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## SECTION 16 – FINANCIAL PROCEDURE RULES

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### Introduction

16.1 This document contains 2 Parts:

16.1.1 PART 1 - Financial Regulations which provide the framework for managing the authority's financial affairs;

16.1.2 PART 2 - Financial Procedures which provide more detailed guidance on various aspects of process.

16.2 Further advice on this section can be obtained from the Section 151 Officer (Section 151 Officer).

16.3 Authority is delegated to the ~~Professional Lead (Finance)~~Head of Financial Services to act as Deputy Section 151 Officer on behalf of the Section 151 Officer in all respects in the absence of the Section 151 Officer or if requested by the Section 151 Officer to do so.

16.4 Section 151 of the Local Government Act 1972 requires that:

“Every local authority shall make arrangements for the proper administration of their financial affairs”.

The Financial Procedure Rules give effect to this requirement and control the way the Council manages its finances and safeguards its assets.

16.5 Good, sound financial management is a key part of the Council's Corporate governance framework. Good financial management secures value for money, controls spending, ensures probity of transactions and demonstrates to the wider public that there is effective use of public money.

16.6 Financial Regulations provide the overall framework for managing the authority's financial affairs. They apply to every member and officer of the authority and anyone acting on its behalf.

16.7 Financial Procedures should not be seen in isolation as they are part of the overall framework of the Council.

16.8 Financial Procedures must also strike a balance between oversight of financial resources and allowing the day to day running of the Council in a business like fashion.

### PART 1 - Financial Regulations ( “the Regulations”)

16.9 The Regulations identify the financial responsibilities of the Full Council, Cabinet and scrutiny members, the Head of Paid Service, the Chief Legal Officer (the Monitoring Officer), the Section 151 Officer (the Section 151 Officer) and other Strategic Directors / Director / Heads of Service.

16.10 Heads of Service should maintain a written record where decision making has been delegated to members of staff, including seconded staff.

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- 16.11 Where decisions have been delegated or devolved to other responsible officers or individuals, such as school governors, references to the Heads of Service in the Regulations should be read as referring to them.
- 16.12 All members and staff have a general responsibility for taking appropriate action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, in accordance with Council policies, is properly authorised, provides value for money and achieves best value.
- 16.13 The Section 151 Officer is responsible for maintaining a continuous review of the Financial Regulations. The Section 151 Officer will submit any additions or changes necessary to the Full Council for approval. The Section 151 Officer is also responsible for reporting, where appropriate, breaches of the Financial Procedure Rules to the Council and/or to the Cabinet members. The breach of Financial Regulations is grounds for disciplinary action in its own right.
- 16.14 Heads of Service are responsible for ensuring that all relevant staff in their Service areas are aware of the existence and content of the authority's Financial Regulations and other internal regulatory documents and that they comply with them. They must also ensure that all staff know where they can view an up to date copy of Financial Regulations.
- 16.15 The Section 151 Officer is responsible for issuing advice and guidance to underpin the Financial Procedure Rules that Members, officers and others acting on behalf of the authority are required to follow. The Section 151 Officer may delegate this requirement to the Deputy Section 151 Officer if required.
- 16.16 These Financial Regulations apply to schools except where Regulations issued by the Welsh Assembly Government take precedence.
- 16.17 Nothing in these Financial Regulations shall prevent expenditure required to meet immediate needs caused by a sudden emergency to which Section 138 of the Local Government Act 1972 applies, provided that such expenditure shall be reported as soon as possible to the Cabinet and, if appropriate, to the Council.

### **A: FINANCIAL MANAGEMENT**

#### **Introduction**

- 16.18 Financial management covers all financial responsibilities in relation to the running of the authority, including the policy framework and budget. The responsibilities of the Council, its Committees, the Cabinet and specified officers are set out in Sections 11 and 13.

#### **Audit Committee**

- 16.19 The Council has established an Audit Committee. The Audit Committee will have the function set out in Section 13. It may also take on other Council functions as required by Welsh Government.

#### **Strategic Directors/ Directors / Heads of Service**

- 16.20 Strategic Directors / Directors / Heads of Service are responsible for:

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- 16.20.1 ensuring that Cabinet Members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Section 151 Officer
  - 16.20.2 signing contracts on behalf of the authority in accordance with Section 17 – Contract Procedure Rules.
  - 16.20.3 ensuring that delegated decisions are within policy and budget.
- 16.21 It is the responsibility of Strategic Directors / Director / Heads of Service to consult with the Section 151 Officer and seek approval on any matter liable to affect the authority's finances materially, before any commitments are incurred.

### **Other financial accountabilities**

#### **Treatment of year-end balances**

- 16.22 All year-end balances are viewed as corporate rather than departmental. However, if appropriate, and on the advice of the Section 151 Officer, the Cabinet may agree the carry forward of departmental underspends of up to £500,000 and Full Council may agree to carry forward departmental underspends of £500,001 and above provided always that there is an overall underspend on the Council's reserve budget.
- 16.23 All requests to carry forward underspends in accordance with Rule 16.22 will need to be supported by a business case set out in a framework established by the Section 151 Officer in consultation with the Chief Executive and Strategic Directors. The decision to carry forward any underspend will take account of the need to support the Council's reserves compared with the service requirements to access any carry forward. In reaching any decision the Cabinet or Council will be supported by advice from the Section 151 Officer. Any decision to carry forward will be part of the report outlining the Council's annual financial performance as part of the closedown of accounts.

#### **Maintenance of reserves**

- 16.24 It is the responsibility of the Section 151 Officer to advise the Cabinet and the Full Council on prudent levels of reserves for the authority. If the Cabinet and Full Council do not follow the advice of the Section 151 Officer the reasons must be clearly indicated and recorded.

#### **Accounting policies**

- 16.25 The Section 151 Officer is responsible for determining accounting policies and ensuring that they are applied consistently.

#### **Accounting records and returns**

- 16.26 The Section 151 Officer is responsible for determining the accounting procedures and records for the authority.

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### **The Annual Statement of Accounts**

- 16.27 The Section 151 Officer is responsible for ensuring that the annual statement of accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (CIPFA/LASAAC) (Chartered Institute of Public Finance and Accountancy / Local Authority (Scotland) Accounts Advisory Committee). The Council is responsible for approving the annual statement of accounts. It may do this by delegating this function to the Audit Committee.
- 16.28 The Section 151 Officer shall operate within the statutory timetable that includes any certification requirements prior to approval of the annual statement of accounts.

## **B: FINANCIAL PLANNING**

### **Introduction**

- 16.29 The Full Council is responsible for agreeing the authority's policy framework and budget, which will be proposed by the Cabinet and, where appropriate, the relevant Scrutiny Committees. In terms of financial planning, the key elements are:
- 16.29.1 the Powys One Plan
  - 16.29.2 the revenue budget
  - 16.29.3 the capital strategy
  - 16.29.4 the Medium Term Financial Plan.

### **Policy framework**

- 16.30 Full Council is responsible for approving the policy framework and budget.
- 16.31 Full Council is also responsible for approving procedures based on the advice of the Section 151 Officer for agreeing variations to approved budgets (in accordance with the Scheme of Virement set out in Rules 16.88 to 16.101), plans and strategies forming the policy framework and for determining the circumstances in which a decision will be deemed to be contrary to the budget or policy framework.
- 16.32 The Cabinet is responsible for taking in-year decisions on resources and priorities in order to deliver the budget policy framework within the financial limits set by the Council.

### **Preparation of the Corporate Improvement Plan (within the One Powys Plan)**

- 16.33 The Strategic Director Resources is responsible for proposing the Council's overarching strategic plan (the One Powys Plan) to the Cabinet for consideration before its submission to the Full Council for approval.

### **Budgeting**

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### **Budget format**

- 16.34 The format of the budget is a matter delegated to the Section 151 Officer who will use guidance and best practice to ensure sufficient detail is included. The budget will include allocations to services and projects, proposed Council Tax levels and contingency funds. It will also detail any adjustments being made to meet the statutory requirement to set a balanced budget.

### **Budget preparation**

- 16.35 The Section 151 Officer is responsible for ensuring that a revenue budget is prepared on an annual basis and a medium term financial strategy for both revenue and capital on a rolling three-yearly basis for consideration by the Cabinet, before submission to Full Council. Full Council may amend the budget or ask the Cabinet to reconsider the budget before approving it. When considering the budget Full Council must take into account the advice of the Section 151 Officer.
- 16.36 It is the responsibility of Strategic Directors / Director / Heads of Service to ensure that budget estimates reflecting agreed service plans are submitted to the Cabinet and that these estimates are prepared in line with guidance issued by the Cabinet.

### **Budget monitoring and control**

- 16.37 The Section 151 Officer is responsible for providing appropriate financial information to enable budgets to be monitored effectively. He or she must monitor overall expenditure against budget allocations and independently report to the Cabinet on the overall position on a regular basis.
- 16.38 It is the responsibility of Strategic Directors / Director / Heads of Service to control income and expenditure within their service and to monitor performance against approved budget and relevant business plans taking account of financial information provided by the Section 151 Officer. They should report to the Cabinet on significant variances within their own service. They must consult with the Section 151 Officer before reporting to the Cabinet. They should also take any action necessary to avoid exceeding their budget allocation and alert the Section 151 Officer to any problems and indicate to the Section 151 Officer any corrective action to stay within the overall budget e.g. in meeting targets for income or expenditure over-runs.

### **Resource allocation**

- 16.39 The Section 151 Officer is responsible for developing and maintaining a resource allocation process that ensures due consideration of the Full Council's policy framework.

### **Preparation of the capital programme**

- 16.40 The Section 151 Officer is responsible for ensuring that a 3 year rolling capital strategy is prepared on an annual basis for consideration by the Cabinet before submission to the Full Council. The strategy must also



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include the funding to deliver the projects put forward for consideration. The impact on the Council's revenue position must be included.

### **Guidelines**

16.41 Guidelines on budget preparation are issued by the Cabinet following agreement with the Section 151 Officer. The guidelines will take account of:

- 16.41.1 legal requirements
- 16.41.2 medium-term planning prospects
- 16.41.3 the Powys Change Plan
- 16.41.4 available resources
- 16.41.5 spending pressures
- 16.41.6 best value and other relevant government guidelines
- 16.41.7 other internal policy documents
- 16.41.8 cross-cutting issues (where relevant).

## **C: RISK MANAGEMENT AND CONTROL OF RESOURCES**

### **Introduction**

16.42 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational risks to the authority. This should include the proactive participation of all those associated with planning and delivering services.

### **Risk Management**

16.43 The Cabinet is responsible for approving the authority's risk management policy statement and strategy and for reviewing the effectiveness of risk management. The Cabinet is responsible for ensuring that proper insurance exists where appropriate.

16.44 The Section 151 Officer is responsible for preparing the authority's risk management policy statement, for promoting it throughout the authority and for advising the Cabinet on proper insurance cover where appropriate. The Section 151 Officer will have access to sufficient resources to carry out this function.

### **Internal Control**

16.45 Internal control refers to the systems of control devised by management to help ensure 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.

16.46 The Section 151 Officer is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. He or she should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.

16.47 It is the responsibility of Strategic Directors / Director / Heads of Service to establish sound arrangements for business planning, appraising,



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authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets. Internal Audit will evaluate and report on how effectively these arrangements are operating.

### **Audit Requirements**

- 16.48 The Section 151 Officer is responsible for providing an adequate and effective Internal Audit function.. The Section 151 Officer will have access to sufficient resources to provide the function.
- 16.49 The Accounts and Audit (Wales) Regulations 2014 require every local authority to maintain an adequate and effective internal audit in accordance with audit practice which are defined in CIPFA's "Code of Practice for Internal Audit in Local Government in the UK".
- 16.50 The Wales Audit Office is responsible for appointing external auditors to each local authority. The basic duties of the external auditor are governed by the Public Audit (Wales) Act 2004.
- 16.51 The authority may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenues and Customs, Welsh Government and the European Union who have statutory rights of access.

### **Preventing Fraud and Corruption**

- 16.52 The Section 151 Officer is responsible for the development and maintenance of an anti-fraud and anti-corruption policy and the publicity of this policy. The Section 151 Officer will have access to sufficient resources to carry out this function.

### **Assets**

- 16.53 Strategic Directors / Director / Heads of Service should ensure that records and assets are properly maintained and securely held. They should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

### **Treasury Management**

- 16.54 The authority has adopted CIPFA's Code of Practice for Treasury Management in the Public Services.
- 16.55 The Cabinet is responsible for approving the treasury management policy statement setting out the matters detailed in CIPFA's Code of Practice for Treasury Management in the Public Services. The Section 151 Officer has delegated responsibility for implementing and monitoring the statement.
- 16.56 All money in the hands of the authority is controlled by the Section 151 Officer. This will include grant funding and any bids for such resources must have the agreement of the Section 151 Officer who will require information on any on-going financial commitment that will have to be met by the revenue budget.
- 16.57 The Section 151 Officer is responsible for reporting to the Cabinet a proposed treasury management strategy for the coming financial year at or before the start of each financial year.

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- 16.58 All Cabinet decisions on borrowing, investment or financing shall be delegated to the Section 151 Officer, who is required to act in accordance with CIPFA's Code of Practice for Treasury Management in the Public Services and the Welsh Government Guidance on Local Government Investments 2010. The Section 151 Officer will have access to sufficient resources to carry out this function.
- 16.59 The Section 151 Officer is responsible for reporting to Cabinet an annual report on the activities of the treasury management operation and the exercise of their delegated treasury management powers.

### **D: SYSTEMS AND PROCEDURES**

#### **Introduction**

- 16.60 Sound systems and procedures are essential to an effective framework of accountability and control.

#### **General**

- 16.61 The Section 151 Officer is responsible for the operation of the authority's accounting systems, the form of accounts and the supporting financial records. Any changes made by Strategic Directors / Director / Heads of Service which impact on the existing financial systems or the establishment of new systems must be approved by the Section 151 Officer. However, Strategic Directors / Director / Heads of Service are responsible for the proper operation of financial processes in their own departments.
- 16.62 Any changes to agreed procedures by Strategic Directors / Director / Heads of Service to meet their own specific service needs must be agreed with the Section 151 Officer.
- 16.63 Strategic Directors / Director / Heads of Service should ensure that their staff receive relevant financial training that has been approved by the Section 151 Officer.
- 16.64 Strategic Directors / Director / Heads of Service must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation and the Council's own data protection policies. Strategic Directors / Director / Heads of Service must ensure that staff are aware of their responsibilities under freedom of information and data protection legislation and seek the advice of the Information Management Unit when in doubt.

#### **Income and expenditure**

- 16.65 It is the responsibility of Strategic Directors / Director / Heads of Service to ensure that a proper scheme of delegation has been established within their area and is operating effectively. The scheme of delegation should identify staff authorised to act on the Strategic Directors / Director / Heads of Service's behalf, or on behalf of the Cabinet, in respect of payments, income collection and placing orders, together with the limits of their authority. The Cabinet is responsible for approving procedures for writing off debts as part of the overall control framework of

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accountability and control (See Rule 16.381). These procedures are contained within Rules 16.377 to 16.397.

### **Payments to employees and members**

- 16.66 The Head of Business Services is responsible for all payments of salaries and wages to all staff, including payments for overtime, and for payment of allowances to members.

### **Taxation**

- 16.67 The Section 151 Officer is responsible for advising Strategic Directors / Director / Heads of Service, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the authority.
- 16.68 The Section 151 Officer is responsible for maintaining the authority's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

### **Trading accounts/business units**

- 16.69 It is the responsibility of the Section 151 Officer to advise on the establishment and operation of trading accounts and business units and to approve the accounting arrangements.
- 16.70 It is the responsibility of Strategic Directors / Director / Heads of Service to monitor the performance, financial and otherwise, of trading units and to take remedial action to ensure that financial objectives are met.

## **E: EXTERNAL ARRANGEMENTS**

### **Introduction**

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

### **Partnerships**

- 16.72 The Cabinet is responsible for approving delegations in respect of Cabinet functions, including frameworks for partnerships. The Cabinet is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.
- 16.73 The Cabinet can delegate functions – including those relating to partnerships – to officers. These are set out in the scheme of delegation in Rule 5.9. Where functions are delegated, the Cabinet remains accountable for them to the Full Council.
- 16.74 The Section 151 Officer will promote and seek to maintain the same high standards of conduct with regard to financial administration in partnerships that apply throughout the authority.
- 16.75 The Section 151 Officer, in conjunction with the Monitoring Officer, must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. They must also

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consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. They must ensure that the risks have been fully appraised before agreements are entered into with external bodies.

- 16.76 Strategic Directors / Director / Heads of Service are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies. The Section 151 Officer shall maintain a list of all officers able to commit the Council to work for external bodies.

### **External funding**

- 16.77 The Section 151 Officer, in conjunction with Strategic Directors / Director / Heads of Service, is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the authority's accounts.

### PART 2 - FINANCIAL PROCEDURES

#### FINANCIAL MANAGEMENT STANDARDS

16.78 All staff and members have a duty to abide by the highest standards of probity in dealing with financial issues and the use of the public's money. This is facilitated by ensuring everyone is clear about the standards to which they are working and the controls that are in place to ensure that these standards are met.

##### **Key controls**

16.79 The key controls and control objectives for financial management standards are:

- 16.79.1 their promotion throughout the authority
- 16.79.2 a monitoring system to review compliance with financial standards.

##### **Responsibilities of the Section 151 Officer**

- 16.80 To ensure the proper administration of the financial affairs of the authority.
- 16.81 To set the financial management standards and to monitor compliance with them.
- 16.82 To ensure proper professional practices are adhered to and to act as head of profession in relation to the standards, performance and development of finance staff throughout the authority.
- 16.83 To advise on the key strategic controls necessary to secure sound financial management.
- 16.84 To ensure that financial information is available to enable accurate and timely monitoring and reporting of comparisons of national and local financial performance indicators. The Section 151 Officer will be provided with sufficient resources to carry out this activity.

##### **Responsibilities of Strategic Directors / Director / Heads of Service**

- 16.85 To promote the financial management standards set by the Section 151 Officer in their departments and to monitor adherence to the standards and practices, liaising as necessary with the Section 151 Officer.
- 16.86 To promote sound financial practices in relation to the standards, performance and development of staff in their departments.

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### MANAGING EXPENDITURE

#### Scheme of virement

##### Why is this important?

- 16.87 The scheme of virement (that is, switching resources between approved estimates or heads of expenditure) is intended to enable the Cabinet, Strategic Directors / Director / Heads of Service and their staff to manage budgets with flexibility within the overall policy framework determined by the Full Council, and therefore to optimise the use of resources. Any income or expenditure at variance from the approved budget and without virement authorisation shall be regarded as over or under spending for which the Head of Service of the service is responsible.
- 16.88 Where expenditure or income not in the approved budget is introduced it will be covered by the same rules.
- 16.89 The scheme of virement applies to the revenue budget and the capital programme.

##### Key controls

16.90 Key controls for the scheme of virement are:

- 16.90.1 it is administered by the Section 151 Officer within guidelines set by Full Council. Any variation from this scheme requires the approval of the Full Council
- 16.90.2 the overall budget is proposed by the Cabinet and approved by Full Council. Strategic Directors / Director / Heads of Service and budget managers are therefore authorised to incur expenditure in accordance with the estimates that make up the budget. The rules below cover virement. For the purposes of this scheme, a budget head is considered to be a line in the approved Budget Book.
- 16.90.3 the overall budget must stay in balance and virement does not create additional overall budget liability. Strategic Directors / Director / Heads of Service are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they should aim to avoid supporting recurring expenditure from one-off sources of savings or additional income, or creating future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. Heads of Service must plan to fund such commitments from within their own budgets.

##### Virement Responsibilities of the Section 151 Officer

- 16.91 To prepare jointly with the Head of Service a report to the Cabinet and/or Council where virements are required in accordance with Rule 16.93 below.

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### **Virement Responsibilities of Strategic Directors / Director / Heads of Service.**

- 16.92 A Head of Service may exercise virement on budgets under their control for amounts in aggregate up to £25,000 on any one budget head during the year, following notification to the Section 151 Officer.
- 16.93 A Head of Service may exercise virement on budgets under their control for amounts between £25,001 and £100,000 on any one budget head during the year, following notification to the Section 151 Officer and in consultation with the appropriate Cabinet member .
- 16.94 Amounts between £100,001 and £500,000 require the approval of the Cabinet, following a report which contains the approval of the Section 151 Officer. The report must also specify the proposed expenditure and the source of funding, and must explain the implications in the current and future financial year. Amounts greater than £500,001 require the approval of the Full Council.
- 16.95 Where it is proposed to vire between budgets of different Service areas, such virements of up to £100,000 can be approved by agreement of the relevant Heads of Service; such virements of between £100,001 to £300,000 will require approval of Cabinet; such virements over £300,001 will require approval from Full Council. 16.96 Virements that are likely to impact on the level of service activity of another Head of Service should be implemented only after agreement with the relevant Head of Service and Portfolio Holder(s).
- 16.97 No virement relating to a specific financial year should be made after 31 March in that year.
- 16.98 A school's governing body may transfer budget provision above £10,000 or 1.5% of the delegated school budget, whichever is greater, between heads of expenditure within the delegated school budget following notification to the Head of Schools and Inclusion.
- 16.99 Where an approved budget is a lump-sum budget or contingency intended for allocation during the year, its allocation will not be treated as a virement, provided that:
- 16.99.1 the amount is used in accordance with the purposes for which it has been established
  - 16.99.2 the Cabinet has approved the basis and the terms, including financial limits, on which it will be allocated. Individual allocations in excess of the financial limits should be reported to the Cabinet.
- 16.100 The Cabinet shall be notified where the Authority receives an allocation of funding from another public body for a specified purpose, and that sum shall be incorporated into the revenue budget or capital programme as appropriate.

### **Treatment of year-end balances**



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### **Why is this important?**

16.101 Rules 16.102 to 16.104 below cover arrangements for the transfer of resources between accounting years, i.e. a carry-forward. For the purposes of this scheme, a budget heading is a line in the Budget Book.

### **Key controls**

16.102 Net underspends on service budgets may only be carried forward with the approval of the Section 151 Officer, and subject to the following conditions:

16.102.1 the amount carried forward cannot exceed 5% of the annual service net expenditure; and

16.102.2 the carrying forward of underspends will only be considered if the overall position of the Council at year end is an underspend, and in determining whether or not this is the case the Section 151 Officer will take into account the Council's overall financial balances including the General Reserve.

16.102.3 Specific exceptions to Rules 16.102.1 and 16.102.2 above, may be agreed by the Cabinet from time to time e.g. the Winter Maintenance Reserve.

16.103 Internal trading unit surpluses may be retained by the Service area in which the trading unit resides provided that the overall position of the Council at year end is an underspend, and in determining whether or not this is the case the Section 151 Officer will take into account the Council's overall financial balances including the General Reserve.

16.104 Schools' balances shall be available for carry-forward to support the expenditure of the school concerned. Where an unplanned deficit occurs, the governing body shall prepare a detailed financial recovery plan for consideration by the Cabinet, following evaluation by the Head of Schools and Inclusion and the Section 151 Officer. Schools will normally be expected to agree a plan to recover the deficit within a defined period. The Scheme for the Financing of Schools is the framework covering school funding. Within this overall approach it is appropriate that unless a surplus above the policy guideline has a clear and demonstrable link to the School Improvement Plan, clawback arrangement of surplus amounts (as covered by School Funding (Wales) Regulations 2010) should be triggered.

### **Responsibilities of the Section 151 Officer**

16.105 To administer the scheme of carry-forward in accordance with Rules 16.102 to 16.104 above.

16.106 To report any carried forward position to the Cabinet.

### **Responsibilities of Strategic Directors / Director / Heads of Service**

16.107 The underlying position is that overspending is not generally permitted. However, where an overspend is approved these will be

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carried forward to the following year in total on budgets under the control of the Strategic Directors / Director / Heads of Service , and will constitute the first call on service estimates in that following year. The Section 151 Officer will advise the Cabinet on appropriate action and report the extent of overspendings to be carried forward to the Cabinet and to the Full Council.

### **MAINTENANCE OF RESERVES**

#### **Why is this important?**

- 16.108 Corporate Reserves are maintained as a matter of prudence. They enable the authority to provide for unexpected events and thereby protect it from overspending, should such events occur. Reserves for specific purposes may also be maintained, such as the purchase or renewal of capital items.

#### **Key controls**

- 16.109 To maintain reserves in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (CIPFA/LASAAC) and agreed accounting policies.
- 16.110 For each reserve and provision established, the purpose, usage and basis of transactions should be clearly identified. All reserves will be corporate.
- 16.111 Authorisation and expenditure from reserves by the appropriate Strategic Directors / Director / Heads of Service in consultation with the Section 151 Officer.

#### **Responsibilities of the Section 151 Officer**

- 16.112 To advise the Cabinet and/or the Full Council on prudent levels of reserves and provisions for the authority.

#### **Responsibilities of Strategic Directors / Director / Heads of Service**

- 16.113 To ensure that resources are used only for the purposes for which they were intended.

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### ACCOUNTING POLICIES

#### Why is this important?

16.114 The Section 151 Officer is responsible for the preparation of the authority's statement of accounts, in accordance with proper practices as set out in the format required by the Code of Practice on Local Authority Accounting in the United Kingdom (CIPFA/LASAAC), for each financial year ending 31 March.

#### Key controls

16.115 The key controls for accounting policies are:

- 16.115.1 systems of internal control are in place that ensure that financial transactions are lawful
- 16.115.2 suitable accounting policies are selected and applied consistently
- 16.115.3 proper accounting records are maintained
- 16.115.4 financial statements are prepared which present fairly the financial position of the authority and its expenditure and income.

#### Responsibilities of the Section 151 Officer

16.116 To select suitable accounting policies and to ensure that they are applied consistently. The accounting policies are set out in the statement of accounts.

16.117 To provide financial information to individuals and external organisations upon request, subject to any statutory constraints and to comply with statutory requirements to publicise the availability of the statement of accounts and the rights of inspection.

#### Responsibilities of Strategic Directors / Director / Heads of Service

16.118 To adhere to the accounting policies and guidelines approved by the Section 151 Officer and to consult with the Section 151 Officer before divulging financial information to third parties.

### ACCOUNTING RECORDS AND RETURNS

#### Why is this important?

16.119 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. 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 arrangements have been made for securing economy, efficiency and effectiveness in the use of the authority's resources.

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### Key controls

16.120 The key controls for accounting records and returns are:

- 16.120.1 all Cabinet members and officers operate within the required accounting standards and timetables
- 16.120.2 all the authority's transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis
- 16.120.3 procedures are in place to enable accounting records to be reconstituted in the event of systems failure
- 16.120.4 reconciliation procedures are carried out to ensure transactions are correctly recorded
- 16.120.5 prime documents are retained in accordance with legislative and other requirements
- 16.120.6 procedures are documented.

### Responsibilities of the Section 151 Officer

- 16.121 To determine the accounting procedures, systems and records for the authority and to ensure that staff are aware of them.
- 16.122 To arrange for the compilation of all accounts and accounting records under their direction on a timely basis.
- 16.123 To comply with the following principles when allocating accounting duties:
  - 16.123.1 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
  - 16.123.2 employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
- 16.124 To make proper arrangements for the audit of the authority's accounts in accordance with the Accounts and Audit Regulations 2014.
- 16.125 To ensure that all claims for funds including grants are made by the due date.
- 16.126 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 Council to approve the statement of accounts no later than 30 September each year. The Section 151 Officer must no later than 30 June immediately following the end of the year, sign and date the statement of accounts, and certify that it presents a true and fair view of the year to which it relates and of the income and expenditure for that year.
- 16.127 To administer the authority's arrangements for under- and overspendings to be carried forward to the following financial year.
- 16.128 To ensure the proper retention of financial documents in accordance with the requirements set out in the authority's document retention schedule (see Rule 16.413.).

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### **Responsibilities of Strategic Directors / Director / Heads of Service**

- 16.129 To consult and obtain the approval of the Section 151 Officer before making any changes to accounting records and procedures.
- 16.130 To comply with the principles outlined in Rule 16.120 when allocating accounting duties.
- 16.131 To maintain adequate records to provide an audit trail leading from the source of income/expenditure through to the accounting statements.
- 16.132 To supply information required to enable the statement of accounts to be completed in accordance with guidelines issued by the Section 151 Officer.
- 16.133 To ensure that all claims for funds including grants are made by the due date.

### **THE ANNUAL STATEMENT OF ACCOUNTS**

#### **Why is this important?**

- 16.134 The authority has a statutory responsibility to prepare its own accounts to fairly present its operations during the year. The Full Council is responsible for approving the statutory annual statement of accounts.

#### **Key controls**

- 16.135 The key controls for the annual statement of accounts are:
  - 16.135.1 the authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of these affairs. In this authority, that officer is the Section 151 Officer.
  - 16.135.2 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 (CIPFA/LASAAC).

### **Responsibilities of the Section 151 Officer**

- 16.136 To select suitable accounting policies and to apply them consistently.
- 16.137 To make judgements and estimates that are reasonable and prudent.
- 16.138 To comply with the SORP (Statement of Recommended Practice).
- 16.139 To sign and date the statement of accounts, stating that it presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March.
- 16.140 To draw up the timetable for final accounts preparation and to advise staff and external auditors accordingly.

### **Responsibilities of Strategic Directors / Director / Heads of Service**

- 16.141 To comply with accounting guidance provided by the Section 151 Officer and to supply the Section 151 Officer with information when required and in the form required.

## **Financial Planning**

### **PERFORMANCE PLANS**

#### **Why is this important?**

16.142 Each local authority has a statutory responsibility to publish various performance plans, including Improvement Plans, crime reduction strategies, and community care plans. The purpose of performance plans is to explain overall priorities and objectives, current performance, and proposals for further improvement. The authority is required to publish annually the One Powys Plan, which summarises its performance and position in relation to continuous service improvement. The One Powys Plan is a key element in the authority's programme of engaging with the public. External audit is required to report on whether the authority has complied with statutory requirements in respect of the preparation and publication of the One Powys Plan.

#### **Key controls**

16.143 The key controls for performance plans are:

- 16.143.1 to ensure that all relevant plans are produced and that they are consistent
- 16.143.2 to produce plans in accordance with statutory requirements
- 16.143.3 to meet the timetables set
- 16.143.4 to ensure that all performance information is accurate, complete and up to date
- 16.143.5 to provide improvement targets which are meaningful, realistic and challenging
- 16.143.6 to ensure all plans are consistent with the Performance Management Framework.

#### **Responsibilities of the Section 151 Officer**

- 16.144 To advise and supply the financial information that needs to be included in performance plans in accordance with statutory requirements and agreed timetables.
- 16.145 To contribute to the development of corporate and service targets and objectives and financial performance information.
- 16.146 To ensure that systems are in place to measure activity and collect accurate information for use as performance indicators.

#### **Responsibilities of the Strategic Director - Resources**

- 16.147 To ensure that performance information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met.
- 16.148 To provide an external challenge to service plans.

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- 16.149 To review performance management systems to ensure they are sufficiently robust.

### **Responsibilities of Strategic Directors / Director / Heads of Service**

- 16.150 To contribute to the development of performance plans in line with statutory requirements.
- 16.151 To contribute to the development of corporate and service targets and objectives and performance information.
- 16.152 To comply with the Performance Management Framework.
- 16.153 To ensure that robust systems exist to gather performance indicators.

## **BUDGETING**

### **Format of the budget**

#### **Why is this important?**

- 16.154 The format of the budget determines the level of detail to which financial control and management will be exercised. The format shapes how the rules around virement operate, the operation of cash limits and sets the level at which funds may be reallocated within budgets.

#### **Key controls**

- 16.155 The key controls for the budget format are:
- 16.155.1 the format complies with all legal requirements
  - 16.155.2 the format reflects the accountabilities of service delivery.
  - 16.155.3 the format complies, as far as possible, with CIPFA's Service Reporting Code of Practice for Local Authorities.

### **Responsibilities of Strategic Directors / Director / Heads of Service**

- 16.156 To comply with accounting guidance provided by the Section 151 Officer.

### **Revenue budget preparation, monitoring and control**

#### **Why is this important?**

- 16.157 Budget management ensures that once the budget has been approved by the Full Council, resources allocated are used for their intended purposes and are properly accounted for. Budgetary management is a continuous process, enabling the authority to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.
- 16.158 By continuously identifying and explaining variances against budgetary targets, the authority can identify changes in trends and resource requirements at the earliest opportunity. The authority itself operates within an annual cash limit, approved when setting the overall budget. To ensure that the authority in total does not



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overspend, each service is required to manage its own expenditure within the cash-limited budget allocated to it.

- 16.159 For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure for a service area or cost centre. However, budgetary control may take place at a more detailed level if this is required by the Strategic Directors / Director / Heads of Service's scheme of delegation.

### **Key controls**

- 16.160 The key controls for managing and controlling the revenue budget are:

- 16.160.1 budget managers should be accountable only for income and expenditure for which they have responsibility.
- 16.160.2 there is a nominated budget manager for each cost centre heading
- 16.160.3 budget managers are accountable for their budgets and the level of service to be delivered and understand their financial responsibilities
- 16.160.4 budget managers follow an approved certification process for all expenditure, including internal recharges
- 16.160.5 income and expenditure are properly recorded and accounted for
- 16.160.6 performance levels/levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget.

### **Responsibilities of the Section 151 Officer**

- 16.161 To establish an appropriate framework of budgetary management and control that ensures that:

- 16.161.1 budget management is exercised within annual cash limits unless the Full Council agrees otherwise
- 16.161.2 each Strategic Directors / Director / Heads of Service has available timely information on receipts and payments on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities
- 16.161.3 expenditure is committed only against an approved budget head
- 16.161.4 all officers responsible for committing expenditure comply with relevant guidance, and the Financial Regulations
- 16.161.5 each cost centre has a single named manager, determined by the relevant Strategic Directors / Director / Heads of Service. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commits expenditure
- 16.161.6 significant variances from approved budgets are investigated and reported by budget managers regularly to their line managers or the Cabinet, as appropriate.

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- 16.162 To administer the authority's scheme of virement.
- 16.163 To submit reports to the Cabinet and to the Full Council, in consultation with the relevant Strategic Directors / Director / Heads of Service, where an Strategic Directors / Director / Heads of Service is unable to balance expenditure and resources within existing approved budgets under their control.
- 16.164 To prepare and submit reports on the authority's projected income and expenditure compared with the budget on a regular basis.

### **Responsibilities of Strategic Directors / Director / Heads of Service**

- 16.165 To maintain budgetary control within their departments, in adherence to the principles in 2.19, and to ensure that all income and expenditure are properly accounted for, regardless of the budget provision.
- 16.166 To ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the Strategic Directors / Director / Heads of Service (grouped together in a series of cost centres). As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.
- 16.167 To ensure that spending remains within the service's overall cash limit, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast.
- 16.168 To ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and is operating effectively.
- 16.169 To prepare and submit to the Cabinet reports on the service's projected expenditure compared with its budget, in consultation with the Section 151 Officer.
- 16.170 To ensure prior approval by the Full Council or Cabinet (as appropriate) for new proposals, of whatever amount, that:
  - 16.170.1 create financial commitments in future years
  - 16.170.2 change existing policies, initiate new policies or cease existing policies
  - 16.170.3 materially extend or reduce the authority's services.
- 16.171 To ensure compliance with the scheme of virement.
- 16.172 To agree with the relevant Head of Service where it appears that a budget proposal, including a virement proposal, may impact materially on another service area or Head of Service's level of service activity.

### **Budgets and medium-term planning**

#### **Why is this important?**

- 16.173 The authority is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and to develop

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systems to enable scarce resources to be allocated in accordance with carefully weighted priorities. The budget is the financial expression of the authority's plans and policies.

- 16.174 The budget and capital programme must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of the Full Council. Budgets (spending plans) are needed so that the authority can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for an authority to budget for a deficit.
- 16.175 Medium-term planning (or a three year planning system) involves a planning cycle in which managers develop their own plans. As each year passes, another future year will be added to the medium-term plan. This ensures that the authority is always preparing for events in advance.

### Key controls

- 16.176 The key controls for budgets and medium-term planning are:
- 16.176.1 specific budget approval for all expenditure
  - 16.176.2 budget managers are consulted in the preparation of the budgets for which they will be held responsible and accept accountability within delegations set by the Cabinet for their budgets and the level of service to be delivered
  - 16.176.3 a monitoring process is in place to review regularly the effectiveness and operation of budget preparation and to ensure that any corrective action is taken.

### Responsibilities of the Section 151 Officer

- 16.177 To prepare and submit reports on budget prospects for the Cabinet, including resource constraints set by the Government. Reports should take account of medium-term prospects, where appropriate.
- 16.178 To determine the detailed form of revenue and capital estimates and the methods for their preparation, consistent with the budget approved by the Full Council, and after consultation with the Cabinet and Strategic Directors / Director / Heads of Service.
- 16.179 To prepare and submit reports to the Cabinet on the aggregate spending plans of departments and on the resources available to fund them, identifying, where appropriate, the implications for the level of council tax to be levied.
- 16.180 To advise on the medium-term implications of spending decisions.
- 16.181 To encourage the best use of resources and value for money by working with Strategic Directors / Director / Heads of Service to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.

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- 16.182 To advise the Full Council on Cabinet proposals in accordance with their responsibilities under section 151 of the Local Government Act 1972.

### **Responsibilities of Strategic Directors / Director / Heads of Service**

- 16.183 To prepare estimates of income and expenditure, in consultation with the Section 151 Officer, to be submitted to the Cabinet.
- 16.184 To prepare budgets that are consistent with any relevant cash limits, with the authority's annual budget cycle and with guidelines issued by the Cabinet. The format should be prescribed by the Section 151 Officer in accordance with the Full Council's general directions.
- 16.185 To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.
- 16.186 In consultation with the Section 151 Officer and in accordance with the laid-down guidance and timetable, to prepare detailed draft revenue and capital budgets for consideration by the appropriate committee.
- 16.187 When drawing up draft budget requirements, to have regard to:
- 16.187.1 spending patterns and pressures revealed through the budget monitoring process
  - 16.187.2 legal requirements
  - 16.187.3 policy requirements as defined by the Full Council in the approved policy framework
  - 16.187.4 initiatives already under way
  - 16.187.5 specific external funding
  - 16.187.6 revenue implications of capital schemes
  - 16.187.7 income from fees and charges.

### **Resource allocation**

#### **Why is this important?**

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

#### **Key controls**

- 16.189 The key controls for resource allocation are:
- 16.189.1 resources are acquired in accordance with the law and using an approved authorisation process
  - 16.189.2 resources are used only for the purpose intended, to achieve the approved policies and objectives, and are properly accounted for
  - 16.189.3 resources are securely held for use when required

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- 16.189.4 resources are used with the minimum level of waste, inefficiency or loss for other reasons.

### **Responsibilities of the Section 151 Officer**

- 16.190 To advise on methods available for funding, such as grants from central government and borrowing requirements.
- 16.191 To assist in the allocation of resources to budget managers.

### **Responsibilities of Strategic Directors / Director / Heads of Service**

- 16.192 To work within budget limits and to utilise resources allocated, and further allocate resources, in the most efficient, effective and economic way.
- 16.193 To identify opportunities to minimise or eliminate resource requirements or consumption without having a detrimental effect on service delivery.

### **Capital programmes**

#### **Why is this important?**

- 16.194 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.
- 16.195 The Government places strict controls on the financing capacity of the authority. This means that capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources.

#### **Key controls**

- 16.196 The key controls for capital programmes are:
- 16.196.1 specific approval by the Full Council for the programme of capital expenditure
  - 16.196.2 expenditure on capital schemes is subject to the approval of the Section 151 Officer
  - 16.196.3 a scheme and estimate, including project plan, progress targets and associated revenue expenditure is prepared for each capital project, excluding minor works of improvement of less than £100,000, for approval by the Cabinet
  - 16.196.4 schedules for individual schemes within the overall budget approved by the Full Council must be submitted to the Cabinet for approval (for example, minor works), or under other arrangements approved by the Full Council
  - 16.196.5 the development and implementation of asset management plans

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- 16.196.6 accountability for each proposal is accepted by a named manager
- 16.196.7 monitoring of progress in conjunction with expenditure and comparison with approved budget.

### **Responsibilities of the Section 151 Officer**

- 16.197 To prepare capital estimates jointly with Strategic Directors / Director / Heads of Service and to report them to the Cabinet for approval. The Cabinet will make recommendations on the capital estimates and on any associated financing requirements to the Full Council. Cabinet member approval is required where an Strategic Directors / Director / Heads of Service proposes to bid for or exercise prudential borrowing approval not anticipated in the capital programme. This is because the extra borrowing will create future revenue commitments to financing costs.
- 16.198 To prepare and submit reports to the Cabinet on the projected income, expenditure and resources compared with the approved estimates.
- 16.199 To issue guidance concerning capital schemes and controls, for example, on project appraisal techniques. The definition of 'capital' will be determined by the Section 151 Officer, having regard to government regulations and accounting requirements.

### **Responsibilities of Strategic Directors / Director / Heads of Service**

- 16.200 To comply with guidance concerning capital schemes and controls issued by the Section 151 Officer.
- 16.201 To ensure that all capital proposals have undergone a project appraisal and where appropriate a post completion audit undertaken, in accordance with guidance issued by the Section 151 Officer.
- 16.202 To prepare regular reports reviewing the capital programme provisions for their services. They should also prepare a quarterly return of estimated final costs of schemes in the approved capital programme for submission to the Section 151 Officer.
- 16.203 To ensure that adequate records are maintained for all capital contracts.
- 16.204 To proceed with projects only when there is adequate provision in the capital programme and with the agreement of the Section 151 Officer, where required.
- 16.205 To prepare and submit reports, jointly with the Section 151 Officer, to the Cabinet, of any variation in contract costs greater than the approved limits.
- 16.206 To prepare and submit reports, jointly with the Section 151 Officer, to the Cabinet, on completion of all contracts where the final expenditure exceeds the approved contract sum by more than the specified amount.
- 16.207 To ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the Section 151 Officer and, if applicable, approval of the scheme through the capital programme.

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- 16.208 To consult with the Section 151 Officer and to seek Cabinet approval where the Strategic Directors / Director / Heads of Service proposes to bid for capital grants issued by government departments to support expenditure that has not been included in the current year's capital programme.



## **Risk Management and Control of Resources**

### **RISK MANAGEMENT**

#### **Why is this important?**

- 16.209 All organisations, whether private or public sector, face risks to people, property and continued operations. Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk management is the planned and systematic approach to the identification, evaluation and control of risk. Its objective is to support the delivery of the Council's strategic goals by ensuring the continued financial, operational and reputational well-being of the organisation. In essence it is, therefore, an integral part of good business practice.
- 16.210 Risk management is concerned with defining the position on risk appetite i.e. the amount of risk the Council is willing to accept, evaluating the measures an organisation already has in place to manage identified risks and then recommending the action the organisation needs to take to control these risks effectively.
- 16.211 It is the overall responsibility of the Cabinet to approve the Council's risk management strategy, and to promote a culture of risk management awareness throughout the authority.

#### **Key controls**

- 16.212 The key controls for risk management are:
- 16.212.1 managers know that they are responsible for managing relevant risks and are provided with a framework to allow risk management to be embedded as part of business operations
  - 16.212.2 robust integrated systems are developed and maintained for identifying, evaluating and managing all significant strategic and operational risks to the Council. This should include the proactive participation of all those associated with planning and delivering services.
  - 16.212.3 a reporting and monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis
  - 16.212.4 the authority has identified business continuity plans for implementation in the event of disaster that results in significant loss or damage to its resources, in accordance with the Civil Contingencies Act 2004.

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### **Responsibilities of the Section 151 Officer**

- 16.213 To prepare and promote the authority's risk management policy statement and strategy.
- 16.214 To collate and report collective risk registers to Strategic Directors, Directors, Heads of Service and the Cabinet/Audit Committee.

### **Responsibilities of Strategic Directors / Director / Heads of Service**

- 16.215 To take responsibility for risk management, having regard to advice from the Section 151 Officer and other specialist officers (e.g. crime prevention, fire prevention, health and safety).
- 16.216 To ensure that there are regular reviews of risk within their departments.
- 16.217 To notify the Section 151 Officer promptly of all new risks, and any mitigating measures that have been implemented to reduce risk.

## **INSURANCE**

### **Why is this important?**

- 16.218 The Council will (where appropriate) make insurance provisions as a way of managing risk by protecting both financial and operational assets against loss, damage or injury from unwanted events.

### **Key Controls**

- 16.219 The key controls for insurance are:
  - 16.219.1 acceptable levels of risk are determined and insured against where appropriate;
  - 16.219.2 provision is made for losses that might result from the risks that remain;
  - 16.219.3 procedures are in place to investigate claims within required timescales.

### **Responsibilities of Section 151 Officer**

- 16.220 To effect corporate insurance cover, through external insurance and the Council's internal Insurance Fund, and to negotiate all claims in consultation with other officers, where necessary.
- 16.221 To operate an internal insurance account(s) for some risks not covered by external insurance policies to charge the various Council Service budgets with the cost of contributions to this account.
- 16.222 To include all appropriate employees of the authority in a suitable fidelity guarantee insurance.
- 16.223 Offer insurance cover to schools in accordance with Fair Funding arrangements.

### **Responsibilities of Strategic Directors / Director / Heads of Service**

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- 16.224 Advise the Section 151 Officer of all new risks, properties, vehicles or potential liabilities for which insurance may be required; and of any changes affecting existing risks or insurance cover required.
- 16.225 Notify the Section 151 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 Section 151 Officer or the authority's insurers.
- 16.226 Ensure that employees, or anyone covered by the authority's insurances act in such a way so that the Council's interests are protected. This includes being clear that an individual officer cannot admit liability or offer compensation that may prejudice the assessment of liability in respect of any insurance claim.
- 16.227 In the event of a claim the relevant department must take all reasonable actions to mitigate or avoid a claim being made against the Council's insurance policy.
- 16.228 Consult the Section 151 Officer and the Solicitor to the Council on the terms of any indemnity that the authority is requested to give.

### INTERNAL CONTROLS

#### Why is this important?

- 16.229 The authority is complex and beyond the direct control of any one individual. It therefore requires internal controls to manage and monitor progress towards achieving strategic objectives.
- 16.230 The authority has statutory obligations, and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations.
- 16.231 The authority 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.
- 16.232 The system of internal controls is established in order to provide measurable achievement of:
  - 16.232.1 efficient and effective operations (including achieving value for money).
  - 16.232.2 reliable financial and performance reporting information;
  - 16.232.3 compliance with laws, regulations and other relevant statements of good practice.
  - 16.232.4 management of risk.

#### Key controls

- 16.233 The key controls and control objectives for internal control systems are:
  - 16.233.1 the provision of an Annual Governance Statement in accordance with the Accounts and Audit (Wales) Regulations 2014. As part of this statement, the Chief

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Executive and the Leader of the Council are required to comment on the effectiveness of the entire internal control environment within the Council as this is a key indicator of good governance. This will require the advice of the Section 151 Officer who will be consulted before the statement is agreed.

- 16.233.2 managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities.
- 16.233.3 financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems.
- 16.233.4 an effective internal audit function that is properly resourced. It should operate in accordance with the principles contained in the Public Sector Internal Audit Standards in the United Kingdom and the CIPFA Local Government Application Note 2013 with any other statutory obligations and regulations.

### **Responsibilities of the Section 151 Officer**

- 16.234 To assist the authority 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 Strategic Directors / Director / Heads of Service**

- 16.235 Establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, value for money, effective use of resources and achieving their financial performance targets.
- 16.236 Manage processes 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.
- 16.237 Removing controls that are unnecessary or not cost or risk effective – for example, because of duplication.
- 16.238 Ensure staff have a clear understanding of the consequences of lack of control.

## **AUDIT REQUIREMENTS**

### **Internal audit**

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### Why is this important?

- 16.239 The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit (Wales) Regulations 2014 require the local authority to maintain an adequate and effective system of internal audit of their accounting records and control systems and review its effectiveness on an annual basis.
- 16.240 Accordingly, internal audit is an independent and objective appraisal function established by the authority for reviewing the system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

### Key controls

- 16.241 The key controls for internal audit are that:
- 16.241.1 it is independent in its planning and operation.
  - 16.241.2 the Head of Internal Audit has direct access to the Head of Paid Service, all levels of management and directly to elected members.
  - 16.241.3 the internal auditors comply with the requirements contained within the Public Sector Internal Audit Standards, in the UK 2013 as interpreted by CIPFA’s Local Government Application Note 2013.

### Responsibilities of the Section 151 Officer

- 16.242 To ensure that internal auditors have the authority to:
- 16.242.1 access authority premises at reasonable times.
  - 16.242.2 access all assets, records, documents, correspondence and control systems.
  - 16.242.3 receive any information and explanation considered necessary concerning any matter under consideration.
  - 16.242.4 require any employee of the authority to account for cash, stores or any other authority asset under their control.
  - 16.242.5 as far as possible, access records belonging to third parties, such as contractors, when required.
  - 16.242.6 directly access the Head of Paid Service, the Cabinet and the Audit Committee.
- 16.243 To report annual audit plans prepared by the Head of Internal Audit to Audit Committee, which are aligned to business objectives and take account of the characteristics and relative risks of the activities involved.
- 16.244 To ensure that effective measures are in place to investigate promptly any fraud or irregularity.

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### **Responsibilities of Strategic Directors / Director / Heads of Service**

- 16.245 To ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.
- 16.246 To ensure that auditors are provided with any information and explanations that they seek in the course of their work.
- 16.247 To consider and respond promptly in developing action plans to rectify weakness identified in audit reports. The action plans will be provided to the Head of Internal Audit.
- 16.248 To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- 16.249 To notify the Section 151 Officer immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the authority's property or resources. Pending investigation and reporting, the Strategic Directors / Director / Heads of Service should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- 16.250 To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with the Head of Internal Audit prior to implementation.

### **External audit**

#### **Why is this important?**

- 16.251 The Public Audit (Wales) Act 2004 requires the Auditor General for Wales to appoint an external auditor to each local government body in Wales. The external auditor has rights of access to all documents and information necessary for the purposes of the audit.
- 16.252 The general duties of the external auditor are specified in Section 17 of Chapter 1 to Part 2 of the Public Audit (Wales) Act 2004.
- 16.253 The authority's accounts are scrutinised by external auditors, who must be satisfied that the statement of accounts:
  - 16.253.1 presents fairly the financial position of the authority and its income and expenditure for the year in question; and
  - 16.253.2 complies with the legislative and other applicable requirements.
- 16.254 The Council may from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenues and Customs, who have statutory rights of access.

## **SECTION 16 – FINANCIAL PROCEDURE RULES**

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### **Key controls**

16.255 Section 16 of the 2004 Act permits the Auditor General for Wales to prepare a code of audit practice, prescribing the way in which external auditors should carry out their functions. The Auditor General's Code of Audit and Inspection Practice, issued in May 2005, sets out the general principles governing the work of auditors as well as specific requirements in relation to:

16.255.1 audit of financial statements; and

16.255.2 evaluation of arrangements for securing economy, efficiency.

### **Responsibilities of the Section 151 Officer**

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

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

16.258 To work with the external auditor and advise the Full Council, Cabinet and Strategic Directors / Director / Heads of Service on their responsibilities in relation to external audit.

16.259 To report to Audit Committee and/or Cabinet where appropriate, the findings of any inspections by bodies such as HM Revenues and Customs and to take relevant action to implement recommendations either arising from national judgements or local inspections.

### **Responsibilities of Strategic Directors / Director / Heads of Service**

16.260 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.

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

## **PREVENTING FRAUD AND CORRUPTION**

### **Why is it this important?**

16.262 The authority will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the authority.

16.263 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, practices and expected standards of conduct.

16.264 The authority also expects that individuals and organisations (eg suppliers, contractors, service providers) with whom it comes into contact will act towards the authority with integrity and without thought or actions involving fraud and corruption.



## SECTION 16 – FINANCIAL PROCEDURE RULES

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### Key controls

- 16.265 The key controls regarding the prevention of financial irregularities are that:
- 16.265.1 the authority has an effective anti-fraud and anti-corruption policy and maintains a culture that will not tolerate fraud or corruption.
  - 16.265.2 all members and staff act with integrity and lead by example.
  - 16.265.3 senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the authority or who are corrupt.
  - 16.265.4 high standards of conduct are promoted amongst members by the standards committee.
  - 16.265.5 the maintenance of a register of interests in which any hospitality or gifts accepted must be recorded.
  - 16.265.6 whistle blowing procedures are in place and operate effectively.
  - 16.265.7 legislation including the Public Interest Disclosure Act 1998 is adhered to.

### Responsibilities of the Section 151 Officer

- 16.266 To develop and maintain an anti-fraud and anti-corruption policy.
- 16.267 The Head of Internal Audit will take whatever steps are considered necessary, on behalf of the Section 151 Officer, to investigate and report upon the potential cases of fraud and corruption.
- 16.268 To ensure that all irregularities are reported to the Audit Committee.

### Responsibilities of Strategic Directors / Director / Heads of Service

- 16.269 To ensure that all suspected irregularities are reported to the Section 151 Officer.
- 16.270 Chief Officers are responsible for taking any appropriate action to prevent further loss and to secure records and documentation against removal or alteration.
- 16.271 To instigate the authority's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.
- 16.272 To ensure that all members of staff declare potential conflicts of interest in their work activities on a continual basis. These interests should be formally recorded by the department and actions should be taken to avoid situations where interests may be compromised.
- 16.273 To make staff aware of the Council's policy on accepting gifts and to maintain a register recording gifts offered and accepted.

## ASSETS

### Security (Including Inventories and Stocks and Stores)

#### Why is this important?

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- 16.274 The authority holds assets in the form of property, vehicles, equipment, furniture and other items worth many millions of pounds. It is important that assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations.
- 16.275 An up-to-date asset register of items identified by the service as key to their service delivery or items of a value greater than £10,000, is a prerequisite for proper fixed asset accounting and sound asset management. The function of the asset registers is to provide the authority with information about fixed assets so that they are:
- 16.275.1 safeguarded
  - 16.275.2 used efficiently and effectively
  - 16.275.3 adequately maintained
  - 16.275.4 properly insured

### Key controls

- 16.276 The key controls for the security of resources such as land, buildings, fixed plant machinery, equipment, software and information are:
- 16.276.1 resources are used only for the purposes of the authority and are properly accounted for
  - 16.276.2 resources are available for use when required
  - 16.276.3 resources no longer required are disposed of in accordance with the law and the regulations of the authority so as to maximise benefits
  - 16.276.4 an asset register is maintained by the Lead Professional (Finance) of key or valuable assets (as defined in Rule 16.275) as they are acquired by the authority and this record is updated as changes occur with respect to the location and condition of the asset. The assets recorded on the asset register will be determined by each Service, based upon Rule 16.276.
  - 16.276.5 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
  - 16.276.6 all staff are aware of their responsibilities with regard to safeguarding the security of the authority's computer systems, including maintaining restricted access to the information held on them and compliance with the authority's computer and internet security policies.

### Responsibilities of the Professional Lead (Finance)

- 16.277 To maintain the asset register in accordance with good practice for all assets with a replacement value in excess of £10,000, or that are deemed essential to service provision, and all land and property, irrespective of value should be recorded. The Section 151 Officer will be responsible for ensuring that Services maintain appropriate

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inventory registers. This register is to be maintained by each Service area and should be available upon request.

- 16.278 To receive the information required for accounting, costing and financial records from each Strategic Directors / Director / Heads of Service.
- 16.279 To ensure that assets are valued in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (CIPFA/LASAAC).

### **Responsibilities of Strategic Directors / Director / Heads of Service**

- 16.280 To ensure that all land and properties irrespective of value are entered on the corporate database (Asset Terrier) by using the Corporate Property Section for all land and property related transactions, as laid out in the Corporate Asset Policy (CAP).
- 16.281 To ensure that lessees and other prospective occupiers of council land are not allowed to take possession or enter the land until a lease or agreement, has been drawn up by the Corporate Property Section and signed by Legal Services, as laid out in the Corporate Asset Policy (CAP).
- 16.282 To ensure the proper security of all buildings and other assets under their control.
- 16.283 To ensure that where land or buildings are surplus to requirements, the Service follows the Corporate Asset Policy (CAP) to ensure the Council's assets are either disposed of in an effective manner or used for an alternative purpose as covered by the Policy.
- 16.284 To arrange for title deeds to be passed to the Solicitor to the Council who is responsible for custody of all title deeds.
- 16.285 To ensure that no authority asset is subject to personal use by an employee without proper authority.
- 16.286 To ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the authority.
- 16.287 All plant and machinery and moveable assets currently owned or used by the authority with a replacement value in excess of £5,000 should be recorded by each Service in an inventory register. Any use of property by a department or establishment other than for direct service delivery can only to be agreed by the Corporate Property Section, as laid out in the Corporate Asset Policy (CAP).
- 16.288 To ensure that key work assets, (not including property or land) are identified in the inventory register, their location recorded and that they are appropriately marked and insured.
- 16.289 To ensure cash holdings on premises are kept to a minimum (see also Rule 16.391)
- 16.290 To ensure that keys to safes and similar receptacles are kept safe at all times; loss of any such keys must be reported to the Section 151 Officer as soon as possible.
- 16.291 To record all disposal or part exchange of assets. The sale or disposal of all goods belonging to the Authority should follow correct procedure and be recorded. This procedure is covered in the Corporate Asset

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- Policy (CAP) or where covered by external guidance for specific Service items, for example, libraries or museum collections.
- 16.292 To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Section 151 Officer.
- 16.293 To ensure that all employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the authority in some way.
- 16.294 To maintain inventories and record an adequate description of fittings, equipment, plant and machinery above £5,000 in value.
- 16.295 To carry out an annual check of all items on the Service inventory in order to verify location, review, condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the authority.
- 16.296 To make sure that property is only used in the course of the authority's business, unless the Strategic Directors / Director / Heads of Service concerned has given written permission in advance otherwise.
- 16.297 To make arrangements for the care and custody of stocks and stores in the department.
- 16.298 To ensure stocks are maintained at reasonable levels and are subject to a regular independent physical check and stock records accurately reflect stock transactions. All discrepancies should be investigated and pursued to a satisfactory conclusion.
- 16.299 To investigate and remove from the authority's records (ie write off) discrepancies as necessary, or to obtain Cabinet approval if they are in excess of the predetermined limit in Rule 16.301.
- 16.300 To authorise or write off disposal of redundant stocks and equipment. Procedures for disposal of such stocks and equipment should be by competitive quotations or auction, unless, following consultation with the Section 151 Officer, the Cabinet decides otherwise in a particular case. Specialist equipment may be disposed of by the service if agreed by the Head of Service and the sale adequately recorded and best value achieved. Sales via online auction sites (e.g. eBay) must be handled by the Corporate Property team on behalf of the service, as well as all internal disposals, via the Corporate Asset Policy (CAP).
- 16.301 To seek the Section 151 Officer's approval to the write-off of redundant stocks and equipment in excess of £1,000 and the Cabinet's approval to the write-off of redundant stocks and equipment in excess of £5,000.
- 16.302 To ensure that computer equipment and software are protected from loss and damage through theft, vandalism, etc.
- 16.303 To comply with the copyright, designs and patents legislation and, in particular, to ensure that:

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- 16.303.1 only software legally acquired and installed by the authority is used on its computers
- 16.303.2 staff are aware of legislative provisions
- 16.303.3 in developing systems, due regard is given to the issue of intellectual property rights.

### **Intellectual property**

#### **Why is this important?**

- 16.304 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.
- 16.305 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.
- 16.306 Partnerships, joint ventures and contractors may create valuable intellectual property or may make use of or build upon the Council's pre-existing intellectual property. The Council's interests in its pre-existing intellectual property must be protected and ownership of new intellectual property must be predetermined by contract and where appropriate protected.

#### **Key controls**

- 16.307 In the event that the authority decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with the authority's approved intellectual property procedures.
- 16.308 The Council may make use of intellectual property (such as software and copyright materials) owned by others and must ensure that it does not breach the owners' rights in the intellectual property.
- 19.309 Staff members must be aware of intellectual property issues, including the consequences of breach of copyright or other intellectual property rights by the Council and the need to protect the Council's intellectual property through appropriate contractual arrangements.

#### **Responsibilities of the Section 151 Officer**

- 16.310 To develop and disseminate good practice through the authority's intellectual property procedures.

#### **Responsibilities of Strategic Directors / Director / Heads of Service**

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

### **Asset disposal**

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### **Why is this important?**

16.312 It would be uneconomic and inefficient for the cost of assets to outweigh their benefits. Obsolete, non-repairable or unnecessary resources should be disposed of in accordance with the law and the regulations of the authority. Capital receipts are corporate and will be allocated to services subject to the Corporate Asset Policy (CAP).

### **Key controls**

16.313 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, in accordance with the Corporate Asset Policy (CAP).

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

### **Responsibilities of the Professional Lead (Finance)**

16.315 To ensure appropriate 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 Strategic Directors / Director / Heads of Service**

16.316 To seek advice from Corporate Property on the disposal of surplus or obsolete materials, stores or equipment and to follow the proper procedures as laid out in the Corporate Asset Policy (CAP).

16.317 To ensure that income received for the disposal of non-property asset is properly banked and coded.

16.318 When property becomes surplus to operational requirements, Strategic Directors / Director / Heads of Service need to consider the Corporate Asset Policy (CAP) and consider the following:

16.318.1 Does the item belong to the Council or is it leased or loaned?;

16.318.2 How was the asset financed? In particular was the asset financed from a school's delegated budget, a trust fund, a grant or from capital. Many grants require a "clawback" if grant funded assets are disposed of within a given period;

16.318.3 If the asset to be disposed of is capital in nature, the receipt is likely to constitute a capital receipt if it exceeds the de minimus level, currently £10,000. Advice can be sought from the Section 151 Officer on the correct accounting treatment of capital receipts;

16.318.4 Where appropriate, seek professional advice on the likely value of the asset to be disposed of.

16.318.5 If the property was purchased from a school's delegated budget, approval for disposal rests with the school's governing body. In all other circumstances, approval rests with the relevant Strategic Directors / Director / Heads of Service, subject to the specific procedures relating to the disposal of land and buildings.



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- 16.318.6 Any Service wishing to make a property surplus will need to follow the Corporate Asset Policy (CAP).
- 16.318.7 Disposal of property to third parties may well be subject to VAT. Advice on this should be sought from the Section 151 Officer.
- 16.318.8 Following consideration of tenders, ensure payment is made before release to third parties.
- 16.318.9 Following the disposal of property, ensure Service asset (non-property) registers are adjusted accordingly.

### **TREASURY MANAGEMENT**

#### **Why is this important?**

- 16.319 Local authorities deal with significant levels of cash and must operate within codes of practice. These aim to provide assurances that the authority's money is properly managed in a way that balances risk with return, but with the overriding consideration being given to the security of the authority's capital sum.

#### **Key controls**

- 16.320 That the authority's borrowings and investments comply with the CIPFA Code of Practice on Treasury Management and with the authority's treasury policy statement.

#### **Responsibilities of Section 151 Officer – treasury management and banking**

- 16.321 To arrange the borrowing and investments of the authority in such a manner as to comply with the CIPFA Code of Practice on Treasury Management and the authority's treasury management policy statement and strategy.
- 16.322 To report twice a year on treasury management activities to the Cabinet.
- 16.323 To operate bank accounts as are considered necessary, including weekly or monthly reconciliations. Opening or closing any bank account shall require the approval of the Section 151 Officer. Bank accounts shall be in the name of Powys County Council and not in any officer's name or designation.
- 16.324 Council cheques shall bear the facsimile signature of the Section 151 Officer and cheques in excess of either £9,975 or £19,950 shall bear the facsimile signature of the Deputy Section 151 Officer and the Finance Manager respectively.
- 16.325 Issuing purchase cards to budget holders in lieu of cheque or BACS (Bank Automated Clearing System) payments.

#### **Responsibilities of Strategic Directors / Director / Heads of Service – treasury management and banking**

- 16.326 To follow the instructions on banking issued by the Section 151 Officer.



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### **Responsibilities of Head of Schools and Inclusion, Governors, and Headteachers – treasury management and banking (Bank accounts operated under the local management of schools scheme)**

- 16.327 All banking arrangements are to be decided by the Governing Body, who may open and operate such bank accounts from the approved list of Institutions included in the annual Treasury Management Policy Statement as are considered necessary, subject to the prior approval of the Head of School and Inclusion and the Section 151 Officer.
- 16.328 All cheques shall be ordered by the Headteacher. He or she shall make proper arrangements for their safe custody, including a proper division of duties in the ordering, custody and issue of cheques and the reconciliation of bank accounts.
- 16.329 All cheques shall be signed by at least two school officers who have been authorised by the school's Governing Body.
- 16.330 A cheque must not be signed by an officer who has either authorised the order(s) or certified the payment.
- 16.331 Cheques shall only be signed after having been completed (i.e. no pre-signed cheques), and any officer signing cheques should ensure that the regulations for Payment of Accounts (see section 4.38 below) have been satisfied.
- 16.332 No arrangements shall be made to make payments by Direct Debit, Standing Order or other automatic means.
- 16.333 Use of a debit card as a method of payment on the schools account in lieu of a cheque is permitted. Cards will be held in the name of the headteacher and business manager and will have an appropriate monthly limit. An appropriate invoice will be required for such payments. Cards should be locked in the school safe when not in use.
- 16.334 Cheques must be issued in strict numerical order and counterfoils fully completed.
- 16.335 All cancelled cheques should be marked as such and be retained.
- 16.336 The balance shown on the bank account must be reconciled with the school account every month. This reconciliation should be certified by a person not involved with the reconciliation or payment process.
- 16.337 The Head of School and Inclusion, the Section 151 Officer, or their representatives, may at any time demand an accounting of money expended from or paid into any school bank account. The Head of School and Inclusion or the Section 151 Officer may instruct the closure of any school bank account.
- 16.338 Surplus amounts may be invested in investment accounts held with approved Institutions (see 3.105 above) but should have minimal risk, or they may be invested via the Section 151 Officer. In no circumstances should any investment be made via a third party, e.g. a Broker.

### **Responsibilities of Section 151 Officer – investments and borrowing**

- 16.339 To ensure that all investments of money are made in the name of the authority or in the name of nominees approved by the Full Council.

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- 16.340 To ensure that all securities that are the property of the authority or its nominees and the title deeds of all property in the authority's ownership are held in the custody of the Chief Legal Officer.
- 16.341 To effect all borrowings in the name of the authority.
- 16.342 To act as the authority's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the authority.

### **Responsibilities of Strategic Directors / Director / Heads of Service – investments and borrowing**

- 16.343 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 Full Council, following consultation with the Section 151 Officer.

### **Responsibilities of Strategic Directors / Director / Heads of Service – trust funds and funds held for third parties**

- 16.344 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 Section 151 Officer, unless the deed otherwise provides.
- 16.345 To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.
- 16.346 All officers of the Council shall inform their Strategic Directors / Director / Heads of Service of any involvement in any voluntary fund (as defined above) and state the position that they hold with regard to that fund.
- 16.347 The Strategic Directors / Director / Heads of Service shall record the name of the officer, the account details, the name of the fund and the purpose for which it has been set up. They shall satisfy themselves that:
  - 16.347.1 proper accounts of the fund's activities (separate from those of the Council) are kept,
  - 16.347.2 and that an independent audit is carried out at annual intervals by a competent Auditor appointed by, and reporting to, the fund's controlling body or Cabinet of Governors, and to other interested parties (e.g. parents, clients, etc).
- 16.348 The officer concerned shall supply a copy of the audited accounts and balance sheet for each financial year to their Strategic Directors / Director / Heads of Service and to Managing Cabinet, Governing Body, etc, where relevant. Such accounts shall also be made available to all interested parties (e.g. parents).
- 16.349 Bank accounts shall be in the name of the establishment (e.g. school, home, etc) and not in any officer's name or designation.
- 16.350 At least two signatories should be required for the signing of cheques, and cheques shall not be pre-signed.

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- 16.351 Money due to the Council shall not be paid into any voluntary fund, permanently or temporarily.
- 16.352 The officer shall keep all money, goods, or property of the voluntary fund, separate from those of the Council.
- 16.353 The financial control of the fund and the physical security of assets shall reflect the standards required of official funds.
- 16.354 The Strategic Directors / Director / Heads of Service, Section 151 Officer, or their representatives may examine the accounts and records of the fund (where held by an officer), and ask for such records, explanations and information as they may require.
- 16.355 In the event of any loss in respect of voluntary funds the Council accepts no responsibility whatsoever, and no officer has any authority to bind the Council to accept such liability.

### **Responsibilities of the Section 151 Officer – imprest accounts (petty cash and cash floats)**

- 16.356 To provide employees of the authority with cash or bank imprest accounts to meet minor expenditure on behalf of the authority and to prescribe rules for operating these accounts. Minor items of expenditure should not exceed the prescribed amount.
- 16.357 To determine the petty cash limit and to maintain a record of all transactions and petty cash advances made, and periodically to review the arrangements for the safe custody and control of these advances.
- 16.358 To reimburse imprest holders as often as necessary to restore the imprests, but normally not more than monthly.

### **Responsibilities of Strategic Directors / Director / Heads of Service – imprest accounts**

- 16.359 To ensure that employees operating an imprest account:
  - 16.359.1 obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained
  - 16.359.2 make adequate arrangements for the safe custody of the account
  - 16.359.3 produce upon demand by the Section 151 Officer cash and all vouchers to the total value of the imprest amount
  - 16.359.4 record transactions promptly
  - 16.359.5 reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder
  - 16.359.6 provide the Section 151 Officer with a certificate of the value of the account held at 31 March each year
  - 16.359.7 ensure that the imprest account is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the imprest account and change relating to purchases where an advance has been made

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- 16.359.8 on leaving the authority's employment or otherwise ceasing to be entitled to hold an imprest advance, an employee shall account to the Section 151 Officer for the amount advanced to them.

## Financial Systems and Procedures

### GENERAL

#### Why is this important?

- 16.360 Departments must keep information that is accurate and supported by systems and procedures that are sound and well administered. They should ensure that transactions are properly processed and errors detected promptly.
- 16.361 The Section 151 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. Many of the following key controls are equally relevant to internal income.

#### Key controls

- 16.362 The key controls for systems and procedures are:
- 16.362.1 basic data exists to enable the authority's objectives, targets, budgets and plans to be formulated
  - 16.362.2 performance is communicated to the appropriate managers on an accurate, complete and timely basis
  - 16.362.3 early warning is provided of deviations from target, plans and budgets that require management attention
  - 16.362.4 operating systems and procedures are secure.

#### Responsibilities of the Section 151 Officer

- 16.363 To make arrangements for the proper administration of the authority's financial affairs, including to:
- 16.363.1 issue advice, guidance and procedures for officers and others acting on the authority's behalf
  - 16.363.2 determine the accounting systems, form of accounts and supporting financial records
  - 16.363.3 establish arrangements for audit of the authority's financial affairs
  - 16.363.4 approve any new financial systems to be introduced
  - 16.363.5 approve any changes to be made to existing financial systems.

#### Responsibilities of Strategic Directors / Director / Heads of Service

- 16.364 To ensure that accounting records are properly maintained and held securely.

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- 16.365 To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Section 151 Officer.
- 16.366 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.
- 16.367 To incorporate appropriate controls to ensure that, where relevant:
- 16.367.1 all input is genuine, complete, accurate, timely and not previously processed
  - 16.367.2 all processing is carried out in an accurate, complete and timely manner
  - 16.367.3 output from the system is complete, accurate and timely.
- 16.368 To ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice. If required the Head of Internal Audit will provide advice on this issue if requested to do so by Strategic Director/Director/Heads of Service.
- 16.369 To ensure there is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption.
- 16.370 To ensure that all systems are properly documented and relevant staff trained in operations.
- 16.371 To obtain the approval of the Section 151 Officer before changing any existing system or introducing new systems which provide financial data.
- 16.372 To establish a scheme of delegation identifying officers authorised to act upon the Strategic Directors / Director / Heads of Service's behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority.
- 16.373 To supply lists of authorised officers, with specimen signatures and delegated limits, to the Section 151 Officer, together with any subsequent variations.
- 16.374 To ensure that effective contingency arrangements, including back-up procedures, exist for computer systems. Wherever possible, back-up information should be securely retained in a fireproof location, preferably off site or at an alternative location within the building.
- 16.375 To ensure that, where appropriate, computer systems are registered in accordance with data protection legislation and that staff are aware of their responsibilities under the legislation.
- 16.376 To ensure that relevant standards and guidelines for computer systems issued by the Strategic Directors / Director / Heads of Service, in consultation with the Strategic Director - Resources or his/her nominated officer with oversight of ICT systems, are observed.

### **INCOME AND EXPENDITURE**

## SECTION 16 – FINANCIAL PROCEDURE RULES

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### Income

#### Why is this important?

16.377 Effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly. Wherever possible income should be obtained in advance of supplying goods or services as this improves the authority's cashflow and also avoids the time and cost of administering debts.

#### Key controls

16.378 The key controls for income are:

- 16.378.1 all income due to the authority is identified and charged correctly, in accordance with an approved charging policy, which is regularly reviewed
- 16.378.2 all income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery
- 16.378.3 all money received by an employee on behalf of the authority is paid without delay to the Section 151 Officer or representative or, as they direct, to the authority's bank or National Giro account, and properly recorded by the issue of a receipt or controlled ticket or by direct entry in a receipting system. All methods of receipting must be approved by the Section 151 Officer. All transfers of monies between staff of the Full Council should be recorded. The responsibility for cash collection should be separated from that:
  - 16.378.3.1 for identifying the amount due
  - 16.378.3.2 for reconciling the amount due to the amount received
- 16.378.4 effective action is taken to pursue non-payment within defined timescales
- 16.378.5 formal approval for debt write-off is obtained
- 16.378.6 appropriate write-off action is taken within timescales defined
- 16.378.7 appropriate accounting adjustments are made following write-off action
- 16.378.8 all appropriate income documents are retained and stored for the defined period in accordance with the document retention schedule
- 16.378.9 money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.



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### **Responsibilities of the Section 151 Officer**

- 16.379 To agree arrangements for the collection of all income due to the authority and to approve the procedures, systems and documentation for its collection.
- 16.380 To agree the form of all receipt forms, books or tickets and similar items and to satisfy themselves regarding the arrangements for their control.
- 16.381 To agree the write-off of bad debts up to £1,000 and statute barred debts in each case and to refer larger sums to the Cabinet.
- 16.382 To approve all debts to be written off in consultation with the relevant Strategic Directors / Director / Heads of Service and to keep a record of all sums written off up to the approved limit and to adhere to the requirements of the Accounts and Audit (Wales) Regulations 2014.
- 16.383 To obtain the approval of the Cabinet in consultation with the relevant Strategic Directors / Director / Heads of Service for writing off debts in excess of the approved limit.
- 16.384 To ensure that appropriate accounting adjustments are made following write-off action.

### **Responsibilities of Strategic Directors / Director / Heads of Service**

- 16.385 To establish a charging policy for the supply of goods or services, including the appropriate charging of VAT, and to review it regularly, in line with corporate policies.
- 16.386 To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable.
- 16.387 To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.
- 16.388 To issue official receipts or to maintain other documentation for income collection.
- 16.389 To ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded.
- 16.390 To hold securely receipts, tickets and other records of income for the appropriate period.
- 16.391 To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling. Cash and cheques held in a locked safe or strongroom must not exceed £50,000 during business hours and £10,000 outside of business hours. Other money in the premises out of business hours, and not in a locked safe must not exceed £250. The money held within a safe must never exceed the value recommended by the Euro grade rating of the safe as follows:

<b>Euro Grade</b>	<b>Maximum Value of Money to be held</b>
Grade 0	£6,000
Grade 1	£10,000 *
Grade 2	£17,500 *
Grade 3	£35,000 *



## SECTION 16 – FINANCIAL PROCEDURE RULES

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\* The holding of money in excess of £6,000 should be notified to the Risk and Insurance Unit and Treasury management so that risk control and banking arrangements can be reviewed.

- 16.392 To ensure that income is paid fully and promptly into the appropriate authority bank account in the form in which it is received. Appropriate details should be recorded on to paying-in slips to provide an audit trail. Money collected and deposited must be reconciled to the bank account on a regular basis.
- 16.393 To ensure income is not used to cash personal cheques or other payments.
- 16.394 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 authority. To do this, Strategic Directors / Director / Heads of Service should use established performance management systems to monitor recovery of income and inform the Section 151 Officer of any matters of concern. Strategic Directors / Director / Heads of Service 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 authority's behalf.
- 16.395 To keep a record of every transfer of money between employees of the authority. The receiving officer must sign for the transfer and the transferor must retain a copy.
- 16.396 To recommend to the Section 151 Officer and Cabinet, as appropriate, all debts to be written off. Once raised, no bona fide debt may be cancelled, except by full payment or by its formal writing off. A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt.
- 16.397 To notify the Section 151 Officer of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Section 151 Officer and not later than 30 April.

### **Ordering and paying for work, goods and services**

#### **Why is this important?**

- 16.398 Public money should be spent with demonstrable probity and in accordance with the authority's policies. Authorities have a statutory duty to achieve best value in part through economy and efficiency. The authority's procedures should help to ensure that services obtain value for money from their purchasing arrangements and that articles purchased are fit for purpose and within budget. These procedures should be read in conjunction with the authority's Contract Standing Orders, Procurement Strategy and Purchasing Guide.

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### General

- 16.399 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 (refer to Part 5 of the Constitution).
- 16.400 Official orders must be in a form approved by the Section 151 Officer. Official orders or contracts must be issued in advance for all work, goods or services to be supplied to the authority, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions specified by the Section 151 Officer.
- 16.401 Each order must conform to Contract Standing Orders. Standard terms and conditions must not be varied without the prior approval of the Section 151 Officer.
- 16.402 Apart from petty cash, schools' own bank accounts and other payments from advance accounts, 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 by the Section 151 Officer. The use of direct debit shall require the prior agreement of the Section 151 Officer.
- 16.403 Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of authority contracts.

### Key controls

- 16.404 The key controls for ordering and paying for work, goods and services are:
- 16.404.1 all goods and services are ordered only by approved persons and are correctly recorded
  - 16.404.2 All goods and services should be ordered using electronic ordering systems whenever possible
  - 16.404.3 all goods and services shall be ordered in accordance with Contract Standing Orders unless they are purchased from sources within the authority
  - 16.404.4 goods and services received are checked to ensure they are in accordance with the order. Goods should not be certified as received by the person who authorised the order
  - 16.404.5 payments are not made unless goods have been received by the authority to the correct price, quantity and quality standards unless terms of business of supplier require otherwise
  - 16.404.6 all payments are made to the correct supplier, for the correct amount (including discounts) and are properly recorded, regardless of the payment method

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- 16.404.7 all appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the document retention schedule
- 16.404.8 all expenditure, including VAT, is accurately recorded against the correct expenditure code and any exceptions are corrected
- 16.404.9 In addition, e-business/e-commerce and electronic purchasing (including ordering via the internet, purchasing cards and electronic purchase ordering systems) requires that processes are in place to maintain the security and integrity of data for transacting business. Such processes can only be used with the written prior approval of the Section 151 Officer.

### **Responsibilities of the Section 151 Officer**

- 16.405 To ensure that all the authority's financial systems and procedures are sound and properly administered.
- 16.406 To approve any changes to existing financial systems and to approve any new systems before they are introduced.
- 16.407 To approve the form of official orders and associated terms and conditions.
- 16.408 To make payments from the authority's funds on the Strategic Directors' / Director's / Heads of Service's authorisation that the expenditure has been duly incurred in accordance with Financial Regulations.
- 16.409 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.
- 16.410 To make payments to contractors on the certificate of the appropriate Strategic Directors / Director / Heads of Service, which must include details of the value of work, retention money (where appropriate), amounts previously certified and amounts now certified.
- 16.411 To provide advice and encouragement on making payments by the most economical means.
- 16.412 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.
- 16.413 To ensure that all appropriate payment records are retained and stored for the defined period, in accordance with the document retention schedule. The following records should be kept for a minimum of 12 years:

Official orders	Cheque counterfoils/stubs
Signed delivery notes	Paying in stubs & analysis records
Paid invoices	Receipts
Remittance advices	Bank statements
Bank reconciliation statements	Time sheets & payslips

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- 16.414 Insurance records are to be kept indefinitely. Grant files are to be retained in accordance with the retention rules for the particular grant scheme to which they relate.

### **Responsibilities of Strategic Directors / Director / Heads of Service**

- 16.415 To ensure that unique pre-numbered official orders are used for all goods, services, and works other than the exceptions specified in Rule 16.400.
- 16.416 To ensure that orders are only used for goods, services, and works provided to the department. Individuals must not use official orders to obtain goods or services for their private use.
- 16.417 To ensure corporate contracts are used where appropriate in accordance with the Council's Contract Standing Orders.
- 16.418 To ensure that only those staff authorised by the Strategic Directors / Director / Heads of Service sign orders and to maintain an up-to-date list of such authorised staff, including specimen signatures identifying in each case the limits of their authority. The authoriser of the order should be satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary and in accordance with the Council's Contract Standing Orders. Best value principles shall underpin the authority's approach to procurement through the application of the Council's Procurement Strategy. Value for money should always be achieved.
- 16.419 To ensure that goods and services are checked on receipt to verify that they are in accordance with the order. This check shall 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.
- 16.420 To ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment, confirming:
- 16.420.1 receipt of goods or services
  - 16.420.2 that the invoice has not previously been paid
  - 16.420.3 that expenditure has been properly incurred and is within budget provision
  - 16.420.4 that prices and arithmetic are correct and accord with quotations, tenders, contracts, the purchase order or catalogue prices
  - 16.420.5 correct accounting treatment of tax (VAT, Construction Industry Tax, Income Tax)
  - 16.420.6 that the invoice is correctly coded
  - 16.420.7 that discounts have been taken where available
  - 16.420.8 that appropriate entries will be made in accounting records.
- 16.421 To ensure that two authorised members of staff are involved in the ordering, receiving and payment process. If possible, a different officer from the person who signed the order, and in every case, a

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- different officer from the person checking a written invoice, should authorise the invoice.
- 16.422 To ensure that the department maintains and reviews periodically a list of staff approved to authorise invoices. Names of authorising officers together with specimen signatures and details of the limits of their authority shall be forwarded to the Section 151 Officer.
- 16.423 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 the Head of Internal Audit. Invoices received electronically (e.g. via email) may be printed off and processed.
- 16.424 To ensure payments are processed promptly and paid by the due date except where there is a genuine matter of dispute.
- 16.425 To encourage suppliers of goods and services to receive payment by the most economical means for the authority. It is essential, however, that payments made by direct debit have the prior approval of the Section 151 Officer.
- 16.426 To ensure that the department obtains best value from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality, with regard to the best practice guidelines issued by the Section 151 Officer, which are in line with best value principles and contained in the Contract Standing Orders, Procurement Strategy and Purchasing Guide.
- 16.427 To utilise the central purchasing procedures established by the Professional Lead (Procurement) in putting purchases, where appropriate, out to competitive quotation or tender. These will comply with the code of practice on tenders and contracts and will cover:
- 16.427.1 authorised officers and the extent of their authority
  - 16.427.2 advertisement for tenders
  - 16.427.3 procedure for creating, maintaining and revising a standard list of contractors
  - 16.427.4 selection of tenderers
  - 16.427.5 compliance with UK and EC legislation and regulations
  - 16.427.6 procedures for the submission, receipt, opening and recording of tenders
  - 16.427.7 the circumstances where financial or technical evaluation is necessary
  - 16.427.8 procedures for negotiation
  - 16.427.9 acceptance of tenders
  - 16.427.10 the form of contract documentation
  - 16.427.11 cancellation clauses in the event of corruption or bribery
  - 16.427.12 contract records.
- 16.428 To ensure that employees are aware of the national code of conduct for local government employees (summarised in the procedures and conditions of employment manual).
- 16.429 To ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the Section 151 Officer. This is

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because of the potential impact on the authority's borrowing powers, to protect the authority against entering into unapproved credit arrangements and to ensure that value for money is being obtained.

- 16.430 To notify the Section 151 Officer of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Section 151 Officer and, in any case, not later than 30 April.
- 16.431 With regard to contracts for construction and alterations to buildings and for civil engineering works, to document and agree with the Section 151 Officer the systems and procedures to be adopted in relation to financial aspects, including certification of interim and final payments, checking, recording and authorising payments, VAT, the system for monitoring and controlling capital schemes and the procedures for validation of subcontractors' tax status.
- 16.432 To notify the Section 151 Officer immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.

### Payments to employees and members

#### Why is this important?

- 16.433 Staff costs are the largest item of expenditure for most local authority services. It is therefore important that payments are accurate, timely, made only where they are due for services to the authority and that payments accord with individuals' conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for and that members' allowances are authorised in accordance with the scheme adopted by the Full Council.

#### Key controls

- 16.434 The key controls for payments to employees and members are:
- 16.434.1 proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to:
    - 16.434.1.1 starters
    - 16.434.1.2 leavers
    - 16.434.1.3 variations
    - 16.434.1.4 enhancementsand that, where appropriate, payments are made on the basis of timesheets or claims
  - 16.434.2 frequent reconciliation of payroll expenditure against approved budget and bank account
  - 16.434.3 all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule
  - 16.434.4 that HM Revenues and Customs regulations are complied with.



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### **Responsibilities of the Head of Business Services**

- 16.435 To arrange and control secure and reliable payment of salaries, wages, allowances and expenses, compensation or other emoluments to existing and former employees, on the due date.
- 16.436 To record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions.
- 16.437 To make arrangements for payment of all travel and subsistence claims.
- 16.438 To make arrangements for paying members travel or other allowances upon receiving the prescribed form, duly completed and authorised.
- 16.439 To provide advice and encouragement to secure payment of salaries and wages by the most economical means.
- 16.440 To ensure that there are adequate arrangements for administering superannuation matters on a day-to-day basis.

### **Responsibilities of Strategic Directors / Director / Heads of Service**

- 16.441 To ensure appointments are made in accordance with the regulations of the authority and approved establishments, grades and scale of pay and that adequate budget provision is available.
- 16.442 To notify the Section 151 Officer of all appointments, terminations or variations which may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Section 151 Officer. The Chief Legal Officer is responsible for notifying changes in the elected membership.
- 16.443 To ensure that adequate and effective systems and procedures are operated, so that:
  - 16.443.1 payments are only authorised to bona fide employees
  - 16.443.2 payments are only made where there is a valid entitlement
  - 16.443.3 conditions and contracts of employment are correctly applied
  - 16.443.4 employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.
- 16.444 To send an up-to-date list of the names of officers authorised to sign records to the Head of Human Resources, together with specimen signatures. The payroll provider should have signatures of personnel officers and officers authorised to sign timesheets and claims.
- 16.445 To ensure that payroll transactions are processed only through the payroll system. Strategic Directors / Director / Heads of Service should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. The Inland Revenue applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Head of Human Resources.
- 16.446 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



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properly payable by the authority, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and that the Head of Human Resources is informed where appropriate.

- 16.447 To ensure that the Head of Human Resources is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.
- 16.448 To ensure that all loan documents are signed before payment is made.
- 16.449 To ensure that no member of staff leaves the employ of the Full Council without all relevant loans and debts being identified and arrangements made for their repayment.
- 16.450 To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule.

### **Responsibilities of Members**

- 16.451 To submit claims for Members' travel and subsistence allowances on a monthly basis and claims should be made up to the end of the calendar month only. Claims should be made monthly and will not be paid if more than two months old.

### **Consultants and External Support**

#### **Why is this important?**

- 16.452 As new models of working change the operation of Councils, there is a need for a flexible approach to sourcing expertise without employing staff on either fixed term or permanent contracts. As a result external support is increasingly used to carry out work which would have formerly have been carried by Council employees. It is therefore necessary to control the work and terms and conditions of such people (or companies) in order to ensure that value for money is obtained and that the Council's services are not compromised.

#### **Key controls**

- 16.453 In order to provide transparency and value for money when using consultants the following will apply:
  - 16.453.1 any expenditure above £10,001 will require a delegated decision by the relevant Portfolio Holder and Strategic Director.
  - 16.453.2 the report of the Portfolio holder in accordance with Rule 16.454.1 and will contain an assessment by the Section 151 Officer whether the use of the proposed consultant (or consultants) represents value for money.
  - 16.453.3 any expenditure below £10,000 is delegated to the relevant Strategic Director who will operate within the Contract Procedure Rules in Section 17 covering the required number of quotes for any such work or seek an exemption if appropriate.

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16.453.4 rules 16.453.1 to 16.453.3 above do not apply to:

16.453.4.1 situations where an interim staffing position is being covered (this is a management function to ensure service continuity).

16.453.4.2 maintenance and support contracts to which the UK and the Contract Procedure Rules apply.

### **Responsibilities of Strategic Directors / Director / Heads of Service**

16.454 When engaging consultants, Strategic Directors / Director / Heads of Service must consider the following:

16.454.1 each Strategic Directors / Director / Heads of Service is to ensure that all individuals who are appointed as "consultants" are either self employed or the employees of another organisation and that they are not legally employees of the Council. In cases of doubt advice should be sought from the Professional Lead for HR Services.

16.454.2 all creditor payments made to self employed consultants shall be covered by a certificate in a form approved by the Section 151 Officer, certified by the relevant line manager to the effect that the individual is not an employee of the Council.

16.454.3 existing contracts which may be in place with other directorates.

16.454.4 where consultants (including amongst others: architects, engineers, quantity surveyors, solicitors, accountants, and barristers) are engaged to carry out professional services for the Council, the relevant Strategic Directors / Director / Heads of Service shall be responsible for ensuring that a formal agreement or detailed letter of appointment, is sent to the consultant, setting out the terms on which they are engaged.

16.454.5 where an existing contract framework is in place for the public sector it may be appropriate to engage external support by this method.

16.454.6 amongst other things this formal agreement or letter of appointment shall specify:

16.454.6.1 the precise scope of the commission, including time schedules;

16.454.6.2 cost limits and controls;

16.454.6.3 lines and levels of reporting, responsibility and authority;

16.454.6.4 insurance cover (which must be verified by Council officers);

16.454.6.5 the level of fees to be paid for which services;

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- 16.454.6.6 the criteria for completion of work and payment thereof.
- 16.454.7 it shall be included as a condition of engagement for the services of all consultants that they shall:
  - 16.454.7.1 comply with the Council's Standing Orders and Financial Regulations as though they were an officer of the Council;
  - 16.454.7.2 allow the relevant Strategic Directors / Director / Heads of Service, Section 151 Officer, or their representatives, full rights of access at all times to all records (whether manual or on computer), cash, stores, land, premises and property of the Council;
  - 16.454.7.3 produce for the relevant Strategic Directors / Director / Heads of Service, Section 151 Officer, or their representatives records, cash, stores or any other Council property under their control;
  - 16.454.7.4 provide the relevant Strategic Directors / Director / Heads of Service, Section 151 Officer, or their representatives any information and explanations considered necessary by them to satisfy the correctness of any matter under examination.
- 16.455 Strategic Directors / Director / Heads of Service wishing to engage consultants or other specialisms available within the authority must allow the internal unit the opportunity to bid for the work. If the internal unit is not given the opportunity to bid, this will be a matter for report to the Cabinet.

### TAXATION

#### Why is this important?

- 16.456 Like all organisations, 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 their role.

#### Key controls

- 16.457 The key controls for taxation are:
  - 16.457.1 budget managers are provided with relevant information and kept up to date on tax issues
  - 16.457.2 budget managers are instructed on required record keeping
  - 16.457.3 all taxable transactions are identified, properly carried out and accounted for within stipulated timescales

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- 16.457.4 records are maintained in accordance with instructions
- 16.457.5 returns are made to the appropriate authorities within the stipulated timescale
- 16.457.6 changes in legislation are monitored and systems subsequently updated.

### **Responsibilities of the Section 151 Officer**

- 16.458 To complete all Inland Revenue returns regarding PAYE and other taxes due or recoverable.
- 16.459 To complete a monthly return of VAT inputs and outputs to HM Revenues and Customs.
- 16.460 To provide details to the Inland Revenue regarding the construction industry tax deduction scheme.
- 16.461 To maintain up-to-date guidance for authority employees on taxation issues in the accounting manual and the tax manual.
- 16.462 To ensure that all payments including member and staff expenses follow relevant HMRC guidance.

### **Responsibilities of Strategic Directors / Director / Heads of Service**

- 16.463 To ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Revenues and Customs.
- 16.464 To ensure that, where construction and maintenance works are undertaken, the contractor fulfills the necessary construction industry tax deduction requirements.
- 16.465 To ensure that all persons employed by the authority are added to the authority's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency.
- 16.466 To follow the guidance on taxation issued by the Section 151 Officer in the authority's accounting manual and VAT manual.
- 16.467 Schools must submit their claim for VAT to the Section 151 Officer within 5 working days of the end of the month in a form approved by the Section 151 Officer.
- 16.468 All payments relating to building works must be paid via the central Creditors Section. It is the responsibility of the Strategic Directors / Director / Heads of Service to obtain authenticated VAT receipts.
- 16.469 Schools operating their own bank accounts should send the invoice together with a cheque made payable to Powys Full Council for the total amount to the central Creditors Section with a copy of the invoice being kept on the school's file (marked "copy").

## **TRADING ACCOUNTS AND BUSINESS UNITS**

### **Why is this important?**

- 16.470 Trading accounts and business units have become more important as local authorities have developed a more commercial culture. Under best value, authorities are required to keep trading accounts for services provided on a basis other than straightforward recharge of

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cost. They are also required to disclose the results of significant trading operations Powys Change Plan to the Council's Management Team and Cabinet.

### **Responsibilities of the Section 151 Officer**

- 16.471 To advise on the establishment and operation of trading accounts and business units and to act as an arbiter in the event of a dispute between internal service providers and users.

### **Responsibilities of Strategic Directors / Director / Heads of Service**

- 16.472 To consult with the Section 151 Officer where a business unit wishes to enter into a contract with a third party where the contract expiry date exceeds the remaining life of their main contract with the authority. In general, such contracts should not be entered into unless they can be terminated within the main contract period without penalty.
- 16.473 To observe all statutory requirements in relation to business units, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs, is charged, and to produce an annual report in support of the final accounts.
- 16.474 To ensure that appropriate accounting principles are applied in relation to trading accounts.
- 16.475 To ensure that each business unit prepares an annual business plan, which includes the financial objective.
- 16.476 To monitor performance and to take corrective action where appropriate.

## **External Arrangements**

### **PARTNERSHIPS**

#### **Why is this important?**

- 16.477 Partnerships will play a key role in delivering the One Powys Plan, and in helping to promote and improve the well-being of the area. Local authorities are working in partnership with others – public agencies, private companies, community groups and voluntary organisations. The Council continues to deliver some services, but also provides a distinctive leadership role for the community bringing together the contributions of the various stakeholders. They therefore need to deliver a shared vision of services based on user wishes.
- 16.478 The Council will mobilise investment, bid for funds, champion the needs of their areas and harness the energies of local people and community organisations. The Council will be measured by what they achieve in partnership with others.

#### **General**

- 16.479 Partnerships can exist in varying forms:

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- 16.479.1 Statutory Partnerships
- 16.479.2 Formal Partnerships
- 16.479.3 Joint Commissioning

16.480 The main reasons for entering into a partnership are:

- 16.480.1 the desire to find new ways to share risk
- 16.480.2 the ability to access new resources
- 16.480.3 to provide new and better ways of delivering services
- 16.480.4 to forge new relationships and strategic alliances.

16.481 A partner is defined as either:

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

16.482 Partners participate in projects by:

- 16.482.1 acting as a programme/project deliverer or sponsor, solely or in concert with others
- 16.482.2 acting as a programme/project funder or part funder
- 16.482.3 being the beneficiary group of the activity undertaken in a programme/project.

16.483 Partners have common responsibilities:

- 16.483.1 to be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation
- 16.483.2 to act in good faith at all times and in the best interests of the partnership's aims and objectives
- 16.483.3 be open about any conflict of interests that might arise
- 16.483.4 to encourage joint working and promote the sharing of information, resources and skills between public, private and community sectors
- 16.483.5 to hold confidentially any information received as a result of partnership activities or duties that is of a confidential or commercially sensitive nature
- 16.483.6 to act wherever possible as ambassadors for the project.

### **Key controls**

16.484 The key controls for authority partners are:



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- 16.484.1 if appropriate, to be aware of their responsibilities under the authority's Financial Regulations and the code of practice on tenders and contracts
- 16.484.2 to ensure that risk management processes are in place to identify and assess all known risks
- 16.484.3 to ensure that project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise
- 16.484.4 to agree and accept formally the roles and responsibilities of each of the partners involved in the project before the project commences
- 16.484.5 to communicate regularly with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution.

### **Responsibilities of the Council**

- 16.485 The Council provides the leadership role for the community and the strategic direction forming partnerships with other local, public, private, voluntary and community sector organisations.
- 16.486 The Council can delegate its functions relating to partnerships to officers.

### **Responsibilities of the Section 151 Officer**

- 16.487 To advise on effective controls and to ensure that accounting arrangements are adopted relating to partnerships so that resources are not wasted.
- 16.488 To advise on the key elements of funding a programme or project. They include:
  - 16.488.1 how services should be costed
  - 16.488.2 a scheme appraisal for financial viability in both the current and future years
  - 16.488.3 risk appraisal and best practice on how risks can be shared
  - 16.488.4 resourcing, including taxation issues
  - 16.488.5 audit, security and control requirements
  - 16.488.6 carry-forward arrangements.

- 16.489 To ensure that the accounting arrangements are satisfactory.

### **Responsibilities of Strategic Directors / Director / Heads of Service**

- 16.490 To ensure adequate governance arrangements are in place for each partnership.
- 16.491 To develop and maintain a register of partnerships developed, and to maintain a register of all contracts entered into with external bodies in accordance with procedures specified by the Section 151 Officer.
- 16.492 To ensure compliance with all partnership governance arrangements that have been agreed.



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- 16.493 Ensure all services are appropriately costed, and contract lengths agreed do not exceed the duration of the Partnership without agreement of the Cabinet.
- 16.494 Ensure that the Council does not subsidise third parties without approval of Cabinet.
- 16.495 Ensure services have appropriate expertise to undertake partnership commitments.
- 16.496 To ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared for the Section 151 Officer, and VAT and other taxation implications have been considered.
- 16.497 To ensure that such agreements and arrangements do not impact adversely upon the services provided by the authority, including internal trading units.
- 16.498 To ensure that all agreements and arrangements are properly documented and approved by the Cabinet.
- 16.499 To provide appropriate information to the Section 151 Officer to enable a note to be entered into the authority's statement of accounts concerning material items.
- 16.500 Ensure each Partnership has a clear operational timescale with a clear exit strategy. If exit is not appropriate, a clear continuation strategy.

### EXTERNAL FUNDING

#### Why is this important?

- 16.501 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. Local authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers. Funds from external agencies provide additional resources to enable the authority to deliver services to the local community. However, in some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the authority's overall plan.

#### Key controls

- 16.502 The key controls for external funding are:
  - 16.502.1 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
  - 16.502.2 to ensure that funds are acquired only to meet the priorities approved in the policy framework by the Full Council
  - 16.502.3 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.

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### **Responsibilities of the Section 151 Officer**

- 16.503 To ensure that all funding notified by external bodies is received and properly recorded in the authority's accounts.
- 16.504 To ensure that audit requirements are met.

### **Responsibilities of Strategic Directors / Director / Heads of Service**

- 16.505 To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.
- 16.506 To ensure that all claims for funds are made by the due date.
- 16.507 To ensure that the project progresses in accordance with the agreed project and that all expenditure is properly incurred and recorded.
- 16.508 To notify the Section 151 Officer of all external funding applications and approvals.

## **WORK FOR THIRD PARTIES**

### **Why is this important?**

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

### **Key controls**

- 16.510 The key controls for working with third parties are:
- 16.510.1 to ensure that a robust business case exists with proposals that are financially sound.
  - 16.510.2 to ensure that contracts are drawn up using guidance provided by the Solicitor to the Council and that the formal approvals process is adhered to.
  - 16.510.3 to issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register.

### **Responsibilities of Section 151 Officer**

- 16.511 To make insurance provisions to cover services requiring professional indemnity.

### **Responsibilities of Strategic Directors / Director / Heads of Service**

- 16.512 To ensure that the approval of the Cabinet is obtained before any negotiations are concluded to work for third parties.
- 16.513 To maintain a register of all contracts entered into with third parties.
- 16.514 To inform the insurance section of all third party work arrangements that require professional indemnity.
- 16.515 To ensure that the authority is not put at risk from any bad debts.
- 16.516 To ensure that no contract is subsidised by the authority.

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- 16.517 To ensure that, wherever possible, payment is received in advance of the delivery of the service.
- 16.518 To ensure that the department/unit has the appropriate expertise and capacity to undertake the contract.
- 16.519 To ensure that such contracts do not impact adversely upon the services provided for the authority.
- 16.520 To ensure that all contracts are properly documented.
- 16.521 To provide appropriate information to the Section 151 Officer to enable a note to be entered into the statement of accounts.