, should such events occur. Reserves for specific purposes may also be maintained, such as the purchase or renewal of capital items. Reserves are treated differently from balances that may accrue during the year from unexpected activity or deviation from planned income or expenditure.

Responsibilities

- 7.1 It is the responsibility of the Responsible Financial Officer to advise the Finance and General Purposes Committee and/or the Council on prudent levels of reserves for the Authority, with the level of reserves to fall no lower than that of one third of expected annual income.

Key Controls

- 7.2 Reserves should be maintained in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC) and agreed accounting policies.
- 7.3 For each reserve established, the purpose, usage and basis of transactions should be clearly identified.
- 7.4 The use of specific reserves as defined in 7.3 will require the approval of Finance and General Purposes Committee. The use of any general reserves will require the approval of Council upon a report from the Responsible Financial Officer.
- 7.5 Reserves may only be used for the purposes for which they were intended. Any deviation from this or re-allocation of reserves will require the approval of the Council.
- 7.6 Balances that may accrue during the year because of underspends on approved budgets will be subject to Financial Regulation 6 (Virement & Year End Balances).

CAPITAL PROGRAMME & EXPENDITURE

Purpose

Capital expenditure involves acquiring or enhancing fixed and intangible assets with a long-term value to the Council, such as land, buildings, major items of plant, equipment, computer programs or vehicles, and deferred charges. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs. This means that capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources.

General

- 8.1 The Strategic and Operational Planning Committee is responsible for ensuring that a 3 year rolling capital programme and a detailed annual capital programme are prepared on an annual basis for consideration by the Town Clerk and Responsible Financial Officer before submission to the Council. The annual approved capital programme shall be shown gross, fixed in budget terms and based on year-end outturn prices.
- 8.2 The definition of “capital” will be determined by the Responsible Financial Officer, having regard to government regulations and accounting requirements.
- 8.3 No expenditure shall be incurred on any capital project in the current financial year unless provision exists in the approved Capital Programme. Any project not so complying, which therefore requires additional capital funding, shall be the subject of a report to the Finance and General Purposes Committee, which shall include the capital and revenue implications and shall then be the subject of a resolution by the Finance and General Purposes Committee for approval by Council.
- 8.4 The Capital Programme will be approved by Council and updated regularly. Any variation to the approved expenditure, the approved outputs of the project or the timescale must be reported to the Strategic and Operational Planning Committee, Finance and General Purposes Committee or Council as appropriate to approve the changes.

Key Controls

- 8.5 There must be specific approval by the Council for the programme of capital expenditure.
- 8.6 All bids for capital expenditure must adhere to the guidance in these Financial Regulations.
- 8.7 A scheme and estimate, produced by a suitably qualified person including project plan, progress targets, risk analysis and associated revenue expenditure should be prepared for each capital project for approval by the Strategic and Operational Planning Committee and Finance and General Purposes Committee.
- 8.8 Proposals for improvements and alterations to buildings must be approved by the Council.
- 8.9 The Council’s Risk Assessment Sub-Committee must complete an Asset Management Plan and maintain it accordingly.
- 8.10 Accountability for each capital project must be formally accepted by a named manager who will be responsible for the management of the project, the Senior Responsible Owner.
- 8.11 Capital projects may only proceed when there is adequate provision in the Capital Programme.
- 8.12 Adequate records must be maintained for all capital contracts.

- 8.13 Capital projects should be continually monitored by the Senior Responsible Owner (8.10) to assess progress, in conjunction with expenditure and comparison with approved budget. The Senior Responsible Owner should immediately inform the Finance and General Purposes Committee if a capital project is likely to exceed the approved budget.

Responsibilities

- 8.14 Councillors will submit Capital Business Cases for consideration for inclusion in the Capital Programme. Business Cases will be assessed and prioritised having due consideration of the Town Council's Strategic Objectives and Strategic Plan, using a selection process by the Strategic and Operational Planning Committee. The Responsible Financial Officer will make recommendations on the capital estimates and on any associated financing requirements to the Council. Projects that fall outside the agreed capital programme require unanimous approval from Council where the Business Case relies on borrowing as opposed to capital grant. This is because the extra borrowing may create future commitments to financing costs.
- 8.15 The Senior Responsible Owner will prepare and submit reports to the Finance and General Purposes Committee on capital expenditure and available resources compared with the approved estimates.
- 8.16 Finance and General Purposes Committee authorisation is required for individual schemes where the estimated expenditure exceeds the Capital Programme provision, unless the estimated expenditure cannot be contained within the overall Capital Programme, in which case Council approval will also be required.

Responsibilities of the Town Clerk

- 8.17 To ensure that the requirements of the unitary authority's Capital Planning & Project Management Procedures are followed.
- 8.18 To refer to Contract Standing Order 34 with regard to any variation in contract costs.
- 8.19 To prepare and submit reports to the Risk Assessment Sub-Committee on completion of all projects, reviewing costs and outcomes against budget.
- 8.20 To prepare and submit reports, in consultation with the Responsible Financial Officer, to the Strategic and Operational Planning Committee, Risk Assessment Sub-Committee and Finance and General Purposes Committee as appropriate where project costs have increased above those quoted when the scheme was approved.
- 8.21 To ensure that credit arrangements, such as finance lease agreements, are not entered into without the prior approval of the Responsible Financial Officer and, if applicable, approval of the scheme through the Capital Programme.
- 8.22 To seek the approval of the Improvement Board, the Executive Group and Finance and General Purposes Committee for any proposal for additional capital funding to support expenditure that has not been included in the current year's Capital Programme.

RISK MANAGEMENT

Purpose

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

Responsibilities

- 9.1 The Risk Assessment Sub-Committee is responsible for approving the Council's Risk Management Policy Statement and Strategy and for reviewing the effectiveness of risk management. The Finance and General Purposes Committee is responsible for ensuring that proper insurance exists where appropriate.
- 9.2 The Finance and General Purposes Committee is responsible for approving the Council's Risk Management Policy Statement and for promoting and embedding it throughout the Council. The Responsible Financial Officer is responsible for advising the Finance and General Purposes Committee on financial risk, while the Town Clerk will seek advice on legal risks. The Responsible Financial Officer will advise the Finance and General Purposes Committee on proper insurance cover where appropriate.
- 9.3 The Risk Assessment Sub-Committee should manage risk effectively, complete the Council's Risk Register, and ensure that there are regular reviews of risk within the Council, and in particular that Annual Risk Assessments are undertaken as part of the Assurance Review.
- 9.4 The Council's Risk Management Strategy outlines roles and responsibilities associated with the Risk Management Strategy.

Key Controls

- 9.5 Procedures must be in place to identify, assess, prevent or contain material known risks, and ensure that these procedures are operating effectively throughout the Council.
- 9.6 A monitoring process should be in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis.
- 9.7 Council staff should know that they are responsible for managing relevant risks and be provided with relevant information on risk management initiatives.
- 9.8 Provision should be made for losses that might result from the risks that remain.

- 9.9 Procedures should be in place to investigate claims within required timescales.
- 9.11 Acceptable levels of risk should be determined and insured against where appropriate.
- 9.11 Business continuity plans for implementation in the event of disaster that results in significant loss or damage to its resources must be in place.

INSURANCE

Purpose

The Council must have adequate insurance to mitigate the effects of identified risks. This regulation clarifies roles and responsibilities and separates the duty of making claims and arranging claims.

Responsibilities

- 10.1 The Responsible Financial Officer shall arrange all required insurance cover and make suitable arrangements for the negotiation of claims in consultation with the Risk Assessment Sub-Committee if deemed appropriate.
- 10.2 The Responsible Financial Officer shall ensure that all appropriate employees of the Council are included in a suitable fidelity guarantee insurance policy and any other appropriate insurance policy.
- 10.3 The Responsible Financial Officer may at their discretion operate and administer an internal insurance fund to meet losses and liabilities or parts of losses and liabilities on claims and such risks deemed appropriate.
- 10.4 The Town Clerk and Risk Assessment Sub-Committee shall give prompt notification to the Responsible Financial Officer of all new risks, properties, vehicles, equipment, antiques and other valuables that are to be insured and of any alterations affecting or that might affect existing insurances.
- 10.5 The Town Clerk shall notify the Responsible Financial Officer immediately of any loss, liability or damage that may lead to a claim against the Council or by the Council, together with any information or explanation required by the Responsible Financial Officer or the Council's insurers. The Town Clerk should inform the police if appropriate.
- 10.6 The Responsible Financial Officer shall annually, or at such period as he may consider necessary, review all insurances in consultation with the Risk Assessment Sub-Committee as appropriate.
- 10.7 The Risk Assessment Sub-Committee shall consult the Responsible Financial Officer regarding the terms of any indemnity that the Council is requested to give and will act in accordance with the advice given by the Responsible Financial Officer.

INTERNAL CONTROL

Purpose

The Council is complex and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives. The Council has statutory obligations and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations. The Council faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to manage these risks. The system of internal controls is established in order to provide measurable achievement of:

- efficient and effective operations*
- reliable financial information and reporting*
- compliance with laws and regulations*
- risk management*

Key Controls

- 11.1 The Accounts and Audit (Wales) Regulations 2005 require authorities to “conduct a review at least once in a year of the effectiveness of its system of internal control” and include a statement on internal control with any statement of accounts. Key controls should be reviewed on a regular basis and the formal statement in the Statement of Accounts should be to the effect that the Council is satisfied that the systems of internal control are operating effectively.
- 11.2 Managerial control systems must be in place, including defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities.
- 11.3 Financial and operational control systems and procedures must be in place, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems.
- 11.4 The Council must employ an effective internal auditor, as mandated by statute. The auditor should operate in accordance with the principles contained in the Auditing Practices Board’s auditing guideline *Guidance for Internal Auditors*, CIPFA’s *Code of Practice for Internal Audit in Local Government in the United Kingdom* and with any other statutory obligations and regulations.

Responsibilities

- 11.5 The Responsible Financial Officer will assist the Council to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.
- 11.6 The Risk Assessment Sub-Committee should review existing controls in the light of changes affecting the Council, inform the Responsible Financial Officer of the results of

the review, and establish and implement new controls in line with guidance from the Responsible Financial Officer. The Risk Assessment Sub-Committee should seek the agreement of the Responsible Financial Officer for removing controls that are unnecessary or not cost or risk effective – for example, because of duplication.

- 11.7 The Risk Assessment Sub-Committee should manage processes to check that established controls are being adhered to and evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.
- 11.8 The Town Clerk should ensure that staff have a clear understanding of the consequences of lack of control.

AUDIT REQUIREMENTS

INTERNAL AUDIT

Purpose

The requirement for an internal audit function for Town Councils is implied by section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit Regulations 2005 regulation 6, more specifically require that a “local government body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices”.

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

General

- 12.1 In accordance with the accounts and audit regulations approved by the Welsh Government, an intermediate and year-end audit of the systems of internal control shall be conducted by the named internal audit body.
- 12.2 The Responsible Financial Officer and any member of the Risk Assessment Sub-Committee have the authority to:
- a) access Council premises at reasonable times;
 - b) access all assets, records, documents, correspondence and control systems;
 - c) receive any information and explanation considered necessary concerning any matter under consideration;
 - d) require any employee of the Council to account for cash, stores or any other Council asset under his or her control;
 - e) access records belonging to third parties, such as contractors, when required.

- 12.3 The Chair of the Risk Assessment Sub-Committee has authority to directly access the Town Clerk, Council, and/or Finance and General Purposes Committee about any appropriate issue.

Key Controls

- 12.4 Internal audit must be independent in its planning and operation.
- 12.5 The appointed internal audit body must have direct access to the Town Clerk, Responsible Financial Officer and elected Members.
- 12.6 Internal auditors must comply with the Auditing Practices Board's guideline *Guidance for Internal Auditors*, as interpreted by CIPFA's *Code of Practice for Internal Audit in Local Government in the United Kingdom*.

Responsibilities

- 12.7 The Responsible Financial Officer will agree the strategic and annual audit plans prepared by the Risk Assessment Sub-Committee which take account of the characteristics and relative risks of the activities involved. The plans will be approved by the Finance and General Purposes Committee.
- 12.8 The Risk Assessment Sub-Committee should ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

Responsibilities of the Town Clerk

- 12.9 To ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.
- 12.10 To ensure that auditors are provided with any information and explanations that they seek in the course of their work.
- 12.11 To consider and respond promptly to recommendations in audit reports.
- 12.12 To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion in accordance with the agreed action plan.
- 12.13 To notify the Risk Assessment Sub-Committee and Responsible Financial Officer immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Council's property or resources. Pending investigation and reporting, the Town Clerk should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- 12.14 To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Responsible Financial Officer and Risk Assessment Sub-Committee prior to implementation.
- 12.15 The Risk Assessment Sub-Committee shall review, appraise and report to the appropriate committee upon:

- a) the soundness, adequacy and application of a strategic risk management framework and financial and operational controls;
- b) the extent of compliance with laws, regulations, policies, plans and procedures;
- c) the extent to which the Council's assets and interests are accounted for and safeguarded from losses of all kinds arising from other offences, waste, extravagance, poor value for money or any other causes whatsoever;
- d) the suitability and reliability of financial and operational information and systems developed within the Council.

EXTERNAL AUDIT

Purpose

The Public Audit (Wales) Act 2004 (the Act) requires the Auditor General for Wales to appoint an external auditor (Appointed Auditor) to each local government body in Wales. The general duties of the Appointed Auditor are specified in Section 17 of Chapter 1 to Part 2 of the Public Audit (Wales) Act 2004. Section 18 of the Act gives the Appointed Auditor rights of access to all documents and information necessary for the purposes of the audit. Section 16 of the 2004 Act permits the Auditor General for Wales to prepare a code of audit practice, prescribing the way in which Appointed Auditors should carry out their functions. The Auditor General's Code of Audit and Inspection Practice, issued in May 2005, sets out the general principles governing the work of auditors as well as specific requirements in relation to:

- *audit of financial statements; and*
- *evaluation of arrangements for securing economy, efficiency and effectiveness in the use of resources.*

The Authority's accounts are scrutinised by the Appointed Auditor who must be satisfied that the Statement of Accounts:

- *"presents fairly" the financial position of the Authority and its income and expenditure for the year in question; and*
- *complies with the legislative and other applicable requirements.*

Responsibilities

12.16 The Responsible Financial Officer is responsible for the following:

- a) to ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purposes of their work;
- b) to ensure there is effective liaison between external and internal audit;

- c) to work with the external auditor and advise the Council, Finance and General Purposes Committee and the Town Clerk on their responsibilities in relation to external audit;
- d) to ensure that all records and systems are up to date and available for inspection.

PREVENTING FRAUD AND CORRUPTION

Purpose

The Council will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Council. The Council's expectation of propriety and accountability is that Members and staff at all levels will act with integrity and lead by example in ensuring adherence to legal requirements, rules, procedures and practices. The Council also expects that individuals and organisations (eg suppliers, contractors, service providers) with whom it comes into contact will act towards the Council with integrity and without thought of or actions involving fraud and corruption.

Key Controls

- 13.1 The Council should have an effective anti-fraud and anti-corruption policy and maintain a culture that will not tolerate fraud or corruption.
- 13.2 The Town Clerk is required to deal swiftly and firmly with those who defraud or attempt to defraud the Council or who are corrupt.
- 13.3 Staff must not accept gifts from interested parties. Acceptable gifts include promotional pens or calendars. Unacceptable gifts include client lunches and free accommodation. A register of interests should be maintained in which any hospitality or gifts accepted must be recorded.
- 13.4 High standards of conduct are promoted amongst Members by the Code of Conduct and the Council's Standing Orders.
- 13.5 All staff or elected Members should report any declaration of interest to the Town Clerk who will maintain a register of interests.
- 13.6 Whistle blowing procedures should be in place and operating effectively.
- 13.7 Legislation including the Public Interest Disclosure Act 1998 should be adhered to.

Responsibilities

- 13.8 Responsibilities of the Responsible Financial Officer
 - a) to develop and maintain an anti-fraud and anti-corruption policy in conjunction with the Monitoring Officer;
 - b) to maintain adequate and effective internal control arrangements;

- c) to ensure that all suspected irregularities are reported to the Risk Assessment Sub-Committee, the Town Clerk, and the Finance and General Purposes Committee.

13.9 Responsibilities of the Town Clerk

- a) to ensure that all suspected irregularities are reported to the Responsible Financial Officer and Risk Assessment Sub-Committee;
- b) to instigate the Council's disciplinary procedures where the outcome of an investigation indicates improper behaviour;
- c) to ensure that where financial impropriety is discovered, the Risk Assessment Sub-Committee is informed, and where sufficient evidence exists to believe that a criminal offence may have been committed, the police are called in to determine with the Crown Prosecution Service whether any prosecution will take place;
- d) to ensure that all staff are aware of the requirement to report any declaration of interest to the Monitoring Officer who will maintain a register of interests

ASSETS

SECURITY OF ASSETS

Purpose

The Council holds assets in the form of property, vehicles, equipment, furniture and other items worth many millions of pounds. It is important that assets 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

- 14.1 The Town Clerk should ensure that records and assets are properly maintained and securely held. They should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

Key Controls

- 14.2 The regulations below have been established for the security and use of assets such as land, buildings, vehicles, fixed plant machinery, equipment, information and software and should be adhered to.
- 14.3 Resources should be used only for the purposes of the Council and be properly accounted for.
- 14.4 Resources should be available for use when required.

- 14.5 Resources no longer required should be disposed of in accordance with the law and the regulations of the Council so as to maximise benefits.
- 14.6 An asset register should be maintained and assets recorded promptly and accurately when they are acquired by the Council and this record should be updated as changes occur with respect to the location, value and condition of an asset.

Responsibilities

- 14.7 The Responsible Financial Officer will ensure that an asset register is maintained in accordance with good practice for all fixed assets purchased through the Capital Programme. The function of the asset register is to provide the Council with information about fixed assets so that they are:
- a) safeguarded
 - b) used efficiently and effectively
 - c) adequately maintained
 - d) properly accounted for
- 14.8 The Responsible Financial Officer will ensure that assets are valued in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC).
- 14.9 The Town Clerk shall have custody of all title deeds under secure arrangements. The Town Clerk will maintain a terrier of all properties owned by the Council, recording the purpose for which held, location area and plan, reference, purchase details, particulars of nature of interest and rents payable and particulars of tenancies, leases, licences granted and other dealings with the property.
- 14.10 The responsibilities of the Town Clerk and Members in respect of the security of assets are as follows:
- a) to inform the Responsible Financial Officer of all properties, plant and machinery and moveable assets currently owned or used by the Council. Any use of property by a Department other than for direct service delivery should be supported by documentation identifying terms, responsibilities and duration of use;
 - b) to provide the Responsible Financial Officer with the information required for the proper accounting and recording of assets;
 - c) to ensure that lessees and other prospective occupiers of Council land are not allowed to take possession or enter the land until a lease or agreement, in a form approved by the contracted legal advisor in consultation with the Responsible Financial Officer, has been established as appropriate;
 - d) to ensure the proper security of all buildings and other assets under their control;

- e) to pass title deeds to the Town Clerk who is responsible for custody of all title deeds;
- f) to ensure that no asset is subject to personal use by an employee;
- g) to ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the Council;
- h) to ensure that the Council maintains a register of moveable assets in the form of an inventory in accordance with arrangements defined by the Responsible Financial Officer;
- i) to make sure that property is only used in the course of the Council's business;
- j) to ensure that assets are identified, their location recorded and that they are appropriately marked and insured;
- k) to consult the Risk Assessment Sub-Committee in any case where security is thought to be defective or where it is considered that special security arrangements may be needed;
- l) to ensure that cash holdings on Council premises are kept to a minimum. If cash holdings are likely to exceed £500 the Responsible Financial Officer should be consulted for instructions on safe custody;
- m) to ensure that keys to safes and similar receptacles are kept securely; loss of any such keys must be reported to the appropriate person as soon as possible;
- n) to ensure that all employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the Council in some way;
- o) to ensure that all staff are aware of their responsibilities with regard to the Data Protection Act 1998, the Freedom of Information Act and the Computer Misuse Act;
- p) to ensure that all staff are aware of their responsibilities with regard to safeguarding the security of the Council's computer systems, including maintaining restricted access to the information held on them and compliance with the legislation in o).

INVENTORIES

General

14.11 The Town Clerk must ensure for every establishment that inventories are maintained. Inventories are a departmental record of furniture and equipment and should record an adequate description and location of all furniture, fittings, equipment, plant and machinery, antiques, and other valuables above £50 in value. A standard template is available from the Responsible Financial Officer and can be kept in manual or electronic form.

- 14.12 An annual check of all items on the inventory must be completed in order to verify location, review, condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. If an electronic inventory is maintained a hard copy showing the annual check should be retained. Attractive, high value and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the Council.
- 14.13 The Town Clerk must ensure that property is only used in the course of the Council's business.

STOCKS AND STORES

Responsibilities

- 14.14 It is the responsibility of the Town Clerk to make arrangements for the care and custody of stocks and stores in the Council and to ensure that stocks are maintained at reasonable levels and are subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion.
- 14.15 Stock control procedures must be approved by the Responsible Financial Officer.

Key Controls

- 14.16 A delivery note, signed by the person receiving the goods, should be obtained in respect of every delivery of goods, and all practicable steps must be taken to ensure that such delivery note is handed in at the time of delivery.
- 14.17 All goods must be checked as regards quantity and where practicable, quality, at the time delivery is made.
- 14.18 Where quality and compliance with specification cannot be checked at the time of delivery, this must be done as soon as possible thereafter. Goods that are clearly defective or not compliant with specification should not be accepted. Delivery notes shall be amended accordingly.
- 14.19 Stocks shall not be in excess of normal requirements except in special circumstances and shall be with the approval of the Town Clerk.
- 14.20 The Town Clerk should investigate report and authorise write-offs for discrepancies as necessary, in consultation with the Responsible Financial Officer. Material discrepancies should be reported to the Finance and General Purposes Committee at the discretion of the Responsible Financial Officer.
- 14.21 Redundant stocks and equipment should be sold or written-off. Procedures for disposal of such stocks and equipment should be by competitive quotations or auction, unless the Responsible Financial Officer and Chair of the Risk Assessment Sub-Committee decide otherwise in a particular case.
- 14.22 The Town Clerk shall arrange for and record periodical test examinations throughout the financial year of stocks by persons other than storekeepers and shall ensure that all stocks are checked and valued formally at the end of the financial year and the results

passed to the Responsible Financial Officer in the form of a stock certificate. The stock value will be included as part of the Council's published accounts.

ASSET DISPOSAL

Purpose

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

Key Controls

- 14.23 Assets (including property, inventory items, stocks and stores, IT equipment, software, etc.) should be disposed of at the most appropriate time, and only when it is in the best interests of the Council to do so. Best price should be obtained, bearing in mind other factors, such as environmental issues.
- 14.24 The disposal or part exchange of assets should normally be by competitive tender or public auction, unless, following consultation with the Responsible Financial Officer, the Risk Assessment Sub-Committee agrees otherwise. Items that are damaged, out of date, beyond economical repair, etc. must be reported to the Town Clerk for authority for disposal and write off.
- 14.25 Disposal of land and buildings shall be undertaken in accordance with advice procured from experts in the fields of law and property.
- 14.26 The Responsible Financial Officer must be informed of any disposal to ensure that appropriate accounting entries are made to remove the value of disposed assets from the Council's records and to include the sale proceeds if appropriate.

INTELLECTUAL PROPERTY

General

- 14.27 Intellectual property is a generic term that includes inventions and writing. If these are created by the employee during the course of employment, then, as a general rule, they belong to the employer, not the employee.
- 14.28 Certain activities undertaken within the Council may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property.

Key Controls

- 14.29 In the event that the Council decides to become involved in the commercial exploitation of intellectual property, the matter should proceed in accordance with the Council's approved intellectual property procedures.

Responsibilities of The Town Clerk

- 14.30 To ensure that controls are in place to 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.

TREASURY MANAGEMENT

Purpose

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

General

- 15.1 The Council's treasury management activities are regulated by a variety of professional codes and statutes and guidance. The Local Government Act 2003 (the Act) provides the power to borrow and invest as well as providing controls and limits on this activity. The powers within the Act were further developed by Statutory Instrument (SI) 3239 (W319) 2003.

The SI requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services; the Council has adopted the code.

The Act permits the National Assembly for Wales to issue Investment Guidance to structure and regulate the Council's investment activities; the Council has incorporated the guidance as part of its Treasury Management Practices.

The Prudential Code provides a framework of self-regulation for Councils allowing investment in assets without limit as long as the schemes are affordable, prudent and sustainable. The Council has adopted the CIPFA Prudential Code and is required to produce prudential indicators, which provide a framework to support capital investment decisions.

Key Controls

- 15.2 The Council is responsible for approving the treasury management policy statement as recommended by CIPFA's Code of Practice for Treasury Management in Public Services. The Finance and General Purposes Committee proposes the policy statement to the Council. The Responsible Financial Officer has delegated responsibility for implementing and monitoring the statement.
- 15.3 All money in the hands of the Council is controlled by the officer designated for the purposes of section 151 of the Local Government Act 1972, referred to in the code as the Responsible Financial Officer.

- 15.4 The Responsible Financial Officer is responsible for reporting to Council a proposed treasury management strategy for the coming financial year at or before the start of each financial year.
- 15.5 All executive decisions on borrowing, investment, cash flow or financing shall be delegated to the Responsible Financial Officer, who is required to act in accordance with CIPFA's Code of Practice for Treasury Management in Public Services.
- 15.6 The Responsible Financial Officer is responsible for reporting to Finance and General Purposes Committee quarterly in each financial year on the activities of the treasury management operation and on the exercise of his or her delegated treasury management powers.
- 15.7 The Council Policy is to lend funds for a maximum of 366 days; if a longer period is required the Responsible Financial Officer will seek approval for the investment from Finance and General Purposes Committee and Council.
- 15.8 All of the Council's borrowings and investments must comply with the CIPFA Code of Practice on Treasury Management and with the Council's treasury policy statement.
- 15.9 The Responsible Financial Officer is responsible for reporting to Council a range of prudential indicators for the coming year at or before the start of each financial year.
- 15.10 The Responsible Financial Officer is responsible for monitoring and revising the prudential indicators in the year and reporting to Finance and General Purposes Committee final prudential indicators for each financial year.

Responsibilities

15.11 Responsibilities of the Responsible Financial Officer (Treasury Management and Banking)

- a) to arrange the borrowing and investments of the Council in such a manner as to comply with the CIPFA *Code of Practice on Treasury Management* and the Council's treasury management policy statement and strategy;
- b) to report quarterly on treasury management activities to the Finance and General Purposes Committee, and to publish a strategy report and Prudential Indicators prior to the start of the financial year, and an annual report on activities and Prudential Indicators at the end of the financial year before 30 September;
- c) to report promptly to the Finance and General Purposes Committee in any exceptional circumstance where the provisions of the CIPFA *Code of Practice on Treasury Management* are not met.

15.12 Responsibilities of the Responsible Financial Officer (Investments and Borrowing)

- a) to ensure that all investments of money are made in the name of the Council or in the name of nominees approved by the Council. Bearer securities shall be excepted from this regulation, but any purchase of such securities shall be reported to the Finance and General Purposes Committee;

- b) to ensure that all securities that are the property of the Council or its nominees and the title deeds of all property in the Council's ownership are held in the custody of the Town Clerk;
- c) to effect all borrowings in the name of the Council;
- d) to act as the Council's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the Council.

15.13 Responsibilities of the Town Clerk (Investments and Borrowing)

- a) to ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the Finance and General Purposes Committee, following consultation with the Responsible Financial Officer.

15.14 Responsibilities of The Town Clerk (Trust Funds and Funds held for Third Parties)

- a) to arrange for all trust funds to be held, wherever possible, in the name of the Council. All officers acting as trustees by virtue of their official position shall deposit securities, etc. relating to the trust with the Responsible Financial Officer, unless the deed otherwise provides;
- b) to arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Responsible Financial Officer, and to maintain written records of all transactions;
- c) to ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.
- d) to be aware that all appropriate Financial Regulations governing the control of funds will apply to Trust Funds.

BANKING & IMPREST (PETTY CASH) ACCOUNTS

Purpose

The Council's banking arrangements must be regulated to ensure proper control and stewardship of all Council funds.

Key Controls

- 16.1 All arrangements with the Council's bankers shall be made by, or under arrangements approved by the Responsible Financial Officer who shall operate bank accounts as are considered necessary. Opening or closing any bank account shall require the approval of the Finance and General Purposes Committee.
- 16.2 All cheques, etc. (excluding cheques drawn on authorised imprest accounts) shall be ordered only on the authority of the Responsible Financial Officer who shall make proper arrangements for their safe custody.
- 16.3 The Responsible Financial Officer, Town Clerk and one of the authorised Councillor signatories shall sign cheques on the Council's main bank accounts.

BANKING

Responsibilities of the Responsible Financial Officer

16.4 To operate bank accounts as are considered necessary – opening or closing any bank account shall require the approval of the Responsible Financial Officer.

Responsibilities of the Town Clerk and Authorised Signatories

16.5 To follow the instructions on banking issued by the Responsible Financial Officer.

IMPREST (PETTY CASH) ACCOUNTS

General

16.6 It is the responsibility of the Responsible Financial Officer to make arrangements for employees of the Council to have cash or bank imprest accounts to meet minor expenditure (amounts to be approved by the Responsible Financial Officer) on behalf of the Council and to reimburse imprest holders as often as necessary to restore the imprest.

16.7 Such accounts shall be subject to audit by the Risk Assessment Sub-Committee.

16.8 The Responsible Financial Officer must approve all imprest accounts, and imprest accounts should never be allowed to go overdrawn. No income received on behalf of the Council may be paid into an imprest account.

Responsibilities

16.9 The Town Clerk is responsible for ensuring that employees operating an imprest account:

- a) obtain and retain vouchers (e.g. receipts) to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained;
- b) make adequate arrangements for the safe custody of the account;
- c) produce upon demand by the Responsible Financial Officer cash and all vouchers to the total value of the imprest amount;
- d) record transactions promptly and in full;
- e) request reimbursement to restore the imprest in sufficient time (it is recommended a claim is submitted when three quarters of the imprest has been used) to avoid the account going overdrawn;
- f) reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained on file reference B07/06;

- g) provide the Responsible Financial Officer with a certificate of the value of the account held at 31 March each year;
- h) ensure that the imprest account is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the imprest account and change relating to purchases where an advance has been made;
- i) on leaving the Council's employment or otherwise ceasing to be entitled to hold an imprest advance, an employee shall account to the Responsible Financial Officer for the amount advanced to him or her.

STAFFING

Purpose

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

General

- 17.1 The Town Clerk is responsible for providing overall management to staff. He or she is also responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job.

Key Controls

- 17.2 An appropriate staffing strategy and policy should exist, in which staffing requirements and budget allocation is matched, monitored and reported.
- 17.3 Procedures should be in place for forecasting staffing requirements and cost.
- 17.4 Controls should be in place to ensure that staff time is used efficiently and to the benefit of the Council.
- 17.5 Checks must be undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced and trustworthy. Evidence of satisfactory completion of the checks must be kept on the individual's personal file.
- 17.6 Every member of staff must have a Schedule of Main Terms and Conditions of Employment, with a copy maintained on their personal file.

Responsibilities

17.7 Responsibilities of the Responsible Financial Officer

- a) to ensure that budget provision exists for all existing and new employees;

- b) to act as an advisor to The Town Clerk on areas such as National Insurance and pension contributions, as appropriate.

17.8 Responsibilities of the Town Clerk and Staffing Committee

- a) to maintain an up to date establishment list;
- b) to produce an annual staffing budget;
- c) to ensure that the staffing budget is an accurate forecast of staffing levels and is equated to an appropriate revenue budget provision (including on-costs and overheads);
- d) to ensure that proper appointment procedures are followed and appropriate security checks are completed and references obtained. Proper records must be kept of the recruitment and selection process that resulted in the appointment;
- e) to monitor staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff;
- f) to ensure that the staffing budget is not exceeded without due authority and that it is managed to enable the agreed level of service to be provided;
- g) to ensure that the Finance and General Purposes Committee is immediately informed if the staffing budget is likely to be materially over or underspent;
- h) to have due regard to guidance provided by the Staffing Committee on the use of temporary staff, employment agency staff, and suppliers of consultancies supplying contract staff, and to ensure that all agency staff are obtained from appropriate agencies as approved by the Staffing Committee taking into account VFM principles.

FINANCIAL SYSTEMS & PROCEDURES

Purpose

The Council has many systems and procedures relating to the control of the Council's assets, including purchasing, costing and management systems. The Council is increasingly reliant on computers for its financial management information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.

Key Controls

18.1 The key controls for systems and procedures are:

- (a) Basic data exists to enable the Council's objectives, targets, budgets and plans to be formulated.

- (b) Performance is communicated to the appropriate committee on an accurate, complete and timely basis.
- (c) Early warning is provided of deviations from target, plans and budgets that require management attention.
- (d) Operating systems and procedures are secure.

Responsibilities

- 18.2 The Responsible Financial Officer has a professional responsibility to ensure that the Council's financial systems are sound and should therefore be notified of any new developments or changes.
- 18.3 The Responsible Financial Officer is responsible for the operation of the Council's accounting systems, the form of accounts and the supporting financial records. Any changes made by officers or Members to the existing financial systems or the establishment of new systems must be approved by the Responsible Financial Officer.
- 18.4 The Responsible Financial Officer is responsible for ensuring that arrangements are in place for the proper administration of the Council's financial affairs, including:
 - a) issuing advice, guidance and procedures for officers and others acting on the Council's behalf;
 - b) determining the accounting systems, form of accounts and supporting financial records;
 - c) establishing arrangements for audit of the Council's financial affairs;
 - d) approving any new financial systems to be introduced;
 - e) approving any changes to be made to existing financial systems.
- 18.5 Any changes to agreed procedures should be agreed with the Responsible Financial Officer.
- 18.6 The Town Clerk should ensure that their staff receives relevant financial training that has been approved by the Responsible Financial Officer.
- 18.7 The Town Clerk must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation and must ensure that staff are aware of their responsibilities under freedom of information legislation.

Responsibilities of the Town Clerk

- 18.8 The Town Clerk is responsible for the following:
 - a) to ensure that accounting records are properly maintained and held securely;

- b) to ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Responsible Financial Officer (see paragraph 3.11) and subject to statutory requirements;
- c) to ensure that a complete management trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained;
- d) to incorporate appropriate controls to ensure that, where relevant:
 - i. all input is genuine, complete, accurate, timely and not previously processed
 - ii. all processing is carried out in an accurate, complete and timely manner
 - iii. output from the system is complete, accurate and timely.
- e) to ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice;
- f) to ensure that there is a documented and tested disaster recovery plan agreed with the IT contractor to allow information system processing to resume quickly in the event of an interruption;
- g) to ensure that systems are documented and staff trained in operations;
- h) to consult with the Responsible Financial Officer before changing any existing system or introducing new systems;
- i) to establish a scheme of delegation identifying officers authorised to act upon the Town Clerk's behalf in respect of all financial matters including payments, income collection and placing orders (including variation orders), and showing the limits of their authority;
- j) to supply lists of authorised officers, with specimen signatures and delegated limits, to the Responsible Financial Officer upon request, together with any subsequent variations;
- k) to ensure that effective contingency arrangements, including back-up procedures, exist for computer systems in consultation with the IT contractor. Wherever possible, back-up information should be securely retained in a fireproof location, preferably off site or at an alternative location within the building or another Council site;
- l) to ensure that, where appropriate, computer systems are registered in accordance with data protection legislation and that staff are aware of their responsibilities under the legislation;
- m) to ensure that the Council's information is secure at all times;

- n) to take steps to ensure that computer equipment and software are protected from loss and damage through theft, vandalism, etc.;
- o) to comply with the copyright, designs and patents legislation and, in particular, to ensure that:
 - i. only software legally acquired and installed by the Council is used on its computers
 - ii. staff are aware of legislative provisions regarding copyright, designs and patents
 - iii. in developing systems, due regard is given to the issue of intellectual property rights.

INCOME

Purpose

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

Key Controls

- 19.1 All income due to the Council should be identified and charged correctly, in accordance with the Local Government Act 2003 and the Council's approved charging policy of cost + 8%.
- 19.2 All income should be collected from the correct person, at the right time, using the correct procedures and the appropriate stationery.
- 19.3 All money received by an employee on behalf of the Council should be paid in full and without delay to the Responsible Financial Officer or, as he or she directs, to the Council's bank account, and properly recorded.
- 19.4 The responsibility for cash collection should be separated from that of:
 - a) identifying the amount due
 - b) reconciling the amount due to the amount received
- 19.5 Effective action should be taken to pursue non-payment of debt within defined timescales.
- 19.6 Where possible, debts below £10 should be recovered at the point of service delivery or sale and will only be processed as a formal sundry debt with the approval of the Responsible Financial Officer.

- 19.7 Formal approval for any debt write-off must be obtained before any action is taken (see 19.12d and Financial Regulation 25).
- 19.8 Appropriate write-off action should be taken within defined timescales.
- 19.9 Appropriate accounting adjustments should be made following write-off action.
- 19.10 All appropriate income documents should be retained and stored for six years plus the current year.
- 19.11 Money collected and deposited, including electronic payments, standing orders, direct debits, internet payments, and debit and credit card payments, should be reconciled to the bank account by a person who is not involved in the collection or banking process.

Responsibilities

19.12 Responsibilities of the Responsible Financial Officer

- a) to agree arrangements for the collection of all income due to the Council and to approve the procedures, systems and documentation for its collection;
- b) to define the standard of all receipt forms, books or tickets and similar items, the Town Clerk to order all receipt forms, books or tickets and similar items and the Town Clerk to satisfy himself or herself regarding the arrangements for their control and day to day administration;
- c) to write off bad debts in accordance with paragraphs 26.1 to 26.11 of the Financial Regulations;
- d) to approve and maintain, in conjunction with the Risk Assessment Sub-Committee, write off procedures for debts in connection with local taxation, housing benefit and rents;
- e) to approve all debts to be written off in consultation with the Town Clerk and to keep a record of all sums written off up to the approved limit and to adhere to the requirements of the Accounts and Audit Regulations 2005.

19.13 Responsibilities of The Town Clerk

- a) to operate within the charging policy and consult with the Responsible Financial Officer when charging for the supply of goods or services to third parties, including the appropriate charging of VAT;
- b) to separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable;
- c) to support appropriate recovery procedures via the Council's Sundry Debtors System, including legal action where necessary, for debts that are not paid promptly;
- d) to issue official receipts or to maintain other documentation for income collection;

- e) to ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded;
- f) to hold securely receipts, tickets and other records of income for two years plus the current year;
- g) to lock away all income to safeguard against loss or theft, and to ensure the security of cash handling;
- h) to ensure that income is paid fully and promptly into the appropriate Council bank account in the form in which it is received. Appropriate details should be recorded on paying-in slips to provide a reference to the debt (audit trail). Money collected and deposited must be reconciled to the bank account on a regular basis;
- i) to ensure that income is not used to cash personal cheques or other payments;
- j) to supply the Responsible Financial Officer with details relating to work done, goods supplied, services rendered, leases, contracts or other amounts due, to enable the Responsible Financial Officer to record correctly the sums due to the Council and to ensure that accounts are sent out promptly. To do this, The Town Clerk should use established performance management systems to monitor recovery of income and flag up areas of concern to the Responsible Financial Officer.
- k) The Town Clerk has a responsibility to assist the Responsible Financial Officer in collecting debts that they have originated by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf;
- l) to keep a record of every transfer of money between employees of the Council. The receiving officer must sign for the transfer and the transferor must retain a copy;
- m) to recommend to the Responsible Financial Officer all debts to be written off and to keep a record of all sums written off. Once raised, no bona fide debt may be cancelled, except by full payment or by formally writing-off the debt. A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt;
- n) to obtain the approval of the Responsible Financial Officer when writing off debts in excess of the approved limit, and the approval of the Finance and General Purposes Committee where required (see 19.12 d);
- o) to notify the Responsible Financial Officer of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Responsible Financial Officer, and not later than 14 April.

ORDERING AND PAYING FOR GOODS AND SERVICES

Purpose

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

Key Controls

- 20.1 Every officer and Member of the Council has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the Council, in accordance with appropriate codes of conduct.
- 20.2 The Council will maintain a list of authorised signatories for the approval of orders and invoices for expenditure. Goods and services may only be ordered by these persons authorised to do so and must be correctly recorded when the order is actually placed.
- 20.3 All goods and services should be ordered in accordance with the Council's Contract Standing Orders.
- 20.4 Official orders must be in a form approved by the Responsible Financial Officer. This includes paper and electronic orders.
- 20.5 Official orders must be issued for all work, goods or services to be supplied to the Council, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions specified by the Responsible Financial Officer.
- 20.6 Orders should be issued to the supplier at the time the order is placed. If this is not possible, a confirmation order should be issued as soon as it is practical to do so. Orders should not be completed upon receipt of the supplier's invoice.
- 20.7 Standard terms and conditions should be included on all orders and must not be varied without the prior approval of the Responsible Financial Officer.
- 20.8 Goods and services received should be checked to ensure that they are in accordance with the order. This check should be recorded on the delivery note if there is one. Goods should not generally be received by the person who placed the order, but in certain circumstances this is unavoidable.
- 20.9 Payments should not be made unless goods have been received by the Council at the correct price, quantity and quality standards as defined in the purchase order placed with the supplier (20.6).
- 20.10 All payments should be made to the correct person, for the correct amount and be properly recorded, regardless of the payment method. Payment methods may include electronic payments, standing orders, direct debits, Internet payments, and debit and credit card payments.

- 20.11 All appropriate evidence of the transaction and payment documents should be retained and stored for the defined period. For most payments this will be six years plus the current year.
- 20.12 Apart from petty cash, the normal method of payment from the Council shall be by automated credit, cheque or other instrument or approved method, drawn on the Council's bank account by the Responsible Financial Officer. The use of direct debit and credit cards shall require the prior agreement of the Responsible Financial Officer.
- 20.13 All expenditure, including VAT, should be accurately recorded against the right budget and any exceptions corrected.
- 20.14 Purchases should not be funded by netting off cash income received.
- 20.15 Official orders should not be raised for any personal or private purchases, nor must personal or private use be made of Council contracts or discounts.
- 20.16 Effective procedures should be in place to maintain the security and integrity of data for transacting business electronically.
- 20.17 All e-business/e-commerce developments must be approved by the Responsible Financial Officer.
- 20.18 All purchases of IT hardware and software must be advised by the IT contractor to ensure compatibility with existing systems.

Responsibilities

20.19 Responsibilities of the Responsible Financial Officer

- a) to approve the form of official orders and associated terms and conditions;
- b) to make payments from the Council's funds on receipt of authorisation that the expenditure has been duly incurred in accordance with Financial Regulations;
- c) to make payments, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a court order;
- d) to make payments to contractors on the certificate of the Town Clerk, which must include details of the value of work, retention money, amounts previously certified and amounts now certified;
- e) to provide advice and encouragement on making payments by the most economical means;

20.20 Responsibilities of The Town Clerk

- a) to ensure that unique pre-numbered official orders are used for all goods and services (unless an on-line ordering system has been approved for use for particular goods/services), other than the exceptions specified in 20.5 above. Orders should be

completed and issued to the supplier at the time the order is actually placed. If this is not possible, a confirmation order should be sent to the supplier, quoting the Council's terms and conditions, as soon as it is practical to do so;

- b) to ensure that orders are only used for goods and services provided to the Council. Individuals must not use official orders to obtain goods, services or discounts for their private use;
- c) to ensure that only those staff authorised to do so sign orders and to maintain an up-to-date list of such authorised staff, including specimen signatures identifying in each case the limits of their authority. The authoriser of the order should be satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary. Best value principles should underpin the Council's approach to procurement and value for money should always be achieved;
- d) to ensure that goods and services are checked upon receipt to verify that they are in accordance with the order. (This check should be recorded on the delivery note if there is one). A different officer from the person who authorised the order should, where possible, carry out this check. Appropriate entries should then be made in inventories or stores records;
- e) to ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment, confirming:
 - i. receipt of goods or services
 - ii. that the invoice has not previously been paid
 - iii. that expenditure has been properly incurred and is within budget provision
 - iv. that prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices
 - v. correct accounting treatment of tax
 - vi. that the invoice is correctly coded
 - vii. that discounts have been taken where available
 - viii. that appropriate entries will be made in accounting records
- f) the responsibility for ensuring that the above have been followed in every instance will rest with the member of staff authorising the invoice or payment;

- g) to ensure that two authorised members of staff are involved in the ordering, receiving and payment process. If possible, a different officer from the person who signed the order, and in every case, a different officer from the person checking a written invoice, should authorise the invoice.
- h) to ensure that all officer-authorised payments are countersigned by two authorised Councillors from the Council signatory list updated at the Annual Meeting of Council before physical payment is conducted.
- i) to ensure that the names of authorising officers together with specimen signatures and details of the limits of their authority are forwarded to the Responsible Financial Officer. Amendments to this list should be forwarded as and when changes in personnel or responsibility occur;
- j) to ensure that payments are not made on a photocopied or faxed invoice, statement or other document other than the formal invoice;
- k) to encourage suppliers of goods and services to receive payment by the most economical means for the Council. It is essential, however, that payments made by direct debit have the prior approval of the Responsible Financial Officer;
- l) to ensure that the Council obtains best value from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality and following the Council's contract procedures when required;
- m) to ensure that staff do not deliberately attempt to circumvent the Council's contract procedures, for example by splitting up orders;
- n) to follow the Council's Contract Standing Orders when putting purchases out to competitive quotation or tender;
- o) to ensure that employees are made aware of the Officers' Code of Conduct;
- p) to ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the Responsible Financial Officer. This is because of the potential impact on the Council's borrowing powers, to protect the Council against entering into unapproved credit arrangements and to ensure that value for money is being obtained;
- q) to notify the Responsible Financial Officer of outstanding expenditure relating to the previous financial year as soon as possible after 31st March in line with the timetable determined by the Responsible Financial Officer and, in any case, not later than 14th April;
- r) with regard to contracts for construction and alterations to buildings, to adhere to Contract Standing Orders and the procedures for validation of subcontractors' tax status;

- s) to notify the Responsible Financial Officer immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision;
- t) to ensure that all appropriate payment records are retained and stored in accordance with Contract Standing Order 37 and the document retention policy.

EMPLOYEE SALARIES & SUPERANNUATION

Purpose

Staff costs are the largest item of expenditure for most Authority services. It is therefore important that payments are accurate, timely, made only where they are due for services to the Authority and that payments accord with individuals' conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for.

Key Controls

21.1 The key controls for payments to employees and Members are:

- (a) Proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to:
 - i. Starters
 - ii. Leavers Variations
 - iii. Enhancements
 - iv. and that payments are made on the basis of timesheets or claims.
- (b) Frequent reconciliation of payroll expenditure against approved budget and bank account.
- (c) All appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule.
- (d) HM Revenue and Customs regulations are complied with.

Responsibilities

21.2 Responsibilities of the Responsible Financial Officer

- a) to arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees, in accordance with procedures prescribed by him or her, on the due date;
- b) to record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions;

- c) to ensure that there are adequate arrangements for administering Superannuation matters on a day-to-day basis;
- d) to ensure that all appropriate payroll documents are retained and stored for six years plus the current year.
- e) to maintain a list of authorised signatories for the approval of post changes, approval of appointment forms, timesheets, and overtime claims. These may only be processed by those persons authorised to do so.
- f) to provide advice and encouragement to secure payment of salaries and wages by the most economical means.

21.3 Responsibilities of The Town Clerk

- a) to ensure that appointments are made in accordance with the regulations of the Council and approved establishments, grades and scale of pay and that adequate budget provision is available;
- b) to notify the Responsible Financial Officer of all appointments, terminations or variations that may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Responsible Financial Officer;
- c) to ensure that adequate and effective systems and procedures are operated, so that:
 - i. payments are only authorised to bona fide employees
 - ii. payments are only made where there is a valid entitlement
 - iii. conditions and contracts of employment are correctly applied
 - iv. employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness
- d) to send an up-to-date list of the names of officers authorised to sign records to the Responsible Financial Officer, together with specimen signatures. The Payroll Section should have signatures of officers authorised to sign timesheets and other claims;
- e) to ensure that payroll transactions are processed only through the payroll system. The Town Clerk should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. HM Revenue and Customs applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Responsible Financial Officer;
- f) to ensure that the Responsible Financial Officer is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.

TRAVELLING, SUBSISTENCE AND ALLOWANCES

Purpose

The purpose of this regulation is to ensure that the payment of travelling, subsistence and other allowances is accurate, timely, made only when due, conforms with Council policy on travelling and subsistence and accords with the relevant schemes and conditions of employment. It is also important that Members' allowances are paid in accordance with the Members allowance scheme adopted by the Council.

Responsibilities

- 22.1 The Responsible Financial Officer is responsible for making arrangements for the payment of all travel and subsistence claims or financial loss allowances.
- 22.2 It is the responsibility of The Town Clerk to certify staff travel and subsistence claims and other allowances. Certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred, and that allowances are properly payable by the Council and comply with the Council's Travelling and Subsistence policy, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and that the Responsible Financial Officer is informed where appropriate.
- 22.3 It is the responsibility of all staff and elected Members who submit claims to ensure that they complete claims correctly which includes attaching appropriate VAT receipts to travel claims.
- 22.4 The Town Clerk must ensure that staff submit claims within three months of the month to which they refer. Not doing so affects departmental budgetary control and accounting.
- 22.5 The Responsible Financial Officer will make arrangements for paying the travel expenses or other allowances of elected Members upon receiving the prescribed form, duly completed and authorised, that has met the requirements of the Members Allowance scheme. All claims must be made up to the end of each month and payment will normally only be made if they are submitted within three months of the month to which they refer. The Responsible Financial Officer must approve claims from elected Members that are over three months old.
- 22.6 The Responsible Financial Officer will maintain a list of authorised signatories for the approval of travel and subsistence claim forms. These may only be processed by those persons authorised to do so.

TAXATION

Purpose

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

Key Controls

23.1 The key controls for taxation are:

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

Responsibilities

23.2 Responsibilities of the Responsible Financial Officer

- a) to complete all HM Revenue and Customs returns regarding PAYE;
- b) to complete a quarterly return of VAT inputs and outputs to HM Revenue and Customs;
- c) to provide details to HM Revenue and Customs regarding the Construction Industry Tax Deduction Scheme;
- d) to maintain up-to-date guidance for Council employees on the Council's tax issues.

23.3 Responsibilities of The Town Clerk

- a) to ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Revenue and Customs regulations;
- b) to ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary Construction Industry Tax Deduction requirements;
- c) to ensure that all persons employed by the Council are added to the Council's payroll and that tax is deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency;
- d) to follow the guidance on taxation issued by the Responsible Financial Officer.

TRADING ACCOUNTS AND BUSINESS UNITS

Purpose

Trading accounts and business units have become more important as local authorities have developed a more commercial culture. Under Best Value, authorities are required to keep trading accounts for services provided on a basis other than straightforward recharge of cost. They are also required to disclose the results of significant trading operations in the Statement of Accounts.

Responsibilities of the Responsible Financial Officer

24.1 To advise on the establishment and operation of trading accounts and business units.

Responsibilities of The Town Clerk

24.2 To observe all statutory requirements in relation to business units, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs, is charged, and to produce an annual report in support of the final accounts.

24.3 To ensure that the same accounting principles are applied in relation to trading accounts as for other services or business units.

24.4 To ensure that each business unit prepares an annual business plan.

UNOFFICIAL FUNDS

Purpose

Unofficial funds are those funds that are associated with the Council, are usually operated by officers of the Council but do not form part of the accounting records or banking arrangements of the Council. Examples include school fund accounts, and comforts or amenity funds. This regulation identifies the responsibilities of staff administering the accounts.

General

25.1 The Council will not, as a general rule, supervise the financial administration nor audit unofficial funds, and accepts no liability whatsoever for any loss, however caused. Those operating such funds therefore have an overall responsibility to ensure that proper financial stewardship is observed. This includes ensuring that:

- a) a treasurer and an independent auditor are formally appointed;
- b) proper rules are operated to secure adequate standard;
- c) adequate records and procedures are maintained;

- d) regular reports on fund transactions and balances are received and checked against bank statements;
- e) annual statements of income and expenditure and fund balances are prepared and audited;

25.2 Those operating or intending to operate such funds are also required to:

- a) notify the Responsible Financial Officer and Head of Audit and Procurement of details of the fund as soon as this is set up;
- b) provide an independent annual audit certificate for the fund to the Head of Audit and Procurement within three months of the end of the financial year, showing at least opening and closing balances and total income and expenditure;

The Risk Assessment Sub-Committee and appointed auditors reserve the right to inspect the accounts and records of such funds as necessary.

WRITING OFF BAD DEBTS

Purpose

Writing off debts due to the Council is an acknowledgement that, contrary to Council policy, a debt cannot be pursued. Not recovering a debt affects the Council's revenue position and therefore it must be tightly controlled.

Key Controls

- 26.1 Bad debts in respect of any one debtor in respect of any one financial year shall only be written off as follows:
- 26.2 Sundry debts up to £500 can be authorised for write off by the Town Clerk upon receipt of a completed pro forma (referred to in 26.7 below) authorised by the Responsible Financial Officer.
- 26.3 Debts greater than £500 and up to £2,000 can be authorised for write off by the Chairman of the Finance and General Purposes Committee upon receipt of a completed pro forma (referred to in 26.11 below) authorised by the Responsible Financial Officer.
- 26.4 Debts greater than £2,000 can be written off subject to authorisation from Full Council.
- 26.5 The Responsible Financial Officer shall approve and maintain write off procedures for debts in connection with sundry, rents debts (See Regulation 19 'Income').
- 26.6 For all debts written off there must be a full audit trail, and the Responsible Financial Officer must be kept informed.

26.7 Any request for a debt to be written off must be undertaken by completing the pro forma sheet available from the Responsible Financial Officer.

PARTNERSHIPS

Purpose

The Council provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders. It must also act to achieve the promotion or improvement of the economic, social or environmental wellbeing of its area.

Partnerships are likely to play a key role in delivering the Community Strategy and in helping to promote and improve the wellbeing of the area. Councils are working in partnership with others – public agencies, private companies, community groups and voluntary organisations. Councils still deliver services, but their distinctive leadership role is to bring together the contributions of the various stakeholders. They therefore need to deliver a shared vision of services based on user wishes.

Key Controls

27.1 The key controls for Authority partners are:

- (a) If appropriate, to be aware of their responsibilities under the Council's Financial Regulations and Contract Standing Orders.
- (b) To ensure that risk management processes are in place to identify and assess all known risks.
- (c) To ensure that project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise.
- (d) To agree and accept formally the roles and responsibilities of each of the partners involved in the project before the project commences.
- (e) To communicate regularly with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution.

General

27.2 The main reasons for entering into a partnership are:

- a) to provide new and better ways of delivering services;
- b) to forge new relationships;
- c) the desire to find new ways to share risk;
- d) the ability to access new resources;

27.3 A partner is defined as either:

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

27.4 Partners participate in projects by:

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

Responsibilities

27.5 Responsibilities of the Responsible Financial Officer and Risk Assessment Sub-Committee

- a) to advise on effective controls that will ensure that resources are not wasted;
- b) to advise on the key elements of funding a project. They include:
 - i. a scheme appraisal for financial viability in both the current and future years
 - ii. risk appraisal, insurance and management
 - iii. resourcing, including taxation issues
 - iv. audit, security and control requirements
 - v. arrangements to carry forward financial resources
 - vi. to ensure that the accounting arrangements are satisfactory.

27.6 Responsibilities of The Town Clerk

- a) to ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared for the Responsible Financial Officer and Risk Assessment Sub Committee;
- b) to ensure that such agreements and arrangements do not impact adversely upon the services provided by the Council;
- c) to ensure that all agreements and arrangements are properly documented;

- d) to ensure, if appropriate, that partners are made aware of their responsibilities under the Council's Financial Regulations and the Council's Contract Standing Orders;
- e) to provide appropriate information to the Responsible Financial Officer to enable a note to be entered into the Council's Statement of Accounts concerning material items.

27.7 Partners have the following common responsibilities:

- a) to act in good faith at all times and in the best interests of the partnership's aims and objectives;
- b) to be open about any conflict of interests that might arise;
- c) to hold confidentially any information received as a result of partnership activities or duties that is of a confidential or commercially sensitive nature.

EXTERNAL FUNDING

Purpose

External funding is potentially a very important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Council. Councils are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers. Funds from external agencies provide additional resources to enable the Council to deliver services to the local community; however, in some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the Council's overall plan.

General

- 28.1 Key conditions of funding and any statutory requirements must be complied with and the responsibilities of the Council must be clearly understood. Also, all Council officers must comply with the requirements of the Council's Grants Protocol.

Key Controls

- 28.2 Funds are to be acquired only to meet the priorities approved by the Council.
- 28.3 Any match-funding requirements should be given due consideration prior to entering into agreements and that future revenue and capital budgets reflect these requirements.

Responsibilities

28.4 Responsibilities of the Responsible Financial Officer

- a) to ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts;

- b) to ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue and capital budgets reflect these requirements;
- c) to ensure that audit requirements and grant instructions are met.

28.5 Responsibilities of The Town Clerk

- a) to ensure that the Responsible Financial Officer is informed of all external funding arrangements;
- b) to prepare a Business Case advising the Finance and General Purposes Committee of all new grant applications (capital and revenue) above £5,000 in a financial year;
- c) to identify for the Finance and General Purposes Committee an exit strategy for all external funding (including grants) where the funding is of a limited timeframe;
- d) to ensure that all claims for funding are approved by the Responsible Financial Officer or an officer nominated by him;
- e) to ensure that all claims for funds are made by the due date;
- f) to ensure that the match-funding requirements are considered prior to entering into the agreements and are approved by the Responsible Financial Officer;
- g) to ensure that the project progresses in accordance with the agreed project and that all expenditure is properly incurred and recorded.

WORK FOR THIRD PARTIES

Purpose

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

Regulation

- 29.1 Should an opportunity arise to enter into third party service contracts and to undertake work or provide services to third parties, the Town Clerk and Responsible Financial Officer shall gain the approval of the Finance and General Purposes Committee to enter the arrangement subject to resources being available, to there being no adverse impact on the provision of Council operations and appropriate charges being levied. All subsequent transactions shall comply with the Council's Financial Regulations.

Responsibilities

29.2 Responsibilities of Responsible Financial Officer

- a) to issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register.

29.3 Responsibilities of The Town Clerk

- a) to undertake work or provide services to third parties subject to resources being available, to there being no adverse impact on the provision of Council operations and appropriate charges being levied;
- b) to maintain a register of all contracts entered into with third parties in accordance with procedures specified by the Responsible Financial Officer;
- c) to ensure that appropriate insurance arrangements are made;
- d) to ensure that the Council is not put at risk from any bad debts;
- e) to ensure that no contract is subsidised by the Council;
- f) to ensure that, wherever possible, payment is received in advance of the delivery of the service;
- g) to ensure that the Council has the appropriate expertise to undertake the contract;
- h) to ensure that such contracts do not impact adversely upon the services provided for the Council;
- i) to ensure that all contracts are properly documented;
- j) to provide appropriate information to the Responsible Financial Officer to enable a note to be entered into the statement of accounts.