South Downs

National Park Authority

F I N A N C I A L   P R O C E D U R E S

FINANCIAL PROCEDURES

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FINANCIAL PROCEDURES MANUAL

INTRODUCTION

The framework of control, responsibility and accountability for the proper administration of the Authority's financial affairs, enabling Members and officers to fulfil their duties is set out in Financial Regulations. Within that framework there needs to be a set of detailed financial procedures to ensure that everything the Authority does is consistent with that framework.

These procedures set out the responsibilities incumbent upon all Members and staff, but especially Directors and the Chief Finance Officer. The Financial Procedures Manual therefore supplements Financial Regulations, detailing how they are to be applied in practice.

Each section of the Manual follows a standard format:

- **Why is this important?** – this sets the context for the financial procedure;
- **Key controls** – this explains the key internal controls for ensuring Financial Regulations are operating effectively;
- **Responsibilities of the Chief Finance Officer**
- **Responsibilities of Chief Executive and other Directors**.

A FINANCIAL MANAGEMENT

A.1 FINANCIAL MANAGEMENT STANDARDS

Why is this important?

A.1.1 All staff and Members have a duty to demonstrate the highest standards of probity in all of the Authority's financial dealings. 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 those standards are met.

A.1.2 Each year the Authority's external auditor provides an opinion in the Financial Statements on the Authority's arrangements for securing economy, efficiency and effectiveness (i.e. value for money) in its use of resources. The auditor will consider how well the Authority's plans and manages its finances, how well its assets and other resources are managed, and the effectiveness of its arrangements for financial governance and internal control.

Key Controls

A.1.3 The key controls and control objectives for financial management standards are:

- the promotion of the agreed standards throughout the Authority;
- a monitoring system to review compliance with financial management standards, and regular comparisons of performance indicators and benchmark standards.

Responsibilities of the Chief Finance Officer

A.1.4 To maintain an appropriate set of Financial Regulations and Procedures taking into account best practice and statutory requirements.

A.1.5 To maintain strong financial management and administration, underpinned by effective systems of internal financial controls.

A.1.6 To ensure a prudential financial framework is in place.

A.1.7 To ensure proper professional practices are adhered to and act as head of profession in relation to the standards, performance and development of finance staff throughout the Authority.

A.1.8 To advise on the key strategic controls necessary to secure sound financial management.

A.1.9 To ensure that financial management information is available to enable accurate and timely monitoring within the budget management framework, and reporting of comparisons of national and local financial performance indicators.

Responsibilities of Directors

A.1.10 To promote the Financial Regulations and Procedures throughout the Authority and to monitor adherence to the standards and practices, liaising as necessary with the Chief Finance Officer.

A.1.11 To endorse and promote any corporate organisation and development programme designed to increase awareness, knowledge and skills in respect of financial management.

A.2 MANAGING EXPENDITURE

A.2.1 Scheme of Revenue Virement (Budget Transfer)

Why is this important?

A.2.1.1 The scheme of virement is intended to enable the Authority, Directors and their staff to manage budgets with a degree of flexibility within the overall policy framework determined, and therefore to optimise the use of resources.

Key controls

A.2.1.2 Key controls for the scheme of virement are that:

- It is administered by the Chief Finance Officer within guidelines set by the full Authority. Any variation from this scheme requires the approval of the full Authority.
- The overall budget is recommended by the Policy and Programme Committee and approved by the full Authority. Directors and budget holders are therefore authorised to incur expenditure in accordance with the budget. The rules below cover virements; that is, switching resources between approved budgets.
- The virement does not create additional overall budget liability. For example, recurring expenditure cannot be generated from one-off sources of savings or additional income.
- Virement on a scale that implies a change of policy must be referred to the Authority usually via the Policy and Programme Committee.
- Creation of expenditure budgets in anticipation of income, for example, as the result of expanding a trading activity, must be approved by the Chief Finance Officer.
- Virements are not designed to disguise under/overspends, but it may be appropriate to use them to achieve an element of budget realignment.
- Detailed reasons for virements must be recorded in writing.
- No virement relating to a specific financial year should be made after 31 March in that year.

Responsibilities of the Chief Finance Officer

A.2.1.3 To prepare jointly with the relevant Director a report to the full Authority where any revenue virement is in excess of £250,000 is proposed.

A.2.1.4 To prepare jointly with the relevant Director a report to Policy and Programme Committee where any revenue virement in excess of £100,000 but less than £250,000 is proposed. The joint report must specify the proposed expenditure and the source of funding, and must explain the implications in the current and future financial year

A.2.1.5 To authorise jointly with the Chief Executive any revenue virement between £25,000 and £100,000.

A.2.1.6 To action virements to reflect Authority decisions including restructuring of Directorates and other technical virements to maintain the effectiveness of budget management.

Responsibilities of Directors

A.2.1.7 A Director may exercise virements on budgets under his or her control for amounts up to £25,000 on any budget during the year. Below £5,000 budget holders can approve virements within their area without Director approval.

A.2.1.8 Amounts greater than £25,000 but less than £100,000 may be authorised by the Chief Executive, in consultation with the Chief Finance Officer.

A.2.1.9 Virements that are likely to impact on the level of service activity of another Director should be implemented only with their agreement.

A.2.2 <u>Treatment of year-end balances</u>

Why is this important?

A.2.2.1 Overspends or underspends in relation to the approved budgets may occur for a variety of reasons. There is no automatic right to carry forward underspends from one financial year to another. Decisions on carry forward of overspending or underspending will be made by the Authority in the context of the financial position as a whole and not any one particular service area.

Key controls

A.2.2.2 Appropriate accounting procedures are in operation to ensure that carried forward totals are correct.

Responsibilities of the Chief Finance Officer

A.2.2.3 To agree carry forward of underspends of up to £25,000 per Directorate where appropriate. To seek approval from the Policy and Programme Committee for carry forward of underspends over £25,000. To advise the Governance Committee on the financial position of the Authority and the implications for overspends, which may need to be carried forward in exceptional circumstances.

Responsibilities of Directors

A.2.2.4 Underspendings cannot be carried forward without consultation with the Chief Finance Officer, who will determine if specific approval is required by the Policy and Programme Committee.

A.3 ACCOUNTING RECORDS AND RETURNS

Why is this important?

A.3.1 Maintaining proper accounting records is one of the ways in which the Authority discharges its responsibility for stewardship of public resources. The Authority has a statutory responsibility to prepare its annual accounts to present fairly its operations during the year.

A.3.2 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 appropriate arrangements have been made for securing economy, efficiency and effectiveness in the use of the Authority's resources.

Key controls

A.3.3 The key controls for accounting records and returns are:

- all Members, staff and budget holders operate within the required accounting standards and timetables
- all the Authority's transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis
- procedures are in place to enable accounting records to be reconstituted in the event of systems failure
- reconciliation procedures are carried out in a timely manner to ensure transactions are correctly recorded
- prime documents are retained in accordance with legislative and other requirements.

Responsibilities of the Chief Finance Officer

A.3.4 To determine the accounting procedures and records for the Authority. Where these are likely to be maintained outside of the finance service, the Director concerned should consult the Chief Finance Officer.

A.3.5 To arrange for the compilation of all accounts and accounting records under his or her direction, and to ensure that adequate records are maintained by Directors to provide an audit trail to the prime financial system and the accounting statements.

A.3.6 To ensure compliance with the following principles in the allocation of accounting duties:

- separating the duties of providing information about sums due to or from the Authority and calculating, checking and recording these sums from the duty of collecting or disbursing them
- employees with the duty of examining or checking the accounts of cash transactions must not be engaged in these transactions.

A.3.7 To prepare and publish the audited accounts of the Authority for each financial year, in accordance with the statutory timetable and with the requirement for the Audit Committee to approve the Statement of Accounts in accordance with that timetable.

A.3.8 To ensure the proper retention of financial documents and to provide statutory information to the government as required.

Responsibilities of Directors

A.3.9 To consult and obtain approval of the Chief Finance Officer before introducing or making any changes to accounting records and procedures.

A.3.10 To comply with the principles outlined at paragraph A.3.6 above when allocating accounting duties.

A.3.11 To maintain adequate records to provide an audit trail leading from the source of income/expenditure through to the accounting statements.

A.3.12 To ensure that all claims for funds including grants are made by the due date and to ensure reconciliation with the prime financial system.

A.3.13 To supply information required to enable the Statement of Accounts to be completed in accordance with guidelines issued by the Chief Finance Officer.

A.4 THE ANNUAL STATEMENT OF ACCOUNTS

Why is this important?

A.4.1 The Authority has a statutory responsibility to prepare its accounts to present fairly its operations during the year. The Governance Committee is responsible for approving the statutory annual Statement of Accounts.

Key Controls

A.4.2 The key controls for the annual Statement of Accounts are:

- The Authority is required to make arrangements for the proper administration of its financial affairs and the Chief Finance Officer has the responsibility for the administration of these affairs.
- The Authority's Statement of Accounts must be prepared in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom issued by the CIPFA/LASAAC Joint Committee.
- To select suitable accounting policies and to ensure that they are applied consistently
- To provide suitable systems of internal control to ensure that financial transactions are lawful

Responsibilities of the Chief Finance Officer

A.4.3 To select suitable accounting policies, and ensure that they are applied consistently. The accounting policies are set out in the Statement of Accounts, which is prepared as at 31 March each year, and covers such items as: separate accounts for capital and revenue transactions, fixed assets, deferred charges, charging for capital, capital receipts, debtors and creditors, stocks and work in progress, provisions, reserves, charging for support services, investments, pensions, single entity and group accounts.

A.4.4 To make judgements and estimates that are reasonable and prudent.

A.4.5 To sign the Statement of Accounts, stating that it presents fairly the financial position of the Authority and its income and expenditure for the year ended 31 March.

A.4.6 To draw up the timetable for final accounts preparation and to advise staff and external auditors accordingly and submit statutory financial information to the government as required.

Responsibilities of Directors

A.4.7 To comply with accounting guidance provided by the Chief Finance Officer and to supply appropriate information when required.

B FINANCIAL PLANNING

B.1 PERFORMANCE AND STATUTORY PLANS

Why is this important?

B.1.1 The Authority has statutory responsibility to publish various plans. The purpose of these statutory plans is to explain overall priorities and objectives, current performance, and proposals for further improvement. The Authority is required to publish a Corporate Plan and a Management Plan for the National Park.

B.1.2 The Authority will need to demonstrate that it plans and manages its finances linked to its priorities.

Key controls

B.1.3 The key controls for statutory plans are:

- to ensure that all relevant plans are produced and are consistent;
- to produce plans in accordance with statutory requirements and timetables;
- to ensure that all performance information is accurate, complete and up to date;
- to provide improvement targets which are meaningful, realistic and challenging.

Responsibilities of the Chief Finance Officer

B.1.4 To ensure the provision of the financial information that needs to be included in statutory plans is in accordance with statutory requirements and agreed timetables.

B.1.5 To contribute to the development of Authority targets, objectives and performance information.

B.1.6 To ensure that systems are in place to collect accurate financial information for use as performance indicators.

B.1.7 To ensure that financial performance information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met.

Responsibilities of Directors

B.1.8 To contribute to the development of Authority targets, objectives and performance information.

B.1.9 To ensure that systems are in place to collect accurate information for use as performance indicators.

B.1.10 To ensure that non-financial performance information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met.

B.2 BUDGETING

B.2.1 <u>Medium Term Planning</u>

Why is this important?

B.2.1.1 It is good practice for the Authority to produce a Medium Term Financial Strategy (MTFS), including a 3-year forecast of capital and revenue plans. The key aim of the MTFS is to provide financial stability over the medium term to support delivery of the Authority's key service priorities.

B.2.1.2 The revenue budget must be constructed to ensure that resource allocation reflects the service plans and priorities of the full Authority. Budgets are needed so that the Authority can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for the Authority to budget for a deficit.

B.2.1.3 Medium term planning involves managers developing their own plans over a rolling three-year period. This ensures that the Authority is able to make policy decisions taking account of potential changes in its financial circumstances and liabilities.

Key Controls

B.2.1.4 The key controls for medium term planning are:

- specific budget approval for all expenditure;
- budget holders are consulted in the preparation of the budgets for which they will be held responsible and accept accountability within delegations set by the Authority and the level of service to be delivered;
- a monitoring process is in place regularly to review the effectiveness and operation of budget preparation and to ensure that any corrective action is taken.

Responsibilities of the Chief Finance Officer

B.2.1.5 To prepare and submit reports on budget prospects to the full Authority, including resource constraints set by the Government, especially dealing with the robustness of the budget and the adequacy of reserves.

B.2.1.6 To determine the detailed form of revenue budgets and the methods for their preparation, consistent with the budget approved by the full Authority, and after consultation with the Policy and Programme Committee and Directors.

B.2.1.7 To prepare and submit reports to the full Authority on an overall financial strategy to meet its policy and service objectives, showing aggregate spending plans of Directorates and the resources available to fund them.

B.2.1.8 To ensure there is a MTFS and provide detailed financial forecasts to assist in the development of the Authority's plans and strategies.

B.2.1.9 To encourage the best use of resources and value for money by working with Directors to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals.

Responsibilities of Directors

B.2.1.10 To prepare estimates of income and expenditure, in consultation with the Chief Finance Officer, to be submitted to the full Authority.

B.2.1.11 To integrate financial plans into service planning, so that the budget can be supported by financial and non-financial performance measures.

B.2.1.12 When drawing up draft budgets, to have regard to:

- guidance issued by the Chief Finance Officer;
- spending patterns and pressures revealed through the budget monitoring process;
- legal requirements;
- policy requirements as defined by the full Authority;
- initiatives already under way and Authority priorities;

B.2.1.13 To encourage the best use of resources and value for money by working with the Chief Finance Officer to identify opportunities to improve economy, efficiency and effectiveness.

B.2.2 Format of the Overall Budget

Why is this important?

B.2.2.1 The format of the budget determines the level of detail to which financial control and management will be exercised. The format shapes how any rules around virement operate and sets the level at which funds may be reallocated within budgets.

Key Controls

B.2.2.2 The key controls for the budget format are:

- the format complies with all legal requirements and CIPFA's Accounting Code of Practice for local authority accounting;
- the format reflects the accountabilities of service delivery.

Responsibilities of the Chief Finance Officer

B.2.2.3 To advise the Policy and Programme Committee on the format of the overall budget that is approved by the full Authority.

Responsibilities of Directors

B.2.2.4 To comply with accounting guidance provided by the Chief Finance Officer.

B.2.3 Revenue budget monitoring and control

Why is this Important?

B.2.3.1 Budget management ensures that once the overall budget has been approved by the Authority, any resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the Authority to review and adjust its budget during the financial year. It also provides the mechanism that holds designated managers to account for defined elements of the budget and for performance.

B.2.3.2 Budget monitoring is also linked to performance monitoring. It requires action plans to mitigate variances from budgets, particularly for those budgets that could have a critical impact, in order to ensure the Authority does not overspend.

B.2.3.3 By continuously identifying and explaining variances against budgets, the Authority can identify changes and new resource requirements at the earliest opportunity. The Authority itself operates within the overall budget. To ensure that the Authority in total does not overspend, each service is required to manage its own expenditure within the defined budgets allocated to it, produce robust action plans to eliminate overspends.

B.2.3.4 For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure for a cost centre. However, budgetary control may take place at a more detailed level if this is required by the Director's scheme of delegation.

Key controls

B.2.3.5 The key controls for managing and controlling the revenue budget are:

- budget holders should be responsible only for income and expenditure that they can influence;
- there is a nominated budget holder for each cost centre budget;
- budget holders accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities;

- budget holders follow an approved certification process for all expenditure;
- income and expenditure is properly recorded against the correct budget even if no or insufficient budget exists;
- performance levels/levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget;
- budget holders must not charge goods and services against the budgets of other managers without obtaining prior agreement;
- financial management training and support is available across the Authority.

Responsibilities of the Chief Finance Officer

B.2.3.6 To establish an appropriate framework of budget management and control, together with guidance and training, which ensures that:

- budget management is exercised in accordance with the framework of budget monitoring and within annual budgets unless the full Authority determines otherwise;
- each Director and budget holder has available timely and up-to-date information on receipts and payments on each budget which is sufficiently detailed to enable budget holders to fulfil their budgetary responsibilities;
- significant variances from approved budgets are investigated and reported by budget holders regularly to the relevant Director, together with action plans to bring the budget back in line;
- all officers responsible for committing expenditure comply with relevant guidance and Financial Regulations.

B.2.3.7 To administer the Authority's scheme of virement.

B.2.3.8 To submit reports to the Policy and Programme Committee and to the full Authority, in consultation with the relevant Director, where a Director is unable to contain expenditure within existing approved budgets under his or her control.

B.2.3.9 To prepare and submit reports on the Authority's projected income and expenditure compared with the budget, monthly to the Senior Management Team (SMT) and at least quarterly to the Governance Committee.

Responsibilities of Directors

B.2.3.10 To maintain budgetary control within their Directorates and to ensure that all income and expenditure is properly recorded and accounted for.

B.2.3.11 To ensure that an accountable budget holder is identified for each item of income and expenditure under the control of the Director and that the budget holder monitors the relevant budgets in accordance with the Authority's framework.

B.2.3.12 To ensure that budget holders do not charge goods and services against the budgets of other managers without obtaining prior agreement.

B.2.3.13 To ensure that spending remains within the service's overall cash limit, and to monitor the budget and take appropriate corrective action where significant variations from the approved budget are forecast.

B.2.3.14 In conjunction with the Chief Finance Officer, to ensure prior approval by the full Authority for significant new proposals that:

- create new financial commitments in the current year and future years;
- change existing policies, initiate new policies or cease existing policies;
- materially extend or reduce the Authority's services.

B.2.3.15 To ensure compliance with the scheme of virement.

B.2.4 Capital Programmes

Why is this important?

B.2.4.1 Capital expenditure involves acquiring or enhancing fixed assets with a long term value to the Authority, such as land, buildings, and major items of plant, equipment or vehicles. 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.

B.2.4.2 The Local Government Act 2003 permits local authorities to borrow to finance capital expenditure provided that the plans are affordable, prudent and sustainable in the long term. This means that capital expenditure should form part of an investment strategy and should be carefully prioritised to maximise the benefit.

B.2.4.3 All capital expenditure, as defined in the 2003 Act or subsequent regulations, will be included within the approved capital programme, with the exception of expenditure on the acquisition of equipment, vehicles or plant not exceeding £20,000, which is for operational purposes only. This does not preclude such items being treated as capital items (i.e. fixed assets or enhancements to fixed assets) for accounting purposes.

Key Controls

B.2.4.4 The key controls for capital programmes are:

- specific approval by the full Authority for the programme of capital expenditure, in conjunction with the annual revenue budget, outlining the phasing of expenditure and the sources of funding;
- a scheme and estimate, including options appraisal, project plan, progress targets and associated revenue expenditure are prepared for each capital project, for approval by the full Authority;
- no new capital scheme proceeds unless all required finance and other necessary approvals have been obtained;
- proposals for improvements and alterations to buildings must be approved by the appropriate Director in consultation with the Director of Corporate Services;
- major rolling programmes of capital expenditure will require a detailed report to be considered by the Policy and Programme Committee and approved by the full Authority covering all the schemes within each programme of works and will include the purpose, benefits, risks, total projected cost, expenditure profile and the full financial implications, both capital and revenue;
- the development and implementation of an Asset Management Plan;
- a nominated, accountable budget holder for each capital budget.
- monitoring of progress on capital schemes and comparison with approved budget and remedial action taken to address overspends, reporting monthly to SMT, and at least quarterly to the Governance Committee;
- compliance with the Authority's Financial Regulations, Contract Standing Orders and Procurement Policy, for example, when inviting competitive quotes or tenders.

Responsibilities of the Chief Finance Officer

B.2.4.5 To prepare capital estimates jointly with Directors and to report them via Policy and Programme Committee to the full Authority for approval, together with the revenue implications and prudential indicators as prescribed in the Prudential Code to demonstrate the affordability of the plans. The Policy and Programme Committee will make recommendations on the capital estimates and on any associated financing requirements to the full Authority.

B.2.4.6 The approval of the full Authority is required where a Director proposes to bid for or exercise additional borrowing not anticipated in the capital programme. This is because extra borrowing will create future commitments to financing costs which will need to be demonstrated to be affordable.

B.2.4.7 To prepare and submit at least quarterly reports to the Governance Committee on the projected expenditure and resources compared with the approved estimates and to obtain authorisation from the Policy and Programme Committee for any variations or virements above £25,000 or 10%, of the original budget

B.2.4.8 Capital schemes which vary by more than £100,000 require approval from the full Authority.

Responsibilities of Directors

B.2.4.9 Prior to the commencement of any capital project, Directors shall produce and submit for approval a detailed report to the Policy and Programme Committee. This will include the purpose, benefits, risks, total projected cost, expenditure profile and full financial implications, both capital and revenue, of the proposed project.

B.2.4.10 Where provision is made within the Capital Programme for advance feasibility design and works, each Director may incur expenditure associated with the feasibility and initial design of future capital schemes with the approval of the Chief Finance Officer. Any expenditure incurred where a scheme does not proceed will be recharged to the Directorate's revenue budget.

B.2.4.11 To ensure that all capital proposals have undergone a project appraisal in accordance with guidance issued by the Chief Finance Officer.

B.2.4.12 To ensure that tenders and/or quotations are obtained and adequate records kept for all contracts in accordance with the Authority's Contract Standing Orders and Procurement Guide.

B.2.4.13 To ensure that all necessary approvals have been received from the Planning Authority or Government Departments where appropriate.

B.2.4.14 To prepare regular reports reviewing the capital programme provisions for their services. They should also prepare monthly monitoring reports for consideration by SMT and at least quarterly reports to the Governance Committee together with the Chief Finance Officer. These reports should include any variation in contract costs greater than the amount approved within the Capital Programme. Directors may meet cost increases of up to the lesser of £25,000 or 10% of original estimate by virement from savings elsewhere within their capital programme or revenue budget, subject to the agreement of the Chief Finance Officer.

B.2.4.15 To prepare and submit jointly with the Chief Finance Officer a report to the Governance Committee where expenditure on a capital scheme varies by more than £25,000 or 10% of the original estimate or where a scheme of £25,000 or more is substituted for another.

B.2.4.16 To obtain Chief Finance Officer approval for carry forwards of year-end capital underspends, other than when funded from scheme specific resources. Where projects are overspent, this will be the first call on the Directorate's capital allocation in the subsequent year's programme.

B.2.4.17 To ensure that credit arrangements, such as leasing agreements, are not entered into without the prior consultation with and the approval of the Chief Finance Officer and, if applicable, approval of the scheme through the capital programme.

B.2.4.18 To consult with the Chief Finance Officer and to obtain Authority approval where the Director proposes to bid for supported borrowing or other external funding to support expenditure that has not already been included in the approved Capital Programme.

B.3 MAINTENANCE OF RESERVES

Why is this important?

B.3.1 The Authority must determine the level of general and specific reserves it wishes to maintain before it can decide the level of its annual revenue budget and capital programme. Reserves enable the Authority to provide for unexpected events and thereby protect it from overspending, should such events occur. The adequacy of the level of reserves will be subject to review as part of the annual external audit.

Key Controls

B.3.2 To maintain reserves in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom and agreed accounting policies.

B.3.3 For each reserve established, the purpose, usage and basis of transactions should be clearly identified.

B.3.4 Authorisation of expenditure from specific reserves by the appropriate Director should only be actioned with the approval of the Chief Finance Officer. Allocations from the Authority's general reserves will be determined by the full Authority.

Responsibilities of the Chief Finance Officer

B.3.5 To annually review the levels of reserves and advise the Policy and Programme Committee and the full Authority on prudent levels of general and specific reserves for the Authority.

Responsibilities of Directors

B.3.6 To consult the Chief Finance Officer as soon as it becomes apparent that budget pressures or external circumstances may require the use of reserves to support expenditure.

C RISK MANAGEMENT & CONTROL OF RESOURCES

C.1 RISK MANAGEMENT

Why is this important?

C.1.1 Every organisation needs to manage the risks that can affect achievement of their objectives. Risk management is defined as "the culture, processes and structure, which come together to optimise the management of potential opportunities and adverse effects".

C.1.2 Risk management is concerned with evaluating the probability of an event and its consequences, identifying the measures the Authority already has in place to mitigate those risks, and then taking any further action necessary to manage them and minimise their impact. The adequacy of the control measures should be monitored and the control measures reviewed as necessary.

C.1.3 Risk management should be at the core of decision-making, business planning, managing change and innovation and needs to be practised at service delivery level. It enables the effective use of resources, securing the assets of the Authority and its continued financial and organisational well-being.

Key controls

C.1.4 The key controls for risk management are:

- The risk management strategy is agreed and adhered to across the Authority.
- Procedures are in place to identify, assess and manage the risks that may hinder the Authority from reaching its objectives.
- Risk management is a formalised stage of the business planning process, project management, major changes initiatives and financial management processes.
- A monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls.
- Risk management training and support is available across the Authority.
- Managers know that they are responsible for managing risks and are provided with information on risk management initiatives and incidence levels.

Responsibilities of Governance Committee

C.1.5 The Governance is responsible for approving the Authority's risk management strategy and for reviewing the effectiveness of risk management within the Authority.

Responsibilities of the Chief Finance Officer

C.1.6 The Chief Finance Officer is required to:

- arrange cost effective and appropriate insurance cover and deal with insurance claims and resultant risk actions to reduce the incidence and severity of similar losses;
- ensure procedures are in place to investigate claims within required timescales;
- develop risk management controls for insurable risks;
- effect corporate insurance cover through external insurance and internal funding, and to oversee the negotiation of all claims in consultation with other officers and relevant bodies where necessary;
- maintain a continuous review of claims experience and to effect the optimum balance of internal and external insurance cover over time.

Responsibilities of the Director of Corporate Services

C.1.7 The Director of Corporate Services is required to prepare the Authority's risk management strategy for approval by the Governance Committee and issue and maintain procedures relating to risk management.

Responsibilities of Directors

C.1.8 Directors are required to:

- ensure that there is a continuous review of exposure to risk within their Directorates, and act at all times to minimise risks;
- produce risk registers and risk management actions when undertaking strategic business planning, major change initiatives, large projects (for example, capital projects), new partnership and external funding arrangements and improvement reviews;
- monitor the progress of identified risks and subsequent risk management actions;
- notify the Chief Finance Officer immediately of any major risks that are identified and cannot be managed within the resource levels of the service;
- raise the awareness and understanding of risk management throughout the Authority through training and regular use of risk management techniques in decision-making and planning;
- notify the Chief Finance Officer immediately of any loss, liability or damage that may lead to a claim against the Authority, together with any information or explanation required by the Chief Finance Officer or the Authority's insurers;
- co-operate at all times with any insurance investigations and supply all information within required timescales;
- notify the Chief Finance Officer promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances, and supply the Chief Finance Officer with asset valuations for insurance purposes as required;
- consult the Chief Finance Officer on the terms of any indemnity that the Authority is requested to give and to ensure no indemnities are given on behalf of the Authority without the agreement of the Chief Finance Officer and the Monitoring Officer;
- ensure that no-one covered by the Authority's insurances admits liability or makes any offer to pay compensation that may prejudice the assessment of any claim;
- ensure that all companies or individuals contracted to carry out construction work have adequate Public Liability insurance cover;
- provide all relevant information and documentation in accordance with the Pre-Action Protocols detailed by the Woolf Reforms to the Chief Finance Officer when requested;
- to fund from their Directorate budget the total cost of any claim which has been lost due to the Directorate's failure to meet the protocol time limits.

C.2 INTERNAL CONTROLS

Why is this important?

C.2.1 The Authority requires internal controls to manage and monitor progress towards strategic objectives. The Authority is required to publish an Annual Governance Statement in its Statement of Accounts.

C.2.2 The Authority has statutory obligations, and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations. It also 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.

C.2.3 Internal Controls will be devised by management to ensure that the Authority's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Authority's assets and interests are safeguarded.

Key Controls

C.2.4 The key controls and control objectives for internal control systems are:

- key controls should be reviewed on a regular basis and the Authority should make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively;
- the existence of managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action;
- the existence of financial and operational control systems and procedures, which include physical safeguards for assets, separation of duties, authorisation and approval procedures and information systems;
- an effective internal audit function that is properly resourced and operates in accordance with the Public Sector Internal Audit Standards, and any statutory obligations and regulations.

Responsibilities of the Chief Finance Officer

C.2.5 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.

Responsibilities of Directors

C.2.6 To check that established controls are being adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.

C.2.7 To review existing controls in the light of changes affecting the Authority and to establish and implement new ones in line with guidance from the Chief Finance Officer. To ensure staff have a clear understanding of their responsibility to identify and manage risk on a continuous basis.

C.3 AUDIT REQUIREMENTS

C.3.1 <u>Internal Audit</u>

Why is this important?

C.3.1.1 The requirement for an internal audit function for the Authority is implied by s151 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 2003 (as amended) require the Authority to maintain an adequate and effective internal audit service.

C.3.1.2 Accordingly, internal audit is an assurance function that primarily provides an independent and objective opinion to the Authority on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the Authority's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

Key Controls

C.3.1.3 The key controls for internal audit are:

- that it is independent of day-to-day service operation in its planning and operation;
- the Head of Internal Audit has direct access to the Chief Executive, all levels of management, and to elected Members as appropriate;
- that internal auditors comply with the Public Sector Internal Audit Standards.

Responsibilities of the Chief Finance Officer

C.3.1.4 To ensure there is an effective internal audit function and assist with management in providing effective arrangements for financial scrutiny.

C.3.1.5 To ensure that internal auditors have the authority to:

- access Authority premises at reasonable times;
- access all assets, records, documents, correspondence and control systems;
- receive any information and explanation considered necessary concerning any matter under consideration;
- require any employee of the Authority to account for cash, stores or any other Authority asset under his or her control;
- access records belonging to third parties, such as contractors, when required;
- directly access the Chief Executive, Policy and Programme Committee and Governance Committee where appropriate.

C.3.1.6 To ensure that Internal Audit staff at all times respect the confidentiality of operations or management information in the areas subject to audit activity.

C.3.1.7 To prepare the strategic and annual audit plans which take account of the characteristics and relative risks of the activities involved for approval by the Governance Committee.

C.3.1.8 To prepare counter fraud strategies and measures, and ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

C.3.1.9 To ensure the provision of advice on the nature and extent of any further investigation to be conducted following the discovery or report of any irregularity involving cash, stores or other assets. Where there is the possibility of criminal action being brought, to ensure that any further interviewing is conducted to meet the requirements of the Police and Criminal Evidence Act 1984 and other relevant legislation.

C.3.1.10 To refer any matter to the Police following consultation with the relevant Director and the Monitoring Officer.

C.3.1.11 To ensure that at the conclusion of each internal audit, a report including any recommendations is promptly issued to the Director of the service concerned.

Responsibilities of Directors

C.3.1.12 To ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets and are provided with any information and explanations, that auditors consider necessary for the purpose of their work.

C.3.1.13 To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient way in line with the timescale agreed with the Head of Internal Audit.

C.3.1.14 To notify the Director of Corporate Services immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Authority's property or resources. Pending investigation and reporting, Directors should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.

C.3.1.15 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 Chief Finance Officer prior to implementation.

C.3.2 External Audit

Why is this important?

C.3.2.1 Local authorities are statutorily required to be audited externally. External auditors have rights of access to all documents and information necessary for audit purposes.

C.3.2.2 The basic duties of the external auditor are defined in statute and codes of practice. The code of audit practice issued in March 2000 sets out the auditor's objectives to review and report upon:

- the financial aspects of the audited body's corporate governance arrangements;
- the audited body's financial statements;
- aspects of the audited body's arrangements to manage its performance, including the preparation and publication of specified performance information and compliance in respect of the preparation and publication of the Performance Plan.

C.3.2.3 The Authority's external auditor 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 legal requirements. Under the Code of Audit Practice 2005, external auditors are also required to certify that they believe the Authority has spent money effectively and obtained value for money.

Key Controls

C.3.2.4 External auditors are normally appointed for a minimum period of five years. The conduct of the external audit is governed by a code of audit practice backed by statute.

Responsibilities of the Chief Finance Officer

C.3.2.5 To ensure that the 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.

C.3.2.6 To ensure there is effective liaison between external and internal audit.

C.3.2.7 To work with the external auditor and advise the full Authority, the Policy and Performance Committee, Governance Committee and Directors on their responsibilities in relation to external audit.

Responsibilities of Directors

C.3.2.8 To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets which the external auditors consider necessary for the purposes of their work.

C.3.2.9 To ensure that all records and systems are up to date and available for inspection.

C.4 PREVENTING FRAUD AND CORRUPTION

C.4.1 Money laundering

C.4.1.1 Money laundering is the term used for a number of offences involving the proceeds of crime or terrorist funds. It also includes the processing, or in any way dealing with, or concealing, the proceeds of crime.

C.4.1.2 The Proceeds of Crime Act 2002 and Money Laundering Regulations 2007 place some important obligations on all staff. Staff are required to inform the Chief Finance Officer of any known or suspected money laundering activities. Staff should not normally accept a single cash transaction in excess of £2,000 without the approval of the Chief Finance Officer.

C.4.2 Bribery Act 2010

C.4.2.1 Bribery is a criminal offence. To use a third party as a conduit to channel bribes to others is a criminal offence. Officers and Members must not engage indirectly in or otherwise encourage bribery.

Why is this important?

C.4.2.2 The Authority will not tolerate fraud or corruption in the administration of its responsibilities, whether from inside or outside the Authority.

C.4.2.3 The Authority's expectation of propriety and accountability is that Members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.

C.4.2.4 The Authority also expects that individuals and organisations with whom it comes into contact will act towards the Authority with integrity and without thought or actions involving fraud or corruption.

Key Controls

C.4.2.5 The key controls regarding the prevention of financial irregularities are that:

- the Authority has an effective anti-fraud and corruption policy and maintains a culture that will not tolerate fraud or corruption;
- all Members and staff act with integrity and lead by example;
- senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the Authority or who are corrupt;
- high standards of conduct are promoted amongst members by the Governance Committee, and compliance with the Code of Conduct for Members;
- the maintenance of a register of interests in which any hospitality or gifts accepted by staff must be recorded;
- whistle blowing procedures are in place and operate effectively;
- legislation including the Public Interest Disclosure Act 1998 is adhered to;
- the maintenance of a register of Members' financial and other interests and a register of gifts and hospitality, over the value of £50, that Members have received in connection with their official duties.

Responsibilities of the Chief Finance Officer

C.4.2.6 To develop and maintain an anti-fraud and corruption policy.

C.4.2.7 To maintain adequate and effective internal control arrangements.

C.4.2.8 To ensure that all suspected irregularities are reported to the Director of Corporate Services and, if appropriate, to the Chief Executive, Governance Committee, the full Authority and the external auditor.

Responsibilities of Directors

C.4.2.9 To ensure that all suspected irregularities are reported to the Head of Internal Audit and the external auditor.

C.4.2.10 To invoke the Authority's disciplinary procedures where the outcome of an audit investigation indicates financial impropriety.

C.4.2.11 To ensure that where financial impropriety is discovered, the Chief Finance Officer is informed. Where sufficient evidence exists to believe that a criminal offence may have been committed, the police may be called in, following consultation with the Chief Finance Officer and/or Monitoring Officer.

C.4.2.12 To maintain a register of staff interests, so that potential conflicts of interest are identified and avoided wherever possible.

C.4.2.13 The Director of Corporate Services must maintain a register of staff and Members' financial and other interests and a register of gifts and hospitality over the value of £50.

C.5 ASSETS

C.5.1 Security and Inventories

Why is this important?

C.5.1.1 The Authority holds assets in the form of property, vehicles, equipment, furniture and other items. 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. Up-to-date asset registers are a prerequisite for proper fixed asset accounting and sound asset management.

Key Controls

C.5.1.2 The key controls for the security of resources such as land, buildings, fixed plant machinery, equipment, software and information are:

- resources are used only for the purposes of the Authority and are properly accounted for;
- resources no longer required are disposed of in accordance with the law and the regulations of the Authority so as to maximise benefits;
- asset registers are maintained for the Authority, assets are recorded when they are acquired and the records are updated as changes occur with respect to the location and condition of the asset;
- all staff are aware of their responsibilities with regard to safeguarding the Authority's assets and information, including the requirements of the Data Protection Act and software copyright legislation;
- all staff are aware of their responsibilities with regard to safeguarding the security of the Authority's ICT systems, including maintaining restricted access to the information held on them and compliance with the Authority's ICT and internet security policies;

Responsibilities of the Chief Finance Officer

C.5.1.3 To ensure that in accordance with good practice an asset register is maintained in the Authority's financial records for all fixed assets with a value in excess of £20,000 (this value to be kept under review).

C.5.1.4 To ensure that assets are valued in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom* (CIPFA/LASAAC), and valued to the Royal Institution of Chartered Surveyors (RICS) Appraisal & Valuation Standards.

C.5.1.5 To provide guidance on the form of records to be kept for stocks and stores.

Responsibilities of Directors

C.5.1.6 To prepare the Authority's Asset Management Plan.

C.5.1.7 The appropriate Director shall ensure that adequate inventories are maintained in a form approved by the Chief Finance Officer for all properties, plant and machinery, furniture, fittings equipment and any movable assets of significant value currently owned or used by the Authority. Periodic checks of inventories should be undertaken. Where appropriate, security marking shall be used. The value of items to be included in an inventory shall be prescribed by the Chief Finance Officer.

C.5.1.8 To submit information to the Chief Finance Officer as required for the purpose of updating accounting, costing and financial records in respect of fixed assets, including property and vehicles, etc.

C.5.1.9 To ensure that lessees and other prospective occupiers of Authority land are not allowed to take possession or enter the land until a lease or agreement, in a form approved by the Chief Finance Officer has been established.

C.5.1.10 To ensure the proper security of all buildings and other assets under their control. Directors are responsible for the receipt, care, safe custody and issue of stocks and stores. Stores records shall be kept in a form agreed by the Chief Finance Officer. Leased vehicles, plant or equipment may not be disposed of without the prior approval of the Chief Finance Officer.

C.5.1.11 Where land or buildings are surplus to requirements, to notify the Chief Finance Officer in order that alternative uses or disposal may be considered. No disposal of land and/or buildings shall take place except with the approval of the Policy and Programme Committee.

C.5.1.12 To pass title deeds to the Director of Corporate Services who is responsible for custody of all title deeds.

C.5.1.13 To ensure that no Authority asset is subject to personal use by an employee without proper permission. Where property is removed for an authorised purpose, and only if appropriate insurance cover has been obtained, full details and authorisation should be properly recorded (e.g. in a loans book) to enable its identification. Authorised purposes might include the use of portable computer equipment away from the office and also equipment used for home-based working.

C.5.1.14 To ensure the safe custody of vehicles, equipment, furniture, stock, stores, uniforms, keys, staff identity cards and other property belonging to the Authority and to maintain an effective system of stock control where appropriate. A certificate of the value of stocks held as at 31 March each year should be provided to the Chief Finance Officer. Stocks should be maintained at reasonable levels and are subject to a regular independent physical check.

C.5.1.15 To consult the Chief Finance Officer in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.

C.5.1.16 To ensure cash holdings on premises are kept to a minimum and within insured limits.

C.5.1.17 To ensure that keys to safes and similar receptacles are carried on the person of those responsible at all times; loss of any such keys must be reported to the Chief Finance Officer as soon as possible.

C.5.1.18 To record all disposal or part exchange of assets that should normally be by competitive tender or public auction, unless, following consultation with the Chief Finance Officer, the Policy and Programme Committee agrees otherwise.

C.5.1.19 To investigate and remove from the Authority's records (that is, write off) discrepancies as necessary, in accordance with approved procedures, or following consultation with the Chief Finance Officer, to obtain Policy and Programme Committee approval if they are of significant value. Where equipment or materials become unusable or obsolete, the Chief Finance Officer may arrange for it to be written off in accordance with instructions issued by him/her. Where equipment or materials have a scrap or resale value, disposal shall be at the best price obtainable following the procedure for disposal issued by the Chief Finance Officer.

C.5.2 Intellectual Property

Why is this important?

C.5.2.1 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. Various Acts of Parliament cover different types of intellectual property.

C.5.2.2 Certain activities undertaken within the Authority may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property.

Key Controls

C.5.2.3 In the event that the Authority decides to become involved in the commercial exploitation of inventions, the matter should only proceed following consultation with and on the advice of the Chief Finance Officer.

Responsibilities of the Chief Finance Officer

C.5.2.4 To develop and disseminate good practice through the Authority's intellectual property procedures.

Responsibilities of Directors

C.5.2.5 To ensure that controls are in place to ensure that staff do not carry out private work in Authority time and that staff are aware of an employer's rights with regard to intellectual property.

C.5.2.6 To consult the Chief Finance Officer on any proposals to exploit intellectual property commercially.

C.5.3 Disposal of Assets

Why is this important?

C.5.3.1 Obsolete, non-repairable or redundant assets should be disposed of in accordance with the law and the documented procedures for the sale of land and buildings set out in the Authority's Asset Management Plan. S123 Local Government Act 1972 generally requires Authorities to obtain the best consideration that can reasonably be obtained when disposing of such assets. However, disposal at less than best consideration is possible under the legislation, for example, when other benefits are to be gained, including social housing and regeneration, but the circumstances need to be checked carefully in each case to ensure that the detailed requirements for a disposal at less than the best consideration can be satisfied.

Key Controls

C.5.3.2 Assets for disposal are identified and are disposed of at the most appropriate time, and only when it is in the best interests of the Authority, and best price is obtained, bearing in mind other factors, such as environmental issues. For items of significant value, disposal should be by competitive tender or public auction.

C.5.3.3 Procedures protect staff involved in the disposal from accusations of personal gain.

Responsibilities of the Chief Finance Officer

C.5.3.4 To issue guidelines representing best practice for disposal of assets.

C.5.3.5 To ensure proper accounting entries are made to remove the value of disposed assets from the Authority's records and to include the sale proceeds if appropriate.

Responsibilities of Directors

C.5.3.6 To ensure that the guidelines on the disposal of surplus or obsolete materials, stores or equipment are followed.

C.6 TREASURY MANAGEMENT

Why is this important?

C.6.1 It is important that money passing through the Authority's accounts should be managed properly to optimise the return on it, subject to ensuring the security of the Authority's resources.

Key Controls

C.6.2 All monies in the hands of the Authority shall be aggregated for the purposes of Treasury Management and shall be under the control of the Chief Finance Officer or the Authority's appointed agent.

C.6.3 That the Authority adopts the key recommendations of CIPFA's latest Code of Practice on Treasury Management.

C.6.4 Accordingly the Authority will create and maintain, as the cornerstones for effective treasury management:

- a treasury management policy statement, stating the policies and objectives of its treasury management activities;
- suitable treasury management practices (TMPs), setting out the manner in which the Authority will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities;
- an Annual Investment Strategy (AIS).

C.6.5 The content of the policy statement and TMPs will follow the recommendations contained in the CIPFA Code, subject only to amendment where necessary to reflect the particular circumstances of the Authority. Such amendments will not result in the Authority materially deviating from the Code's key recommendations.

C.6.6 The content of the AIS will follow guidance issued by the government. The Authority via the Policy and Programme Committee will approve the AIS prior to the commencement of the year, and any subsequent changes or revisions.

C.6.7 The Authority delegates responsibility for the implementation and monitoring of its treasury management policies, practices and AIS to the Governance Committee, and for the execution and administration of all treasury management decision to the Authority's Chief Finance Officer. Day to day treasury management activity will be managed by the Financial Services provider, who will act in accordance with the Authority's treasury management policy statement, TMPs and AIS.

C.6.8 The Policy and Programme Committee will receive reports on its treasury management policies, practices and activities (including the AIS). These reports will include an annual strategy and plan in advance of the year. Quarterly update reports and an annual report after its close, in the form prescribed in the TMPs will be submitted to the Governance Committee

Responsibilities of the Chief Finance Officer

C.6.9 To arrange the borrowing and investments of the Authority in such a manner as to comply with the CIPFA Code and the Authority's Treasury Management Policy and Annual Investment Strategy.

C.6.10 To report at least three times a year on treasury management activities to the Governance Committee.

C.6.11 To ensure that all investments of money are made in the name of the Authority and to maintain records of such investments in accordance with the CIPFA Code and the Authority's Treasury Management Policy.

C.6.12 To affect all borrowings in the name of the Authority and to maintain records of such borrowing in accordance with the CIPFA Code and the Authority's Treasury Management Policy.

C.6.13 To act as, or to appoint the Authority's bankers to act as, the Authority's registrar of stocks, bonds, mortgages, etc.

Responsibilities of Directors

C.6.14 To follow the instructions on banking issued by the Chief Finance Officer.

C.6.15 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 Chief Finance Officer who will be responsible for seeking approval of the Policy and Programme Committee and/or full Authority where appropriate.

C.7 TRUSTS, FUNDS HELD FOR THIRD PARTIES & OTHER VOLUNTARY FUNDS

Why is this Important?

C.7.2 Trust and other voluntary funds frequently provide service areas with additional sources of finance to provide services to their customers. Such funds are administered by employees of the Authority in normal work time and therefore minimum standards must be met. In addition, customers, clients and benefactors who contribute to the fund are entitled to expect minimum levels of financial stewardship and accountability.

C.7.3 It is important that an effective audit is carried out by a person with experience appropriate to the level of turnover of the fund. Where the turnover (greater of receipts or payments in the year) of the fund exceeds £10,000, a qualified accountant should be appointed by the Financial Services provider as the auditor/independent examiner.

C.7.4 The auditor must be totally independent from and have no indirect connection with the administration of the fund as this might inhibit the impartial conduct of the audit. This precludes:

- any member of staff involved in the administration of the fund;
- a relative of any member of staff responsible for administering the fund.

Key Controls

C.7.5 The key controls for trust funds, funds held for third parties and other voluntary funds are:

- Funds are only used for the purposes for which they are intended.
- All funds with income or expenditure over £10,000 are inspected or audited on an annual basis by an appropriately qualified auditor.
- All monies are accounted for and kept separate from Authority funds.

Responsibilities of the Chief Finance Officer

C.7.6 To ensure that all trust funds held in the name of the Authority are audited in line with any statutory requirements.

C.7.7 To provide guidance on accounting arrangements.

Responsibilities of Directors

C.7.8 To arrange for all trust funds to be held, wherever possible, in the name of the Authority. All officers acting as trustees by virtue of their official position shall deposit securities, etc. relating to the trust with the Chief Finance Officer, unless the deed otherwise provides.

C.7.9 To arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Chief Finance Officer, and to maintain written records of all transactions.

C.7.10 To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.

C.7.11 To follow all guidance issued by the Chief Finance Officer.

C.8 STAFFING

Why is this Important?

C.8.1 In order to provide good quality services, it is crucial that the Authority recruits and retains high calibre, knowledgeable staff, qualified to an appropriate level. There must be adherence to the Authority's policies and procedures on staff recruitment and security of confidential information.

Key Controls

C.8.2 The key controls for staffing are:

- an appropriate workforce strategy and policy exists, in which staffing requirements and budget allocation are matched within agreed limits/tolerances;
- procedures are in place for forecasting staffing requirements and cost;
- controls are implemented that ensure that staff time is used efficiently and to the benefit of the Authority;

- checks are undertaken prior to employing new staff to ensure that they are appropriately skilled, experienced and trustworthy;
- before any recruitment process is begun, proper authority, including confirmation of available budget and office accommodation must be obtained;

Responsibilities of the Chief Finance Officer

C.8.3 To advise on the availability of budget to fund any existing establishment vacancy or the alteration of the staffing establishment and on the additional costs of employment, such as National Insurance, employer's superannuation contributions, and IT and office accommodation costs, as appropriate.

Responsibilities of Directors

C.8.4 The Director of Corporate Services has overall responsibility for ensuring that human resources strategies, policies and procedures are developed and implemented across the Authority. These should include detailed recruitment procedures.

C.8.5 To ensure that the staffing budget is an accurate forecast of staffing levels and is matched by appropriate budget provision (including on-costs and overheads).

C.8.6 To monitor staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff.

C.8.7 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.

C.8.8 To comply with any direction set by the Authority, Policy & Programme Committee or SMT regarding recruitment and the management of vacancies.

D SYSTEMS AND PROCEDURES

D.1 IT SYSTEMS AND RELATED PROCEDURES

Why is this important?

D.1.1 Service areas have many systems and procedures relating to the control of the Authority's assets, including purchasing, costing and management systems. Directorates are increasingly reliant on Information & Communication Technology (ICT) for their financial management information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.

D.1.2 The Chief Finance Officer has a professional responsibility to ensure that the Authority's financial systems are sound and should therefore be notified of any new developments or changes.

D.1.3 The Director of Corporate Services is responsible for the procurement, development, implementation and maintenance of all ICT systems to the standards required by the business functions of the Authority and its infrastructure.

Key Controls

D.1.4 The key controls for systems and procedures are:

- basic data exists to enable the Authority's objectives, targets, budgets and plans to be formulated;
- performance is communicated to the appropriate managers on an accurate, complete and timely basis;
- early warning is provided of deviations from target, plans and budgets that require management attention;
- operating systems and procedures are secure.

Responsibilities of the Chief Finance Officer

D.1.5 To make arrangements for the proper administration of the Authority's financial affairs, including,

- issuing advice, guidance and procedures for officers and others acting on the Authority's behalf;
- determining the financial systems form of accounts and supporting financial records;
- establishing arrangements for audit of the Authority's financial and ICT systems;
- approve any new ICT based financial systems to be introduced, including systems linked to or interfaced with the corporate financial information system;
- approve any changes to be made to existing ICT based financial systems or related feeder systems;
- ensure output from ICT based financial systems are complete, accurate and timely;

Responsibilities of Directors

D.1.6 To ensure that accounting records are properly maintained and held securely in accordance with arrangements approved by the Chief Finance Officer.

D.1.7 To ensure that a complete audit trail is maintained, allowing financial transactions to be traced between the accounting records and the original document.

D.1.8 To ensure that only officers authorised to act on their behalf process payments, collect income and place orders, including variations; this should be evidenced through either: local procedure/practice notes, job descriptions/organisational structure, a record of authorised signatories or a scheme of financial delegation.

D.1.9 To supply lists of authorised officers, with specimen signatures and delegated.

D.1.10 To incorporate appropriate controls to ensure that, where relevant all input is genuine and all processing is carried out in an accurate, complete and timely manner.

D.1.11 To ensure compliance with all guidance and relevant legislation in relation to HM Revenue & Customs requirements.

D.1.12 To ensure that the organisational structure provides an appropriate separation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice.

D.1.13 To ensure that systems are documented and staff trained in operations.

D.1.14 To consult with the Chief Finance Officer before changing any existing system or introducing new systems.

D.1.15 To ensure that effective contingency and Disaster Recovery arrangements, including back-up procedures, exist for ICT systems to ensure business continuity. Wherever possible, back-up information should be securely retained in a fireproof container at an off-site location.

D.1.16 To ensure that, where appropriate, ICT systems are registered in accordance with data protection legislation and that staff are aware of their responsibilities under the legislation.

D.1.17 To comply with relevant standards and guidelines for computer systems issued by the Director of Corporate Services.

D.1.18 To ensure that ICT equipment, infrastructure and software are protected from loss and damage through theft, vandalism, etc.

D.1.19 To comply with the copyright, designs and patents legislation.

D.2 INCOME AND EXPENDITURE

D.2.1 Income

Why Is this Important?

D.2.1.1 Income collection is a potential area of risk to the security of the Authority's funds and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly.

Key Controls

D.2.1.2 The key controls for income are:

- all income due to the Authority is identified and charged correctly, in accordance with an approved charging policy, which is reviewed at least annually;
- all money received by an employee on behalf of the Authority is properly recorded and paid without delay to the Authority's bank account. Responsibility for cash collection should, ideally, be separated from:
  i) responsibility for identifying the amount due;
  ii) responsibility for reconciling the amount due to the amount received.
- income received is not used to meet expenditure;

- effective action is taken to pursue non-payment within defined timescales;
- formal approval for debt write-off is obtained;
- appropriate accounting adjustments are made following write-off action;
- all appropriate income documents are retained and stored for the defined period in accordance with the document retention schedule;
- money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process;
- to guard against fraud and money laundering, the maximum cash deposit accepted will be £2,000.

Responsibilities of the Chief Finance Officer

D.2.1.3 To agree arrangements and promote best practice for the collection of all income due to the Authority.

D.2.1.4 To collect income due in all cases where formal invoices are raised.

D.2.1.5 To ensure that all income received is kept securely and banked properly.

D.2.1.6 To order and supply to Directorates all receipt forms, books or tickets and similar items and to approve the arrangements for their control.

D.2.1.7 To approve the form of all cash collection facilities and associated procedures. This includes safes, automated cash collection machines and other cash collection facilities.

D.2.1.8 To agree the write-off of bad debts and to report to the Policy and Programme Committee if this is material to the accounts of the Authority (see section D.6.6 below).

D.2.1.9 To approve all debts to be written off in consultation with the relevant Director, keep a record of all sums written off and comply with the requirements of the Accounts and Audit Regulations 2003 (as amended).

D.2.1.10 To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.

Responsibilities of Directors

D.2.1.11 To ensure that all income is accounted for.

D.2.1.12 Directors to maintain a record of authorised officers, and their signatures, able to raise, amend or cancel invoices on their behalf in a form acceptable to the Chief Finance Officer. **NB** officers authorised to raise invoices shall not be permitted to amend or cancel invoices they have raised themselves.

D.2.1.13 To notify the Chief Finance Officer promptly of all money due to the Authority, including details of contracts, leases or agreements and arrangements which involve the receipt of money by the Authority.

D.2.1.14 To notify the Chief Finance Officer of new leases, or variations to rents or other periodic income to ensure that the periodic income register is accurately maintained.

D.2.1.15 To establish a charging framework for the supply of goods or services, including the appropriate charging of VAT, which accords with the Authority's charging policy and to review charges at least annually.

D.2.1.16 To issue official receipts and maintain other documentation for income collection in a form approved by the Chief Finance Officer.

D.2.1.17 To ensure that whenever possible, goods, services or supplies provided by the Authority with a value of less than £100 are paid for at the point of sale to avoid the need to invoice.

D.2.1.18 To ensure that where possible at least two employees are present when post is opened so that money received by post is properly identified and recorded.

D.2.1.19 To hold securely receipts, tickets and other records of income for the appropriate period.

D.2.1.20 To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling. Maximum limits for cash held shall be agreed with the Chief Finance Officer, having regard to the Authority's insurance cover, and must not be exceeded.

D.2.1.21 To ensure that all relevant cash collection procedures issued by the Chief Finance Officer are complied with including the requirements of the corporate banking contract and security carrier contracts.

D.2.1.22 To ensure that income is paid fully and promptly into the appropriate Authority bank account in the form in which it is received. There must be sufficient information to identify the transaction. Money collected and deposited must be reconciled to the bank account on a regular basis. All cheques, money orders and postal orders received in any service area shall be crossed "South Downs National Park Authority".

D.2.1.23 To ensure income is not used to cash personal cheques or make other payments.

D.2.1.24 To ensure that debtor invoices are raised and despatched promptly following any work done, goods supplied or services rendered where payment has not been received at the point of sale.

D.2.1.25 To record every transfer of custody of money between employees. The receiving officer must sign for the transfer and the transferor must retain a copy.

D.2.1.26 To recommend to the Chief Finance Officer debts to be written off and to keep a record of all sums written off up to the approved limit.

D.2.1.27 To notify the Chief Finance Officer of any contracts, leases or other arrangements which involve the payment of money to the Authority.

D.2.2 <u>Ordering and Paying for Work, Goods and Services</u>

Why is this important?

D.2.2.1 The Authority is funded by public money and must be able to demonstrate that these funds have been dispensed with due probity and in accordance with the Authority's policies. The Authority's procedures should help to ensure that services obtain value for money from their purchasing arrangements and these procedures should be read in conjunction with the Authority's Procurement Guide.

D.2.2.2 Every officer and member of the Authority 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 Authority, in accordance with appropriate codes of conduct.

Key Controls

D.2.2.3 The key controls for ordering and paying for work, goods and services are:

- all goods and services are ordered only by appropriate persons and are correctly recorded;

- all goods and services shall be ordered in accordance with the Authority's Procurement guidance, and all contracts for goods, services and works shall be subject to the Authority's Contract Standing Orders;
- goods and services received are checked to ensure they are in accordance with the order, certification of receipt being completed by someone other than the person who placed the order;
- payments are not made unless goods have been received by the Authority to the correct price, quantity and quality standards;
- all payments are made within the payment terms or otherwise within 30 days to the correct person, for the correct amount and are properly recorded, regardless of the payment method;
- all appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the current document retention schedule;
- all expenditure, including VAT, is accurately recorded against the right budget or accounting code and any exceptions are corrected.
- in addition, the effect of e-business/e-commerce and electronic purchasing (e-Procurement) requires that processes are in place to maintain the security and integrity of data for transacting business electronically.

D.2.2.4 Official orders, including e-purchasing orders, must be in a form approved by the Chief Finance Officer.

D.2.2.5 Apart from petty cash, the normal method of payment from the Authority shall be by BACS, cheque or other instrument or approved method, drawn on the Authority's bank account. Payment by direct debit requires the prior agreement of the Chief Finance Officer.

D.2.2.6 Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of Authority contracts.

Responsibilities of the Chief Finance Officer

D.2.2.7 To maintain an up-to-date list of staff authorised to raise orders or certify payments identifying in each case the financial limits of their authority.

D.2.2.8 To approve the form of official orders and associated terms and conditions, and ensure there is a back-up of orders that have been generated on the system, as part of the back-up/disaster recovery plan.

D.2.2.9 To make payments from the Authority's funds upon proper authorisation that the expenditure has been incurred.

D.2.2.10 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.2.2.11 To make payments to contractors upon appropriate certification, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.

D.2.2.12 To advise on the minimum payment terms which can reasonably be met.

D.2.2.13 To ensure that invoices are retained (either in secure file storage or electronically) for the defined period in accordance with the document retention schedule.

D.2.2.14 To ensure that invoices are readily available for inspection as required, for example, by internal and external audit, HM Revenue & Customs, or EU auditors.

Responsibilities of Directors

D.2.2.15 To comply with guidance issued by the Director of Corporate Services, to ensure that the most favourable terms for price, delivery and quality have been obtained.

D.2.2.16 To ensure the safe custody and proper use of official orders, including e-purchasing orders.

D.2.2.17 To ensure all orders clearly show the originator, the nature and quantity of the goods, supplies and services to be supplied and details of agreed or estimated prices, relevant discounts and delivery terms and are properly authorised.

D.2.2.18 To ensure no contract or arrangement is entered into on shorter payment terms than the minimum advised by the Chief Finance Officer.

D.2.2.19 To ensure that orders are only used for goods and services provided to and for the use of the Authority and not for the personal benefit of individual employees.

D.2.2.20 To ensure that those authorising orders are satisfied that the goods and services are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained in accordance with Contract Standing Orders and the Procurement Policy.

D.2.2.21 To ensure that copy orders are retained where non-computerised records are used, and that they are held securely.

D.2.2.22 To ensure that goods and services are checked on receipt to verify that they are in accordance with the order.

D.2.2.23 To pay invoices promptly in accordance with contract terms; the Authority target is payment within agreed terms or 30 days from the date an undisputed invoice is received.

D.2.2.24 To ensure that payment is not made unless a proper VAT invoice (excluding any balance brought forward) in the name of the Authority has been received, checked, coded and certified for payment, confirming:

i) receipt of goods;
ii) that the invoice has not previously been paid;
iii) that expenditure has been properly incurred and is within budget;
iv) that prices are correct, including discounts; and
v) that tax is deducted where appropriate.

D.2.2.25 Directors are responsible for obtaining necessary VAT receipts. Failure to obtain adequate receipts could result in charges levied by H M Revenue & Customs.

D.2.2.26 To ensure appropriate separation of duties are involved in requisitioning, ordering, receiving and paying for goods and services.

D.2.2.27 To ensure that payments are made are only made on receipt of a formal invoice, not on a photocopied or faxed copy, statement or other document.

D.2.2.28 To ensure that, in cases of payments being made on receipt of copy invoices (for example because the original has gone missing), appropriate checks are completed to minimise the risk of duplicate payments being made, and that, once authenticated, copy invoices are clearly marked "not previously passed for payment" and properly certified.

D.2.2.29 To notify the Chief Finance Officer of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the published timetable for the year-end closure of accounts.

D.2.2.30 To ensure that procurement records are retained (either in secure file storage or electronically) for the defined period in accordance with the document retention schedule and readily available for inspection.

D.2.3 Payments to Employees and Members

Why is this important?

D.2.3.1 Staff costs form a significant element of the Authority's spending. It is therefore important that payments of both salaries and expenses are accurate, timely, made only where they are properly due and that payments accord with individuals' conditions of employment.

D.2.3.2 It is equally important that Members' allowances and expenses are paid accurately and on a timely basis in accordance with the scheme adopted by the full Authority. All payments to staff and Members are made through payroll.

Key Controls

D.2.3.3 The key controls for payments to employees and Members are:

- proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to starters, leavers, variations, and enhancements; and that payments are made on the basis of timesheets or claims;
- frequent reconciliation of payroll expenditure against approved budget and bank account;
- all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule;
- that HM Revenue & Customs regulations are met.

Responsibilities of the Chief Finance Officer

D.2.3.4 To arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees on the due date.

D.2.3.5 To make arrangements for the accurate and timely recording and payment of tax, superannuation and other deductions.

D.2.3.6 To make arrangements for payment of all travel and subsistence claims or financial loss allowances.

D.2.3.7 To make arrangements for paying Members' travel or other allowances upon receiving the prescribed form, duly completed and authorised.

D.2.3.8 To provide advice to secure payment of salaries and wages by the most economical means.

Responsibilities of Directors

D.2.3.9 The Chief Executive holds ultimate responsibility for compliance with statutory rules relating to employee matters and through the Director of Corporate Services shall issue appropriate advice, guidance and training to all staff to ensure that the requirements of law and of the Authority's Human Resources Policies and Practices are met.

D.2.3.10 Directors are responsible for ensuring that staff within their respective Directorates are properly inducted into the Authority and attend any mandatory training courses. Directors are also responsible for ensuring that their staff act follow any advice, guidance or instruction issued by the Director of Corporate Services, including those relating to appointment procedures, the use of job evaluation or other agreed system for determining remuneration, acceptable behaviour standards, grievance and disciplinary processes, contract variation, and the security and privacy of associated data.

D.2.3.11 To ensure appointments are made in accordance with the regulations of the Authority and approved establishments, grades, scales of pay and approved budget levels.

D.2.3.12 To maintain personnel information in a format specified by the Director of Corporate Services and notify him or her promptly of all appointments, terminations, increments, timesheets, or variations which may affect the pay or pension of an employee or former employee, in the form and to the timescale required.

D.2.3.13 To ensure that adequate and effective systems and procedures are operated, so that:

- payments are only authorised to bona fide employees and where there is a valid entitlement;
- conditions and contracts of employment are correctly applied;
- employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness;
- any systems used to process personnel data or remunerations are properly maintained in compliance with these Financial Regulations, and that arrangements for paying salaries, compensation and other emoluments also comply.

D.2.3.14 To maintain an up-to-date list of the names of officers authorised to sign staffing records, including starters, leavers and amendment forms, timesheets and expenses claims together with specimen signatures and to supply a copy of this list to the Financial Services provider (Payroll).

D.2.3.15 To ensure that payroll transactions are processed only through the payroll system, to ensure compliance with HM Revenue & Customs requirements. Directors should give careful consideration to the employment status of individuals engaged on a self-employed or subcontract basis, as HMRC applies strict rules on employee status; in cases of doubt, early advice should be sought from the Director of Corporate Services.

D.2.3.16 Certification of timesheets by authorised officers means that:-

- the expenditure has been properly incurred, is legal, and that there is relevant estimate provision or other Authority to spend;
- the payment is in accordance with the Authority's HR policies and practices, and other regulations;
- the calculations of hours, pay rates and other allowances are correct and the timesheet is arithmetically correct,
- the timesheet has not previously been paid. In cases of copy timesheets, careful checks need to be carried out to prevent duplicate payments. When authenticated, any copy should be marked clearly "not previously passed for payment" and properly certified.

D.2.3.17 Ex-gratia payments shall be paid through the payroll system in accordance with these Financial Procedures and the Financial Limits they prescribe.

D.2.3.18 To certify 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 Authority in accordance agreed rates, ensuring that cost-effective use of travel arrangements is achieved.

D.2.3.19 To ensure that the Financial Services provider (Payroll) is notified of the details of any employee benefits in kind, to enable full and complete tax reporting.

D.2.3.20 To ensure that all appropriate payroll documents are retained and stored for the defined statutory period.

Responsibilities of Members

D.2.3.21 To submit claims for Members' travel and subsistence allowances on a monthly basis and, in any event, within one month of the financial year-end.

D.2.4 <u>Purchasing Cards</u>

Why is this important?

D.2.4.1 Corporate Procurement Cards are issued when:

- There is an operational requirement for the flexibility which the card would offer;
- There is an ongoing need that cannot be met effectively or efficiently by other arrangements;
- There is a pattern of low value, high volume purchases where a purchase order is not appropriate.

Key Controls

D.2.4.2 All applications for corporate procurement cards should be made on the appropriate form, meeting the specific criteria, appropriately authorised and supported by a business case approved by the budget holder;

- A condition of usage agreement is issued to the cardholder upon approval, which must be signed and returned;
- There is an individual transaction and monthly spend limit issued for each card holder which cannot be exceeded. Card limits will be reviewed at regular intervals and if necessary revised;
- Finance will monitor the use of corporate procurement cards. If inappropriate expenditure occurs, then it can be deducted from accrued salary and may result in the cancellation of the card;

D.2.4.3 Cardholders are required to keep a copy of all documentation that relates to the purchases, including the monthly procurement card statement that will be received by all purchasing cardholders.

Responsibilities of Chief Finance Officer

D.2.4.4 To establish a corporate procurement card system that can be operated securely within the Authority.

D.2.4.5 To ensure that procurement card expenditure is accounted for and correctly presented in the Authority's accounts

Responsibilities of Directors

D.2.4.6 To ensure that officers holding a corporate procurement card:

- Obtain and retain receipts to support each payment made against the procurement card. Where appropriate, an official receipted VAT invoice must be obtained;
- Submit records as required by the Chief Finance Officer at regular intervals for uploading into the finance system;

- Make adequate arrangements for the safe custody of the card; reconcile the expenditure monthly; reconciliation sheets to be verified in accordance with the notified procedure;
- Lost or stolen cards must be reported immediately to the Co-op Bank and Finance;
- Return the card to Finance upon leaving the Authority or at the request of the Chief Finance Officer;

D.2.4.7 The Chief Finance Officer may require the return of the card at any time and may suspend or cancel its use in the event that the cardholder fails to comply with the conditions of use of the card.

D.2.5 Imprest and Petty Cash Accounts

Why is this important?

D.2.5.1 Imprest and petty cash accounts allow:

- Urgent purchases where officers are unable to obtain goods or services in a timely manner to allow the continued delivery of the service.
- Minor items of expenditure, when it would not be cost effective to purchase the item through the creditor payments system.

D.2.5.2 Imprest and petty cash accounts must not be used as methods of avoiding normal purchasing/payment arrangements.

Key Controls

D.2.5.3 The key controls for imprest and petty cash accounts are:

- all transactions are properly accounted for and proper authorisation procedures are in place;
- there is appropriate supporting documentation for all purchases;
- purchases are appropriate and could not be made through the Authority's normal purchase ordering system;
- accounts are kept in balance and reconciled on a regular basis;
- cash, cheque books and accounting records are held securely, and transfers of custody are properly documented.

Responsibilities of the Chief Finance Officer

D.2.5.4 To establish a petty cash/imprest system to be operated by the Authority.

D.2.5.5 To ensure that petty cash is accounted for and correctly presented in the Authority's accounts.

Responsibilities of Directors

D.2.5.6 To ensure that employees operating an imprest account:

- obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained;
- maintain the account in balance and submit records as required by the Chief Finance Officer at regular intervals for examination and the reimbursement of expenditure;
- make adequate arrangements for the safe custody of the account;

- produce upon demand by the Chief Finance Officer cash and all vouchers to the total value of the imprest amount;
- reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder;
- provide the Chief Finance Officer with a certificate of the value of the account held on request (normally once a year);
- ensure that the float 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 float and change relating to purchases where an advance has been made;
- ensure that no income received on behalf of the Authority may be paid into a petty cash/imprest account but must be banked or paid into the Authority;

D.2.5.7 No officer shall certify a petty cash/imprest bank account claim for reimbursement of expenditure to him/herself.

D.2.5.8 No payments or reimbursements shall be made for values over £100.

D.2.5.9 In no circumstances shall imprest accounts be allowed to go overdrawn.

D.3 VAT & TAXATION

Why is this Important?

D.3.1 The Authority is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is therefore very important for all officers to be aware of the potential tax implications of any transaction and to seek appropriate advice early.

Key Controls

D.3.2 The key controls for taxation are:

- budget holders are provided with relevant information and kept up to date on tax issues;
- budget holders are instructed on required record keeping
- staff seek advice on the potential tax implications of new initiatives as soon as possible;
- all taxable transactions are identified, properly carried out and accounted for within stipulated timescales;
- returns are made to the appropriate authorities within the stipulated timescale.

Responsibilities of the Chief Finance Officer

D.3.3 To arrange for the proper deduction of Pay As You Earn (PAYE) and National Insurance, and the timely completion of associated HM Revenue & Customs returns.

D.3.4 To complete a monthly return of VAT inputs and outputs to HM Revenue & Customs.

D.3.5 To maintain up-to-date guidance for Authority Members and employees on taxation issues.

D.3.6 To provide details to the HM Revenue & Customs and account for all taxes and contributions deducted from payments made by the Authority.

Responsibilities of Directors

D.3.7 To ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Revenue & Customs regulations.

D.3.8 To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.

D.3.9 To ensure that any person employed by the Authority is added to the Authority's payroll and tax deducted from any payments, except where the individual is genuinely self-employed or employed by a recognised staff agency.

D.3.10 To follow all guidance on taxation issued by the Chief Finance Officer.

D.4 CONTROL OF CONTRACTS

Why is this important?

D.4.1 The achievement of value for money when procuring goods and services is a key task to ensure that public money is well spent. The Authority needs to be able to demonstrate that it achieves good value for money and how it seeks to improve the value it gets.

D.4.2 There needs to be a strong commitment from Members and staff to manage costs alongside quality of services and respond to local needs. The impact on users should be tracked to ensure that cost savings are not simply cuts without regard to outcomes.

Responsibilities of Directors

D.4.3 The Director of Corporate Services will issue and review regularly Contract Standing Orders and the Procurement Policy, to ensure that procurement efficiencies and value for money are a key objective across the Authority.

D.4.4 To comply with national and EU legislation on procurement, Financial Regulations, Contract Standing Order and the Procurement Policy.

D.5 BANKING ARRANGEMENTS

Why is this important?

D.5.1 It is essential that the Authority operates cost effective and sound banking systems to ensure its financial transactions are documented with the utmost accuracy, with the avoidance of fraud and corruption.

Responsibilities of the Chief Finance Officer

D.5.2 To make or approve all arrangements with the Authority's bankers and to operate such accounts as necessary.

D.5.3 To authorise the ordering all cheques and ensure proper arrangements for their safe custody.

D.5.4 To authorise the issue of Authority procurement cards.

D.5.5 To ensure cheques drawn on the Authority's main bank accounts bear the facsimile signature of the Chief Finance Officer.

D.5.6 To approve the necessary arrangements to safeguard the interests of the Authority where payments are made either electronically or automatically.

D.5.7 To ensure all Authority funds are banked to the account of the Authority.

Responsibilities of Directors

D.5.8 To manage bank accounts, imprest accounts and credit cards in accordance with guidance issued by the Chief Finance Officer, and ensure that all Authority funds are banked to the account of the Authority.

D.6 FINANCIAL LIMITS

Why is this important?

Financial limits need to be set in the interests of good governance and financial management. Directors are responsible for delegating financial limits of authority and incorporating them in their directorate scheme of financial delegation.

D.6.1 Virements - Revenue Budget

D.6.1.1 Directors are responsible for ensuring that virements are actioned in accordance with the requirement specified in Standard Financial Procedures paragraph A.2.1.

D.6.1.2 In keeping with budget monitoring procedures, Directors shall maintain a list of officers who are authorised to action virements together with their financial limits.

D.6.2 Virements - Capital Programme

D.6.2.1 Directors shall consult with the Chief Finance Officer on planned virements within the Capital Programme as outlined in paragraph B.2.4.

D.6.3 Carry Forwards

D.6.3.1 The policy in respect of the carry forward of directorate revenue underspendings and overspendings is set out in Standard Financial Procedures paragraph A.2.2.

D.6.4 Authorisation Limits to minimise budget pressures

D.6.4.1 In exceptional circumstances, the Senior Management Team may occasionally place authorisation limits so that no expenditure can be incurred over a certain limit without Director approval to safeguard the Authority's budget position.

D.6.5 Ex-Gratia Payments

D.6.5.1 Directors may authorise ex-gratia payments in respect of minor items of loss or damage to personal property and clothing of employees and customers in respect of services delivered by their directorate.

D.6.5.2 No ex-gratia payments in excess of £2,000 shall be made without the approval of the Chief Executive, in consultation with the Director of Corporate Services.

D.6.5.3 A complete record of ex-gratia payments made by Directors shall be maintained and shall be available to the Chief Finance Officer on request.

D.6.6 Write Off of Debts

D.6.6.1 No debts due to the Authority shall be written off except with the consent of the Chief Finance Officer.

D.6.6.2 The Chief Finance Officer shall be authorised to write off any debt due to the authority subject to the following:-

- A full explanation of the circumstances to the satisfaction of the Chief Finance Officer having been provided by the appropriate Director;
- For individual debts under £5,000, amounts to be authorised by relevant Director and Chief Finance Officer unless in the view of the CFO the total debt being written off has wider financial implications in which case a report should be written for consideration by Policy and Programme Committee;
- For debts over £5,000, amounts to be authorised by relevant Director and Chief Finance Officer, in consultation with the Chair of Policy and Programme Committee, unless in the view of the CFO the total debt being written off has

wider financial implications in which case a report should be written for consideration by Policy and Programme Committee

D.6.7 Write Off of Stocks and Stores

D.6.7.1 No deficiency, which occurs in excess of £5,000, shall be written off by a Director without the prior approval of the Policy and Programme Committee.

D.6.7.2 Variations below this figure may be written off by the Director with the agreement of the Chief Finance Officer.

D.6.7.3 A complete record of stocks and stores written off shall be maintained by the appropriate Director and retained.

D.6.8 Retention of Records

Why is this important?

D.6.8.1 It is essential that the Authority maintains complete and accurate records of all its activity to ensure a full audit trail for legal and funding purposes.

Responsibilities of the Chief Finance Officer

D.6.8.2 To maintain and issue to all staff a schedule of record retention requirements.

Responsibilities of Directors

D.6.8.3 To ensure that all records (electronic and physical) records are carefully and systematically filed and readily recoverable for inspection by Internal and External Audit, HM Revenue & Customs, EU auditors, etc.

D.6.8.4 To retain records in accordance with the advised minimum periods issued by the Chief Finance Officer and to seek advice from the Chief Finance Officer in any case of uncertainty.

D.6.8.5 Schedule for the Retention of Records:

Record	**Period (plus current year)**
Published Accounts/Annual Reports	Permanently
Taxation Returns	Permanently
Pension Scheme Records	Permanently
Property Deeds of landholdings	Permanently
Loans and investment records	12 years
Bank Statements, Bank credits	7 years
Cheques	7 years
Creditors Invoices	6 years
VAT receipts	6 years
Creditor payment records	6 years
Copy Orders	3 years
Prime Salaries & Wages notifications	3 years
Copy payslips	7 years
Record of ex gratia payments	5 years
Construction contracts and drawings	Permanently
Contracts and Supporting Documents - under seal	12 years*
Contracts let in accordance with Standing Orders	6 years*
Stock/Stores Records	6 years
Stock Write Off and Debt Write Off records	5 years
Bank Paying-in books	3 years
Till Rolls & Receipt Books	3 years

Audit Trails of IT system security related events	3 years
Application control, error and exception reports	3 years
Budget Working papers	3 years
Final Accounts working papers	3 years after the accounts have been signed

*(after contract ends)

E EXTERNAL ARRANGEMENTS

E.1 PARTNERSHIPS

Why is this important?

E.1.1 Partnerships have the potential to play a key role in delivering the Authority's objectives. The Authority is already working in partnership with others – public agencies, private companies, community groups and voluntary organisations. While the Authority delivers some services directly, it has a distinct leadership role in bringing together the contributions of the various stakeholders for the wider benefit of the National Park.

E.1.2 It is important, however, that any partners of the Authority should subscribe to the Authority's vision for the National Park and have an ethos which is consistent with the values of the Authority.

Key Controls

E.1.3 The key controls for the Authority are:

- to be aware of their responsibilities under the Authority's Financial Regulations and Financial Procedures Manual, including record retention requirements;
- to ensure that risk management processes are in place to identify and assess all known risks;
- to ensure that project appraisal processes are in place to assess the viability of a project in terms of resources, staffing and expertise;
- to agree and accept formally the roles and responsibilities of each of the partners involved in the project or services before commencement;
- to communicate regularly with other partners so that problems can be identified and shared to achieve their successful resolution.

Responsibilities of the Chief Finance Officer

E.1.4 To ensure that any partnership arrangements are underpinned by clear and well documented internal financial controls.

E.1.5 To advise on the key elements of funding a project or service. They include:

- a scheme appraisal for financial viability in both the current and future years;
- risk appraisal and management;
- resourcing, including taxation issues;
- administration, accounting and reporting arrangements;
- audit, security and control requirements;
- management of underspends and overspends and carry-forward arrangements;
- recovery of overheads
- exit arrangements.

E.1.6 To ensure that the accounting arrangements are satisfactory and that statutory and other accounts and associated claims and returns in respect of grants are prepared.

E.1.7 To maintain a corporate register of partnerships.

Responsibilities of Directors

E.1.8 To maintain a register of all contracts entered into with external bodies in accordance with procedures specified by the Chief Finance Officer.

E.1.9 To consult with the Chief Finance Officer before entering into any understanding or agreement with an external body.

E.1.10 To ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared.

E.1.11 To ensure that such agreements and arrangements do not impact adversely upon the services provided by the Authority or compromise the Authority in any way.

E.1.12 To provide appropriate information to the Chief Finance Officer to enable a note to be entered into, or a memorandum account added to, the Authority's Statement of Accounts, and possible consolidation under group accounts, concerning material items.

E.2 EXTERNAL FUNDING

Why is this important?

E.2.1 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 Authority. Funds from external agencies can provide additional resources to enable or enhance service delivery.

E.2.2 The Authority's intention is to optimise rather than maximise external funding – i.e. to seek external funding where it results in a substantial net benefit to the Authority relative to the resources required to achieve that benefit.

Key Controls

E.2.3 The key controls for external funding are:

- to ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood;
- to ensure that funds are acquired only to meet the priorities approved by the full Authority, although other organisations may bid for these funds, rather than the Authority;
- to ensure that any match-funding requirements are given due consideration prior to entering into long-term agreements and that future revenue budgets reflect these requirements.
- to ensure that any potential ongoing commitments from projects or partnerships are properly identified and considered at the outset.

E.2.4 Numerous external funding sources exist which may be accessed by the Authority or local partnerships. Advice should be sought from the Chief Finance Officer.

E.2.5 The Authority may act as the Accountable Body for externally funded programmes. The function of the Authority as Accountable Body is to take financial responsibility for the funding programme, irrespective of the Authority's level of involvement in the individual projects within the programme. Included within the financial responsibility of the Accountable Body is the requirement to repay to the grant funding Authority all sums of grant aid advanced to any project which;

- fails,
- expends funding outside the terms of its grant agreement,
- has inadequate records to verify its expenditure,
- has inadequate records to verify its outputs,

- disposes of capital assets acquired with grant funding,
- in any material respect contravenes its funding agreement.

E.2.6 Given that some projects involve considerable sums of money, the potential impact upon the Authority is self-evident. Hence the need for these specific financial regulations applicable to external funding.

E.3 MATCHED FUNDING

E.3.1 External funding rarely covers the entire project cost and grant aid is normally provided on a "matched funding" basis whereby the grant funder provides an agreed percentage of funds and the balance must be "matched" by other funding provided by the applicant. Matched funding may be either in cash or in kind. When matched funding is provided by the Authority, it affords the opportunity for increased service provision. However, many projects have a lifetime of 3 to 5 years, but can be as long as 7 years.

E.3.2 Consequently, when supporting a project, directorates must consider the long-term impact this will have on their capital and revenue budgets. There is a danger of entering into commitments that cannot be met through Authority funds. For this reason it is a requirement that at the inception of any project proposal involving external funding, either capital or revenue, the Chief Finance Officer must be notified immediately.

E.3.3 Before any contractual obligations are entered into, for any externally or internally managed project to which Authority funds are being contributed, a report must be submitted to Policy and Programme Committee for approval of the project if there is any match funding and/or the Authority's contribution is in excess of £50,000 but not more than £100,000 and the budgetary provision has not previously been approved. Where the Authority's contribution is in excess of £100,000, approval must be obtained from the National Park Authority following recommendation from Policy and Programme Committee.

E.3.4 When a report is sent to Policy and Programme Committee requesting the approval of a project the funding for that project must have been agreed amongst partners and written confirmation must be obtained from all external partners of their financial commitment, signed by an appropriate officer of the organisation. The exception to this is where European funding is involved. Since EU funding is regarded as funding of last resort, confirmation of funding will be dependent upon all other contributions (including those of the Authority) to be in place.

E.3.5 The Committee report must also contain a summary of internal funding with an Appendix which provides a detailed budget of the intended project, showing the estimated cost by each expenditure heading and the total cost of the project. The financing of that total cost must equal the funds to be made available internally, from external partners and from the external funding agency.

E.4 FORWARD FUNDING

E.4.1 Where the Authority makes an advance or grant to finance revenue or capital expenditure pending receipt of the external grant, the amount of funding is limited to the forecast value of the quarter's claim which is being advanced. No further forward funding will be made available until a project sponsor organisation has provided satisfactory evidence to enable the Authority to make a grant claim to the grant funding authority. Forward funding will only be considered where the project has had formal approval and is supported by an appraisal.

E.4.2 In the exceptional circumstances of programmes funded by European Union funds, this rule is varied to allow forward funding over a longer duration. Under European Union grant rules the final payment of grant cannot usually be made until all projects in a programme have submitted their final audited grant claim.

E.4.3 Any external programme that requires forward funding pending the receipt of grant income is subject to approval by the Policy and Programme Committee. The approval will set the maximum limit for the forward funding. Directors would then have delegated authority to approve forward funding requests for individual projects up to that maximum limit for the programme.

E.4.4 The forward funding of voluntary and community-based organisations that seek to implement projects for the Authority must comply with the funding agreement.

E.5 FUNDING AGREEMENTS

E.5.1 A partnership deed must be signed by the project sponsor organisation and the Authority, for each project undertaken within any grant funding programme.

Responsibilities of the Chief Finance Officer

E.5.2 To ensure that all funding notified by external bodies is received and properly recorded in the Authority's accounts.

E.5.3 To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.

E.5.4 To issue grant claims procedures to ensure that grant claims are submitted on time to the appropriate funding body and to ensure that audit requirements are met.

Responsibilities of Directors

E.5.5 To comply with corporate guidance or protocols in respect of bidding activity for external funds. This is designed to ensure that:

- i) the quality of bids is improved, increasing the chance of success;
- ii) bids are linked with partners wherever possible, thereby avoiding duplicated or conflicting bids likely to be rejected by funders due to the lack of a joined-up approach;
- iii) management and staff are supported to navigate complex bidding processes;
- iv) where possible, information on external funding is collated across the Authority.

E.5.6 To comply fully with Financial Regulations including Financial Procedures and to ensure that Policy and Programme Committee approves reports for externally funded projects after full consultation with the Chief Finance Officer.

E.5.7 To ensure that all claims for funds are made by the due date in accordance with procedures issued by the Chief Finance Officer. All Government grant claims or claims for externally funded schemes must be examined and certified by the Chief Finance Officer. All grant claims should be accompanied by a Grant Claim header sheet where applicable and a detailed reconciliation to the Authority's main financial system.

E.5.8 To ensure that the project progresses in accordance with the agreed timetable and proposals and that all expenditure is properly incurred and recorded.

E.5.9 To forward to the Chief Finance Officer immediately any notifications from Government Departments including consents, approvals, regulations, circulars and letters relating to any external funding project or proposal.