

APPENDIX D – FINANCIAL SYSTEMS AND PROCEDURES

1 FINANCIAL SYSTEMS AND PROCEDURES

Key Controls

- 1.1 The key controls for systems and procedures are:
- (a) basic data exists to enable the Council's objectives, targets, budgets and plans to be formulated.
 - (b) budget performance is communicated to the appropriate managers on an accurate, complete and timely basis.
 - (c) early warning is provided of deviations from budgets that require management attention.
 - (d) operating systems and procedures are secure.

Responsibilities of the Section 151 Officer

- 1.2 To make arrangements for the proper administration of the authority's financial affairs, including to:
- (a) issue advice, guidance and procedures for Officers and others acting on the authority's behalf.
 - (b) determine the accounting systems, form of accounts and supporting financial records.
 - (c) establish arrangements for audit of the authority's financial affairs.
- 1.3 To approve any new financial systems to be introduced.
- 1.4 To approve any changes to be made to existing financial systems.
- 1.5 To ensure there is documented business continuity plan to enable information system processing to resume quickly in the event of an interruption.

Responsibilities of Budget Holders

- 1.6 To ensure that accounting records are properly maintained and held securely.
- 1.7 To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Section 151 Officer.
- 1.8 To ensure that a complete management trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained.

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- 1.9 To incorporate appropriate controls, as advised by the Section 151 Officer to ensure that, in relation to financial information processed within a service:
- (a) all input is genuine, complete, accurate, timely and not previously processed.
 - (b) all processing is carried out in an accurate, complete and timely manner.
 - (c) output from the system is complete, accurate and timely.
- 1.10 To ensure as far as practicable, that the organisational structure within services provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice.
- 1.11 To ensure compliance with the Scheme of Delegation and to nominate Officers authorised to act on their behalf where appropriate in respect of payments, income collection and placing orders, including the limits of their authority.
- 1.12 To supply lists of authorised Officers, with specimen signatures and delegation limits, to the Section 151 Officer as required.

2 INCOME

Key Controls

- 2.1 The key controls for income are:
- (a) all income due to the authority is identified and charged correctly, in accordance with an approved Schedule of Charges, which is reviewed on a regular basis.
 - (b) all income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery.
 - (c) all money received by an employee on behalf of the Council is paid without delay to the Section 151 Officer or, as he/she directs, to the Council's bank and properly recorded. The responsibility for cash collection should be separated from that:
 - for identifying the amount due
 - for reconciling the amount due and the amount received
 - (d) effective action is taken to pursue non-payment within defined timescales.
 - (e) formal approval for debt write-off is obtained.
 - (f) appropriate write-off action is taken within defined timescales.
 - (g) appropriate accounting adjustments are made following write-off action.
 - (h) all appropriate income documents are retained and stored for the defined period in accordance with the document retention schedule.
 - (i) money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.

Responsibilities of the Section 151 Officer

- 2.2 To agree arrangements for the collection of all income due to the Council and to approve the procedures, systems and documentation for its collection.
- 2.3 To order and supply to services all receipt forms, books or tickets and similar items and to satisfy himself/herself regarding the arrangements for their control.
- 2.4 To agree the write-off of bad debts up to £2000 in each case and to refer sums in excess of £2000 to the relevant Cabinet Executive Member.
- 2.5 To keep a record of all sums written off up to the approved Officer limit and to adhere to the requirements of the Accounts and Audit Regulations.
- 2.6 To ensure that appropriate accounting adjustments are made following write-off action.

Responsibilities of Budget Holders

- 2.7 To hold securely receipts, tickets and other records of income for the appropriate period.
- 2.8 To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling.
- 2.9 To ensure that income is paid fully and promptly into the appropriate Council bank account in the form in which it is received in accordance with laid down procedures. Appropriate details should be recorded on to paying-in slips to provide an audit trail.
- 2.10 To supply the Section 151 Officer with details relating to work done, goods supplied, services rendered or other amounts due, to enable the Section 151 Officer to record correctly the sums due to the Council and to ensure accounts are sent out promptly. To do this, budget holders should use established performance management systems to monitor recovery of income and flag up areas of concern to the Section 151 Officer. Budget holders have a responsibility to assist the Section 151 Officer in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf.
- 2.11 To notify the Section 151 Officer of outstanding income relating to the previous financial year as soon as possible after 31st March in line with the closedown of accounts timetable determined by the Section 151 Officer and in any case not later than 30th April of the following year.

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- 2.12 To ensure that personal cheques are not cashed out of money held on behalf of the Council.
- 2.13 To ensure that every transfer of official money from one member of staff to another shall be evidenced in the records concerned by the signature of the receiving Officer.
- 2.14 To write off debts up to and including £500 in consultation with the Section 151 Officer.

3 ORDERING AND PAYING FOR WORKS, GOODS AND SERVICES

Key Controls

- 3.1 The key controls for ordering and paying for work, goods and services are:
- (a) all goods and services are ordered only by appropriate persons and are correctly recorded.
 - (b) all goods and services shall be ordered in accordance with the Council's Standing Orders Relating to Contracts where required unless they are purchased through public sector purchasing organisations (e.g. ESPO).
 - (c) goods and services received are checked to ensure they are in accordance with the order. Goods should not be received by the person who placed the order.
 - (d) payments are not made unless goods have been received by the Council to the correct price, quantity and quality standards.
 - (e) all payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method.
 - (f) all appropriate evidence of the transaction and payment documents are retained and stored in the defined period, in accordance with the document retention schedule.
 - (g) all expenditure, including VAT, is accurately recorded against the right budget and any exceptions are corrected.
 - (h) in addition, the effect of e-business/e-commerce and electronic purchasing requires that processes are in place to maintain the security and integrity of data for transacting business electronically.

Responsibilities of the Section 151 Officer

- 3.2 To ensure that all the Council's financial systems and procedures are sound and properly administered.
- 3.3 To approve any changes to existing financial systems and to approve any new systems before they are introduced.
- 3.4 To approve the form of official orders and associated terms and conditions.

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- 3.5 To make payments from the Council's funds on the budget holder's authorisation that the expenditure has been duly incurred in accordance with Financial Regulations.
 - 3.6 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.
 - 3.7 To make payments to contractors on the certificate of the appropriate budget holders, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.
 - 3.8 To provide advice and encouragement on making payments by the most economical means.
 - 3.9 To ensure that a budgetary control system is established that enables commitments incurred by placing orders to be shown against the appropriate budget allocation so that they can be taken into account in budget monitoring reports.

Responsibilities of Budget Holders

- 3.10 To ensure that unique system generated numbered official orders are used for all goods and services, other than the exceptions specified in paragraph (ii) of Annexe A.
- 3.11 To ensure that orders are only used for goods and services provided to the service. Individuals must not use official orders to obtain goods or services for their private use.
- 3.12 To ensure that only those staff authorised by himself/herself approve orders and to supply to the Internal Audit Section up-to-date list of such authorised staff, identifying in each case the limits of their authority, as necessary. The authoriser of the order should be satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary.
- 3.13 To ensure that goods and services are checked on receipt to verify that they are in accordance with the order for orders over £500. This check should be carried out by a different Officer from the person who authorised the order. Appropriate entries should then be made in inventories or stores records.
- 3.14 To ensure that the payment system does not authorise an invoice unless it has been received, checked, coded and certified for payment by a spending Officer, confirming:

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- (a) receipt of goods or services.
 - (b) that the invoice has not previously been paid.
 - (c) that expenditure has been properly incurred and is within budget provision.
 - (d) that prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices.
 - (e) that the invoice is correctly coded.
 - (f) that discounts have been taken where available.
- 3.15 To ensure that for orders over £500 two independent authorised members of staff are involved in the ordering and receiving process.
- 3.16 To ensure that the service maintains and reviews periodically a list of staff approved to authorise orders. Names of authorising Officers and details of the limits of their authority, shall be forwarded to Internal Audit.
- 3.17 To ensure that payments are not made on a photocopied or faxed invoice, statement or other document other than the formal invoice. Any instances of these being rendered should be reported to Internal Audit.
- 3.18 To encourage suppliers of goods and services to receive payment by the most economical means for the Council. It is essential, however, that payments made by direct debit have the prior approval of the Section 151 Officer.
- 3.19 To ensure that the service obtains best value from purchasers by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality.
- 3.20 To utilise the central purchasing arrangements and purchasing consortium arrangements as appropriate.
- 3.21 To ensure that employees are aware of any Code of Conduct for Local Government Employees.
- 3.22 To ensure that loans, leasing or rental arrangements are not entered into unless approved by the Section 151 Officer. This is because of the potential impact on the Council's borrowing powers, to protect the Council against entering into unapproved credit arrangements and to ensure that value for money is being obtained.
- 3.23 To notify the Section 151 Officer of outstanding expenditure relating to the previous financial year as soon as possible after 31st March in line with the closedown of accounts timetable determined by the Section 151 Officer and, in any case, not later than 30th April.
- 3.24 With regard to contracts for building construction or engineering work to comply with the systems and procedures adopted in relation to the financial

aspects, including certification of interim and final payments, checking, recording and authorising payments, the system for monitoring and controlling capital schemes and the procedures for validation of subcontractors' tax status. These are set out at Annexe C.

- 3.25 To notify the Section 151 Officer immediately of any expenditure proposed to be incurred as a result of statute/court order where there is no budgetary provision.
- 3.26 To ensure that all appropriate payment records are retained and stored for the defined period, in accordance with the laid down procedures.
- 3.27 Accounts may be submitted to the Scrutiny Commission for examination and investigation, if required, in accordance with the approved work programme of that Commission. The Commission shall be entitled to receive any further explanation or information from any Officer of the Council which they may require to substantiate the payment of accounts.

4 PAYMENTS TO EMPLOYEES AND MEMBERS

Key Controls

- 4.1 The key controls for payments to employees and Members are:
- (a) proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to:
- starter
 - leaver
 - variations
 - enhancements
- and that payments are made on the basis of timesheets or claims where relevant
- (b) frequent reconciliation of payroll expenditure against approved budget and bank account.
- (c) all appropriate payroll documents are retained and stored for the defined period in accordance with the laid down procedure.
- (d) that HMRC Regulations are complied with.
- 4.2 All claims for payment of car allowances, subsistence allowances, travelling and incidental expenses of Officers of the Council shall be submitted for payment via iTrent employee self service. Claims for expenses must be supported by a valid receipt which must be electronically scanned into the Trim EDRM system for checking by the employee's Line Manager when

authorising the claim.

- 4.3 The certification by the Line Manager shall be taken to mean that the certifying Officer is satisfied that the journeys were authorised, the expenses properly and necessarily incurred and that the allowances are properly payable by the Council.
- 4.4 Payment to employees in respect of claims submitted after a delayed period of six months shall only be made with the express approval of the Section 151 Officer.

Responsibilities of the Chief Executive

- 4.5 To ensure that appointments of all employees are made in accordance with the Regulations of the Council and the approved staff structures, grades and rates of pay.

Responsibilities of the Section 151 Officer

- 4.6 To arrange and control secure and reliable payment of all salaries, wages, pensions, compensation and other emoluments to all employees or former employees of the Council.
- 4.7 To record and make arrangements for the accurate and timely payment or tax, superannuation and other deductions.
- 4.8 To make arrangements for payment of all travel and subsistence claims or financial loss allowance.
- 4.9 To make arrangements for paying Members travel or other allowances upon receiving the prescribed form, duly completed and authorised.
- 4.10 To provide advice and encouragement to secure payment of salaries and wages by the most economical means.
- 4.11 To ensure that all time records or other pay documents are in the prescribed form and are certified by an authorised Officer. The names of authorised Officers shall be sent to the Section 151 Officer together with specimen signatures and shall be amended on the occasion of any change.
- 4.12 To ensure that overtime payments in respect of salaried staff are authorised and certified by an authorised Officer.
- 4.13 To maintain a record of all unpaid wages. Subsequent payment of such wages shall be subject to such procedure as the Section 151 Officer shall prescribe.

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- 4.14 To ensure that payments are made to Members of the Council in accordance with the scheme approved by the Council and upon receipt of the prescribed form duly certified by the Member.

Responsibilities of the Director

- 4.15 To maintain a record of details of past local government service and appointments held relating to each employee of the Council.
- 4.16 To ensure that the Section 151 Officer is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.
- 4.17 In relation to all employees, Human Resources shall notify the Section 151 Officer of:
- (a) appointments, dismissals, resignations, suspensions, secondments and transfers
 - (b) changes in remuneration, including normal increment
 - (c) provide all information necessary to maintain records of service for superannuation, income tax, national insurance and other deductions and additions.
- 4.18 To ensure that no Officer is authorised to use his/her vehicle on a casual usage basis unless adequate insurance is in force. The appropriate member of Group Managers shall be responsible for ensuring that this requirement is met. Such records shall be maintained by the Director of People & Finance.
- 4.19 To ensure that all allowances are paid on scales laid down by the National Joint Council or local schemes as applicable.

Responsibilities of Group Managers and Strategic Managers

- 4.20 Group Managers including the, Strategic Managers shall notify Human Resources of absences from duty for sickness or other reason apart from approved leave and the information shall be passed to the Section 151 Officer.
- 4.21 To ensure that adequate systems and procedures are operated, so that:
- payments are only authorised to bona fide employees
 - payments are only made 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.
- 4.22 To send an up-to-date list of the names of Officers authorised to sign records to the Director, together with specimen signatures. The payroll provider should have signatures of Human Resources Officers and Officers authorised

to sign timesheets and claims.

- 4.23 To ensure that payroll transactions are processed only through the payroll system. Group Managers, and Strategic Managers should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. HMRC applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Section 151 Officer or the Accountancy Services Manager.
- 4.24 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 Council, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and the Section 151 Officer should be informed where appropriate.
- 4.25 To ensure that all appropriate prime documents are retained and stored for the defined period in accordance with the laid down procedures.

Responsibilities of Members

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

ANNEXE A TO APPENDIX D**ORDERING AND PAYING FOR WORKS, GOODS AND SERVICES**

- (a) Every Member and Officer of the Council has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the Council, in accordance with appropriate Codes of Conduct.
- (b) Official orders must be in a form approved by the Section 151 Officer. Official orders must be issued for all work, goods or services to be supplied to the Council, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions specified by the Section 151 Officer.
- (c) Each order must conform to the guidelines approved by the Section 151 Officer or central purchasing in relation to the standardisation of supplies and materials. Standard terms and conditions must not be varied without the prior approval of the Section 151 Officer.
- (d) Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of Council contracts.
- (e) No order for work goods or services shall be authorised unless an adequate budget exists.
- (f) Each order is to conform to the approved procedures of the Council relating to the standardisation of supplies and materials.
- (g) Official orders shall be in the form approved by the Section 151 Officer and are to be approved only by authorised Officers, as under e-purchasing arrangements this is part of the invoice certification process.
- (h) Any purchase orders for goods or services up to £500 can be requisitioned, authorised and receipted by the same person. Any expenditure above £500, the current separation of duties for ordering and receipting would still apply. The person who authorises orders for goods or services up to £500 must still have that level of approval.
- (i) The Chief Executive is authorised to incur expenditure up to a total of £50,000 on any one item in circumstances where action is deemed necessary.
- (j) The use of corporate credit cards and purchase cards (pcards) shall only be in accordance with the agreed procedures.

ANNEXE B TO APPENDIX D**CENTRAL PURCHASE AND CONTROLLED STATIONERY**

- (a) The Section 151 Officer shall be responsible for general security of controlled stationery. Internal Audit shall carry out security checks and stock checks as is appropriate. The purchase, from external suppliers, of certain items of controlled stationery (e.g. cheques) shall be done in conjunction with Internal Audit.

Records

- (b) Records shall be kept which show the current stock level and all receipts into, issue from and returns to stock.

Receipt of Stationery

- (c) Receipt of new stocks of stationery must only be booked in by designated Officers that are independent of the payments processing arrangements.

Issue of Stationery

- (d) One of the designated Officers will issue controlled stationery to the requisitioning Officer who will sign the stock record to indicate receipt of the stationery.

Returns of Stock

- (e) Stationery returned to stock shall be received by the designated Officer and entered in the stock record and initialled by the designated Officer and the Returning Officer.

ANNEXE C TO APPENDIX D**CONTRACTS FOR BUILDING, CONSTRUCTIONAL OR ENGINEERING WORK**

- (a) The Section 151 Officer shall arrange for the keeping of a contract register or registers to record the state of account on each contract between the Council and the contractor and the record shall include all payments and related professional fees.
- (b) Payments on account of contracts shall be made only on a certificate issued by the appropriate authorised Officer (or professional architect, engineer or consultant where engaged by the Council).
- (c) Subject to the provisions of the contract in each case every extra or variation shall, unless otherwise evidenced to his/her satisfaction be authorised in writing by the appropriate authorised Officer. Any such extra variation which is likely to exceed 10% of the contract sum shall be reported to a Director, and where required, member approval obtained.
- (d) The final certificate of completion of any contract shall not be issued until the appropriate authorised Officer, professional architect, engineer or consultant has produced to Internal Audit a detailed statement of account, and all relevant documents required.
- (e) Internal Audit shall, to the extent it considers necessary, examine final accounts for contracts and it shall be entitled to make such enquiries and receive such information and explanation as he/she may require in order to satisfy himself/herself as to the accuracy of the accounts.
- (f) Claims from contractors in respect of matters not clearly within the terms of any existing contract shall be referred to the Corporate Services Group Manager for consideration of the authority's legal liability and, where necessary, to the Section 151 Officer for financial consideration before a settlement is reached.
- (g) The Corporate Services Group Manager shall be consulted as appropriate as to the amount to be included in a contract in respect of liquidated damages. Where completion of a contract is delayed, it shall be the duty of the appropriate authorised Officer to take appropriate action in respect of any claim for liquidated damages and to report his/her action to the Cabinet Executive.
- (h) In any case where the total cost of any work carried out is in excess of 5% of the approved contract sum, a report of such cost shall, after agreement of the final account, be submitted to the Cabinet Executive, by the relevant Officer.