

PART 4F: FINANCE PROCEDURE RULES

This section was amended by Council on 18/06/15.

A. *Introduction and Guide*

- 1.1 Finance Procedure Rules (FPRs) exist to regulate the way in which the Council manages its financial affairs. This is a necessary discipline in any large organisation and particularly in the public sector where there are expectations for the proper use and management of public money. Under the 1972 Local Government Act, the Council has a specific statutory responsibility, through the Director of Finance , for the “.....proper administration of its financial affairs.”
- 1.2 Essentially these rules set out the framework of responsibilities and requirements across the whole range of the Council’s financial affairs and in doing so their content inevitably covers a range of audiences of Council employees. In addition to those that relate to the Director of Finance’s, responsibilities can be broadly split into three main groups;
 - Strategic and Divisional Directors (A)
 - Corporate and service finance staff (B)
 - Cost Centre Managers (CCMs) and other non-finance employees (C)
- 1.3. To help users of these rules find the sections most relevant to their responsibilities the detailed FPRs in section B are marked to show which rules relate to which broad group of employees.
- 1.4 Whilst all employees, at whatever level in the Council, should be aware of FPRs, category A and B employees should have a fairly good knowledge of the detail. Category C employees will probably need to consult FPRs less often.
- 1.5 The rules cover a number of areas and these are listed in the index at the start of section B.
- 1.6 The Director of Finance is, for the purposes of Section 151 of the Local Government Act 1972, the ‘designated officer’ responsible for the proper administration of the Council’s financial affairs.
- 1.7 Within these rules, the term Strategic Director includes the Chief Operating Officer. The term “member” includes the elected City Mayor.
- 1.8 These Finance Procedure Rules must be adhered to at all times. All Directors are accountable to the Director of Finance for compliance with these Rules. The Director of Finance is, in turn, accountable to the Council. All Officers with delegated responsibility for undertaking financial duties are accountable to their Divisional Director for compliance with these Rules.
- 1.9 Any waiver of the application of these Rules must be approved by the City Mayor / Executive or by the Director of Finance in consultation with the Elected Mayor). Decisions made by the Director of Finance shall be reported to the City Mayor / Executive for information.

- 1.10 Should a material unauthorised breach of these Rules come to light then it must be reported immediately to the Director of Finance.
- 1.11 These Rules assign responsibilities to Directors and to the Director of Finance, and generally do not assign responsibilities to individual nominated postholders (except, occasionally, where it is helpful to do so). The Director of Finance and Directors may delegate responsibilities assigned to them under these Rules. In particular, the Director of Finance may delegate responsibilities to Heads of Finance in service areas.
- 1.12 Reference in these Rules to “Scrutiny / Select Committee” or “the relevant Scrutiny / Select Committee” means the appropriate Scrutiny Committee as determined by the Director of Finance in consultation with such Members as he/she believes appropriate. Where consideration by a specific Scrutiny / Select Committee is required under these Rules, this is mentioned by name within the Rules.
- 1.13 For the purpose of these Rules, whenever a matter is referred to a Scrutiny / Select Committee for consideration that Committee may resolve to refer the matter to the City Mayor / Executive for a decision. Such referral may contain such recommendations as the Scrutiny / Select Committee sees fit.
- 1.14 In the case of a declared emergency, the Director of Finance may determine that alternative arrangements to those in Finance Procedure Rules shall apply. In particular, the Director of Finance may:
- (a) establish different rules for financial systems (2.0) and financial administration (3.0) to the extent necessary to meet the requirements of the emergency;
 - (b) establish a budget for the emergency, over and above the approved budget;
 - (c) determine which officers may commit the emergency budget, and any rules to apply in managing the budget;
 - (d) authorise any capital expenditure required as a consequence of the emergency”.
- 1.15 In determining arrangements for an emergency, the Director of Finance shall consult the City Mayor if possible.
- 1.16 In the case of a declared emergency, the senior officer responsible for the Council’s response may commit resources prior to alternative arrangements described in paragraph 1.14 being made by the Director of Finance, consulting the Director of Finance if possible”

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2.0 FINANCIAL SYSTEMS

Definition

- 2.1 In this section of Finance Procedure Rules, a **financial system** means any system (computerised or otherwise) and associated procedures for making or recording any financial transaction of the Authority.

Accounting Systems

- 2.2 The Director of Finance is responsible for the provision of a corporate system for the preparation of the Council's accounts and for monitoring expenditure and income. This is currently provided by means of the Council's Resource Management System, (RMS) which is Agresso Business World
- 2.3 Divisional Directors are responsible for ensuring RMS accurately records the financial transactions of their functions, and for complying with any guidance issued by the Director of Finance. Divisional Directors shall ensure that transactions are recorded in a manner which complies with proper accounting practices, enables returns to be made to taxation authorities, and complies with other legal requirements. The Director of Finance shall give whatever guidance is necessary to ensure that this obligation can be fulfilled.
- 2.4 Divisional Directors shall use RMS as the prime means of monitoring expenditure and income in their services and for comparing spending against budget, except where the Director of Finance advises or agrees that alternative arrangements can apply. Divisional Directors shall keep such subsidiary information and records as are necessary to effectively monitor expenditure, income and commitments, and to support returns made to the taxation authorities.

- 2.5 Divisional Directors shall provide all relevant information deemed necessary to compile the Council's final accounts in accordance with guidance issued by the Director of Finance.

All Financial Systems

- 2.6 Divisional Directors may not make changes to financial systems without the agreement of the Director of Finance. Proposals for changes in staffing and organisational arrangements relating to financial systems shall also be agreed with the Director of Finance prior to implementation. The Director of Finance may waive these requirements for consultation in circumstances where he or she is satisfied that change will not prejudice the proper administration of the Council's financial affairs. The Director of Finance will normally delegate such permissions to heads of finance.
- 2.7 Each Divisional Director shall be responsible for the effective operation of financial systems to the extent that they are operated or controlled within their services and shall ensure proper security and confidentiality including adherence to the requirements of Data Protection and other information legislation.
- 2.8 Each Head of Finance shall monitor the effectiveness of financial systems in his or her supported services and shall in particular ensure that financial systems discharge the Director of Finance's duty to ensure that there is proper administration of the Council's financial affairs. Where Heads of Finance believe that systems are ineffective, they shall report the matter to the relevant Divisional Director in the first instance (as a breach of regulation 2.7 above) but shall also report the matter to the Director of Finance if it appears that the matter cannot be satisfactorily resolved.

3.0 FINANCIAL ADMINISTRATION

In the following sub-sections 3.2, 3.3, 3.4 and 3.6 references are made to the use of RMS. Where RMS is not used, alternative arrangements must be approved by the Director of Finance.

3.1 Authorised Officers

Divisional Directors shall authorise appropriate officers to undertake the following duties. No other officers may undertake the functions of an authorised officer:

-) Raising purchase requisitions, normally on RMS, for works, supplies or services;
-) Approving purchase requisitions or otherwise generating official orders;
-) Certifying, normally on RMS, the receipt of works, supplies or services;
-) Approving personnel variations, time sheets, officer expense claims, petty cash, imprest accounts, change floats, cash advance forms, debtors accounts, internal recharges and end of year stock certificates; and
-) Certification for cheques, BACS authorisation, CHAPS authorisation and grant claims;
-) Certifying payments for goods, works and services.

Divisional Directors shall ensure that authorised officers have appropriate seniority and expertise to ensure that they are able to discharge the functions assigned to them for the purposes of these rules. Authorised Officers are accountable to their Divisional Directors for the exercise of these functions.

Divisional Directors shall ensure that arrangements are made for effective separation of duties when designating authorised officers, in order to provide adequate internal check over all transactions, and comply with any guidance given by the Director of Finance. Divisional Directors shall ensure that the arrangements for authorised officers are consistent with the budgetary control framework for their division (see Section 4 of these Rules) and that in particular cost centre managers' ability to manage their budgets is safeguarded.

Divisional Directors shall maintain, in a single place, an up-to-date record of all authorised officers, together with specimen signatures where appropriate. Lists of authorised officers can be found on InterFace.

References to **Authorised Officers** in the rest of this section of Financial Procedure Rules shall be read in the context of the above.

Orders for Works, Supplies and Services

The Director of Finance is responsible for providing a corporate system for raising purchase requisitions and creating orders (RMS). This system shall be used for all orders, except in emergencies, or in accordance with other arrangements specifically approved by the Director of Finance. In giving such approval, the Director of Finance shall ensure the alternative arrangements provide for effective financial control, and shall have regard to the continuing viability of the corporate arrangements.

Official orders shall be issued for all purchases, excluding the following items:

- Purchases through petty cash and imprest accounts.
- Recurring charges such as gas, electricity and telephone charges and other charges for which a payments register or other method of recording/monitoring payments is more appropriate than an order.

When raising or approving purchase requisitions or placing orders, authorised officers, shall ensure that contract procedure rules have been complied with (this will be satisfied by placing orders with approved suppliers).

In those exceptional circumstances in which the corporate system is not used, Divisional Directors shall only obtain official order forms in accordance with arrangements approved by the Director of Finance and shall be responsible for their control and use.

Where urgent orders are given orally, they shall be confirmed immediately by an official order.

Requisitions and orders should be specific, e.g. they should state quantity, weight, size, grade, quality, and where practicable, price. Where supplies are ordered under contract, it is particularly important that the order and contract have the same specification of supplies required.

Payments for Works, Supplies and Services

The Director of Finance is responsible for providing a corporate system for the payment of accounts (RMS). Divisional Directors shall use this system for all payments except in accordance with other arrangements specifically approved by the Director of Finance. In giving such approval, the Director of Finance shall ensure that the alternative arrangements provide for effective financial control, and shall have regard to the continuing viability of the corporate arrangements.

2. Authorised officers shall ensure that payments for works, supplies or services are not made unless:

1. Works, supplies or services have been appropriately procured. In this context, this means:

Works, supplies or services are being supplied in accordance with an official order, and the amount invoiced is correctly payable. The official order number should be quoted on the invoice; or

2. Payment is in respect of a service regularly supplied (e.g. gas and electricity), and the amount invoiced is properly payable; or

3. Payment is made for works, supplies or services under contract, and the amount is properly payable under the terms of that contract.

4. Works, supplies or services have been evidenced as received (unless the contract explicitly allows for payment in advance). This means:

The works, supplies or services have been certified as received by an authorised officer (normally done through RMS); or

5. They have been certified as received under specific alternative arrangements which have been approved by a Divisional Director.

Appropriate payment documentation exists. This means an invoice or contract certificate which satisfies VAT regulations.

3.4.5 Notwithstanding the above, a payment can be made where the Council has a clearly established contractual obligation to make a payment. The Head of Procurement should be advised of the circumstances

3.5 Salaries and other payments to employees

Rules

3.5.1 The Director of Finance is responsible for approving a corporate payroll

system for recording payroll data and for generating payments to employees. The Director of Finance is also responsible for ensuring that National Insurance, Income Tax and any other such liabilities are properly determined and that deductions due are made and properly accounted for.

3.5.2 Divisional Directors shall use the corporate payroll system for all payments to employees.

3.5.3 Where payments are made for services in which the relevant taxation authorities deem that a contractor is “employed” by the Council, Divisional Directors are responsible for ensuring that National Insurance, Income Tax and any other such liabilities are properly determined, and deductions due are made and properly accounted for.

3.5.4 Except where employees are responsible for providing data directly themselves, Divisional Directors are responsible for ensuring that all information affecting an employee’s entitlement to pay, or rate of pay, and all other information required for the smooth operation of the corporate payroll, shall be notified to the Employee Service Centre. This shall be done by means of direct input to the corporate payroll system or by means of a form, in either case following procedures approved by the Director of Finance. In either case, Divisional Directors shall make arrangements for data supplied to be verified and authorised by an authorised officer. In particular the following shall be notified:

- i. Appointments, resignations, dismissals, suspensions, secondments and transfers;
- ii. Changes to standing data held on the payroll system;
- iii. Absences from duty for sickness or other reason, apart from approved leave;
- iv. Changes in remuneration, other than normal increments, pay awards and any agreements generally reached, and notified separately to the Director of Finance; and
- v. Information necessary to maintain records of service for superannuation, Income Tax, National Insurance and related purposes.

3.5.5 All time records or other paper documents affecting entitlement to salaries and wages on any specific occasion shall be in a form approved by the Director of Finance and shall be processed in accordance with procedures specified by the Director of Finance. These documents shall be signed by the employee and certified as correct by an authorised officer. Alternatively, the Director of Finance may require such documents to be submitted electronically.

3.5.6 All claims for payment of car allowances, travelling and subsistence allowances, removal expenses and the like shall be submitted in an

approved form to the Director of Finance for payment and be certified as correct by an authorised officer. Alternatively, the Director of Finance may require such documents to be submitted electronically.

3.5.7 All claims for the payment of Councillors' allowances and expenses shall be submitted in a form specified by the Director of Finance which complies with statutory requirements, and certified as correct by an authorised officer. Alternatively, the Director of Finance may require such documents to be submitted electronically.

3.5.8 The Monitoring Officer has discretion to make monetary advances to Councillors and officers on account of expenses to be incurred, at the request of a Director. Councillors and Officers who receive advances on account of expenses shall repay them in accordance with the terms of the advance.

3.5.9 Any other benefits provided to employees, in particular benefits in kind rather than in cash, but also including such things as payments received by staff for Jury Service, may/will also be taxable and/or liable to National Insurance contributions, and may also be subject to a deduction from pay. The responsibility for identifying any liabilities in this respect is with each Divisional Director who should seek advice from the Director of Finance where appropriate.

3.6 Income

3.6.1 In this sub-section of the Finance Procedure Rules, **money** means all cash, cheques, or other forms of payment including credit/debit cards.

Credit Income

3.6.2 The Director of Finance is responsible for approving a corporate invoicing system (RMS). Divisional Directors shall use this system for all credit income except in accordance with other arrangements specifically approved by the Director of Finance. In giving such approval, the Director of Finance shall ensure that the alternative arrangements provide for effective financial control, meet with the requirements of the appropriate taxation authorities.

3.6.3 Divisional Directors are responsible for ensuring that all debts due to the Council are promptly and accurately raised and either collected in money (or other forms of immediate payment) or invoiced.

3.6.4 The Director of Finance is responsible for collecting all income invoiced via the corporate invoicing system, or for writing-off debt as non-collectable under the provisions of these Rules.

3.6.5 Divisional Directors are responsible for making changes to fees and charges in order to fulfil their obligations under FPR 4.4.3 below. Such changes only need to be referred to the relevant Scrutiny Committee for

consideration and comment at the discretion of the relevant Strategic Director.

- 3.6.6 Divisional Directors shall advise the Director of Finance of any new sources of income which are exempt from VAT, and of material change to existing sources of income which are exempt from VAT.

Cash Income

- 3.6.7 Officers responsible for the collection of money shall ensure that money collected is recorded and banked without undue delay.
- 3.6.8 Subject to the following Rules, all receipt forms, tickets and other types of controlled stationery by which income is acknowledged shall be ordered and supplied to divisions by the Director of Finance; and Divisional Directors shall be responsible for the safe custody of such documents.
- 3.6.9 Receipts and other forms of controlled stationery which are specific to a particular function may be ordered and controlled by the appropriate Divisional Director, in accordance with arrangements approved by the Director of Finance.
- 3.6.10 All cash received must be acknowledged at once by the issue of an official receipt or ticket, or an entry on a payment card provided for the purpose. No officer or agent of the Council shall give a receipt for cash received on behalf of the Council in any form other than an official receipt. No acknowledgement need be given for payment by cheque, however, unless requested by the debtor.
- 3.6.11 All money received must be accounted for and paid into an approved bank account, either directly, or via Cash Collection centres or the Area Housing Offices, on the day of the receipt, or as soon as practicable thereafter, dependent on the values involved and arrangements for the safe custody of cash (i.e. ensuring insurance value limits are not exceeded). An officer may on no account borrow any money temporarily for their own use, nor should they, except in the case of expenses they incur whilst travelling on Council business, make payments on behalf of the Council from their own pocket. Arrangements may be made with the Director of Finance for an officer who is handling small sums to bank less frequently.
- 3.6.12 An officer is responsible for the safe custody of any money she or he has received until it has been balanced and banked or handed over to another officer for banking. If the money is handed over to another officer, a receipt should be obtained from the officer receiving it. If the money is in a sealed container, the officer should obtain a receipt for the container.
- 3.6.13 Whilst money is in their custody, officers should, at no time, leave it unattended unless it is locked in a safe place, to which the officer alone has access, and which fulfils insurance requirements.

3.6.14 All officers who pay money into any of the Council's bank accounts shall list the amount of every cheque on the paying-in slip and the counterfoil or duplicate, together with some reference, such as an account number, which will connect the payment with the debt; or failing this, the name and address of the debtor.

3.6.15 Cash received by officers on behalf of the Council shall not be used to cash postal orders, personal or other cheques.

3.6.16 The Director of Finance is responsible for approving all systems for the processing of payments by debit, credit and top up payment cards.

3.7 Write-Off of Debts

3.7.1 No debt properly due to the Council shall be discharged otherwise than by:

- i. payment in full;
- ii. write-off.

3.7.2 Subject to conditions set out below, all debts which a Divisional Director or the Director of Finance has been unable to recover at reasonable effort and expense and for which normal recovery processes have been exhausted, shall be referred without delay to the Head of Legal Services.

3.7.3 Debts may be written off as follows:

- i. By the relevant Divisional Director or Director of Finance for debts up to £2,000;
- ii. By the Head of Legal Services for debts above £2,000, subject to periodic reporting of such action to the Overview Select Committee.

provided that: there is a properly established, enforceable debt, which remains unpaid in whole or in part, and is irrecoverable at reasonable effort and expense, or is remitted by a competent court. In the event that there is reason to believe that the cause of any debt being irrecoverable is attributable to fraud, theft, irregularity or the negligence of an employee, the Strategic or Divisional Director shall refer the matter to the Head Of Audit (HoA) under FPR 7.3.3. The debt shall not be written off until any necessary investigative or other action has been agreed by the Strategic or Divisional Director and the HoA.

3.7.4 The Director of Finance or Head of Legal Services may also write down to £1 any debt subject to insolvency proceedings pending resolution of the case, provided that s/he shall report periodically such actions to the Overview Select Committee.

3.8 Monitoring of Income Collection

- 3.8.1 The Director of Finance shall report twice a year to the Overview Select Committee on progress with the collection of the Council's income, with particular reference to the arrears outstanding in respect of each main class of income, debts written-off and action being taken to recover or reduce those arrears.

3.9 Banking Arrangements

- 3.9.1 In this sub-section of the Finance Procedure Rules, the Council's **main bank accounts** are all bank accounts maintained by the Council other than those operated solely for specific establishments or purposes.
- 3.9.2 The Director of Finance is responsible for operating the Council's main bank accounts. Divisional Directors may open and maintain other Council bank accounts for specific purposes in accordance with arrangements specifically approved by the Director of Finance, or, for schools, in accordance with the Scheme for Financing Schools.
- 3.9.3 The Director of Finance is responsible for ensuring that regular and complete reconciliations are carried out, for all the main bank accounts, of balances held to financial records maintained. Divisional Directors are responsible for ensuring that regular and complete reconciliations are carried out of all other Council bank accounts maintained by them. Arrangements for carrying out such reconciliations shall be in a form specifically approved by the Director of Finance.
- 3.9.4 All cheques (except imprest cheques) for the Council's main bank accounts shall be produced directly from RMS in a format approved by the Director of Finance, who shall make proper arrangements for the preparation and despatch of the cheques, and for the custody of blank cheques.
- 3.9.5 Imprest cheques shall be ordered and controlled by the Director of Finance who shall make proper arrangements for the safe custody of blank cheques and the preparation, signing and despatch of the cheques. Divisional Directors shall ensure that for all other Council bank accounts cheques are held, prepared, signed and despatched in a form approved by the Director of Finance.
- 3.9.6 All cheques drawn on the Council's main bank accounts shall bear the pre-printed signature of the Director of Finance or, in the case of imprest cheques, be signed by the Director of Finance or signatory authorised by him or her. Cheques drawn on any other Council bank accounts should be signed by an authorised officer.
- 3.9.7 The Director of Finance is responsible for ensuring that all payments made from the main bank accounts by way of Clearing House Automated Payments (CHAPs) and Bankers Automated Credits (BACs) transactions are properly controlled and suitably authorised.

- 3.9.8 The Director of Finance is responsible for sanctioning the issue of Corporate Credit Cards to staff and members and for reconciling expenditure incurred to the main bank accounts. Divisional Directors are responsible for ensuring that staff use the cards in accordance with procedures issued, including the provision of valid receipts to support the expenditure incurred. Where Corporate Credit Cards are not used in accordance with stipulated procedures then the Director of Finance may withdraw the arrangement.

3.10 Cash Advances, Petty Cash floats and Imprest accounts

Definitions

- 3.10.1 For the purposes of this sub-section of the Finance Procedure Rules the following definitions shall apply:

A **cash advance** is a specific cash loan made to an employee to enable them to purchase appropriate items/services in connection with their employment by the City Council.

A **petty cash float / imprest account** is an amount of money provided for the purpose of funding small cash payments incurred on behalf of the City Council.

A **petty/imprest cash book** is a record of cash payments made from a petty cash /imprest account.

A **cash voucher** is a receipt or other document evidencing the making of a payment from petty cash float / imprest account, supplied by the vendor.

A **petty cash float / imprest account holder** is an officer authorised by their Divisional Director to hold a petty cash float or imprest account.

Rules

- 3.10.2 The Director of Finance may provide cash advances from the main Cash Office, or other designated distribution points, to employees for such amounts as are considered necessary by Divisional Directors for the purpose of meeting expenses. Divisional Directors are responsible for ensuring that employees promptly return any unused advances together with valid receipts to support monies expended, to the appropriate distribution point. Where this does not occur the Director of Finance may authorise deduction of the appropriate sum from the employee's next salary payment.
- 3.10.3 The Director of Finance may provide petty cash floats / imprest accounts of such amounts as are considered necessary by Divisional Directors for the purpose of meeting minor expenses.

- 3.10.4 Divisional Directors are responsible for making arrangements for the safe keeping and proper use of all petty cash / imprest accounts.
- 3.10.5 Each petty cash float / imprest account must be in the sole charge of a single petty cash float / imprest account holder, who is responsible for the proper use and safety of the sums held. Divisional Directors shall ensure that petty cash float / imprest account holders sign a document to confirm receipt when first acquiring a petty cash float / imprest account. The petty cash float / imprest account holder may use the account to make payments in respect of expenditure legitimately incurred for Council purposes, and must record payments made in a petty cash / imprest cash book. The petty cash float / imprest account holder shall obtain cash vouchers for all payments made, and such cash vouchers shall adequately record any VAT incurred and have VAT receipts attached. The person receiving the cash sum shall sign the voucher.
- 3.10.6 When a petty cash float /imprest account needs replenishing, the petty cash float /imprest account holder shall summarise payments made on a record in a form approved by the Director of Finance. The record must be certified as correct by an authorised officer, who must check the petty/imprest cash book, the cash vouchers and any cash held. The completed record, and such other documentation as the Director of Finance shall require, shall be presented to the Director of Finance for reimbursement.
- 3.10.7 Each petty cash float /imprest account must be kept in a lockable box to which the petty cash/imprest account holder alone has access. The box shall be kept securely, for example in a lockable cupboard or safe, in accordance with arrangements specified by the Director of Finance (Specific requirements for Insurance cover must be met).
- 3.10.8 On ceasing to hold a petty cash float /imprest account, the petty cash /imprest account holder must produce the petty/imprest cash book, vouchers and any unspent balance to an authorised officer for checking and retention. The advance will then be handed over to a successor nominated by the Divisional Director, or returned to the Director of Finance.
- 3.10.9 Petty cash float /imprest account should only be used for small transactions where it is quicker and more efficient to buy the goods locally rather than by official order. .
- 3.10.10 Travelling, subsistence and post-entry training expenses should be reimbursed through the appropriate allowance payment systems, and not from petty cash float /imprest account.
- 3.10.11 No income should be paid into a petty cash float/imprest account.
- 3.10.12 For the purposes of closure of the Council's accounts each financial year

end, the Director of Finance will require a certificate from each petty cash float / imprest account holder, which should be countersigned by an authorised officer, providing such details as the Director of Finance shall specify.

- 3.10.13 Divisional Directors shall keep up-to-date records of petty cash float / imprest account holders.

3.11 Stocks and Stores

- 3.11.1 Divisional Directors may hold stocks of consumable items; materials; and equipment for use in the maintenance of assets under their control and the provision of services. They are responsible for the receipt, custody and issue of stock items for their functions and for maintaining suitable records which comply with any guidance given by the Director of Finance. Divisional Directors shall ensure that arrangements to operate their own stores continue to represent value for money to the Council as compared to obtaining materials direct from suppliers.

- 3.11.2 Divisional Directors shall ensure that stock items are effectively safeguarded from loss, theft or damage.

- 3.11.3 Divisional Directors shall arrange for a periodic stock-take to be undertaken independently of the employees responsible for the custody of those stocks, such that the existence and value of all items are checked at least once a year. The write-off of deficiencies or adjustments related to individual stock items may be authorised as follows:

- i. By the relevant Divisional Director for write-offs which do not exceed £5,000, subject to an overall limit equivalent to 5% of total opening stock; and
- ii. By the Director of Finance for write-offs in excess of £5,000 subject to periodically reporting the write-offs to the Overview Select Committee.

- 3.11.4 The value of stocks held at 31st March each year shall be certified by an authorised officer and supplied to the Director of Finance in such form and at such time as may be decided by the Director of Finance.

- 3.11.5 Surplus and obsolete stocks and stores must be disposed of by Divisional Directors on the best terms possible. Divisional Directors shall comply with any guidance given by the Director of Finance in respect of identification of the fact that stock is surplus or obsolete. Where such items are not disposed of and or sold to a company under contractual terms, they may, when judged best, and, subject to independent check, be offered for sale to staff, provided that permission to proceed is first obtained from the Risk Management Section (x 297465) and that subject to that permission, the sale is advertised to as many staff as possible (e.g. using the intranet) for a reasonable length of time (i.e. no less than 4 weeks).

3.11.6 All devices that could contain data (e.g. PCs, laptops, mobile phones, hand held communication devices, memory sticks etc.) **must** be disposed of through ICT.

3.11.7 Any disposals shall be recorded by the Divisional Director concerned and records maintained.

3.12 Asset Register and inventories

Definition

3.12.1 In this sub-section of the Council's Finance Procedure Rules, the following definitions shall apply:

An **asset register** is a register of all significant assets owned by the Council, which is maintained by the Director of Finance for statutory accounting purposes.

An **inventory** is a record of all plant, machinery, vehicles, equipment and other assets under the custody of Divisional Directors, including assets the Council does not own outright. It should aid effective control of such assets and can support the management of risk of loss or damage.

Rules

3.12.2 The Director of Finance shall have access to all inventories and other records maintained by Divisional Directors for the purposes of compiling and maintaining an asset register in accordance with the relevant accounting regulations.

3.12.3 Divisional Directors will maintain inventories and other records to support the asset register in a format agreed by the Director of Finance. Any individual items of plant, machinery, equipment and other assets that are capitalised will be included in the asset register.

3.12.4 The Director of Finance will also specify what other inventories and records need to be maintained by Divisional Directors in order to help safeguard the items recorded in it from loss, theft or damage.

3.12.5 Divisional Directors shall be responsible for carrying out an annual check of all items on all inventories and other records of equipment maintained. Based on original cost, the write-off of deficiencies may be authorised as follows:

i. By the relevant Divisional Director for amounts not exceeding £2,000.

ii. By the Director of Finance for amounts exceeding £2,000 subject to periodically reporting the write-offs to the Overview Select Scrutiny

Committee.

- 3.12.6 Any significant variations should be investigated and reported to the Director of Finance for insurance purposes, with consideration given to reporting the matter to the Director of Finance as a suspected irregularity, under Section 7 of the Finance Procedure Rules.
- 3.12.7 With the exception of portable IT and communication devices issued to individual officers to assist them in undertaking their duties, assets in the custody of the City Council shall not be removed from Council premises, other than in accordance with the ordinary course of the Council's business, or used otherwise than for the Council's purposes, except where specifically authorised by the appropriate Divisional Director.
- 3.12.8 Surplus or obsolete items should initially be offered for use elsewhere in the Council, and where not required, disposed of by Divisional Directors on the best possible terms. Where items are to be disposed of for a sum which is less than current value, by an amount which exceeds £2,000, then this shall be authorised by the Director of Finance, subject to periodically reporting the disposals to the Overview Select Committee. Where such items are not disposed of and or sold to a company under contractual terms, they may, when judged best, and, subject to independent check, be offered for sale to staff, provided that permission to proceed is first obtained from the Risk Management Section (x 297465) and that subject to that permission, the sale is advertised to as many staff as possible (e.g. using the intranet) for a reasonable length of time (i.e. no less than 4 weeks).
- 3.12.9 All devices that could contain data (e.g. PCs, laptops, mobile phones, hand held communication devices, memory sticks etc.) **must** be disposed of through ICT.
- 3.12.10 Any disposals shall be recorded by the Divisional Director concerned and records maintained.
- 3.12.11 Divisional Directors shall advise the Director of Finance of the disposal of items for which an adjustment is required to an asset register.

3.13 Buildings and Land

- 3.13.1 The Divisional Director responsible for housing shall maintain records of all dwellings and other buildings erected or acquired under the Housing Acts, and the Divisional Director (Strategic Asset Management) shall maintain records of all other land and properties owned or occupied by the Council.
- 3.13.2 The Divisional Director responsible for housing shall maintain records of tenancies granted in respect of premises managed by the Housing Service, and the Divisional Director (Strategic Asset Management) shall maintain records of all other tenancies.

- 3.13.3 The Head of Legal Services shall have custody under secure arrangements of all title deeds, land certificates, leases, tenancy agreements and contracts and associated bonds under seal (and any other such documents). The Divisional Director responsible for housing shall have custody of agreements relating to the tenancy of premises managed by the Housing Revenue Account.
- 3.13.4 Terms of disposal should not be finalised without the benefit of a current valuation undertaken by the Divisional Director (Strategic Asset Management) or a suitable firm of valuers appointed under arrangements approved by that Director. The terms of disposal must also take account of the taxation implications to the Council of the disposal.
- 3.13.5 Except in the case of dwellings within the Housing Revenue Account, no property should be disposed of without the prior consultation and agreement of the Divisional Director (Property) or their designated representative.
- 3.13.6 Where disposal to an existing tenant takes place, the relevant Divisional Director shall ensure that all outstanding rent and local taxes have been discharged before the transfer takes place.

3.14 Risk Management and Insurance

- 3.14.1 The Director of Finance is responsible for ensuring that the Council's risks are adequately assessed, and for arranging external insurance cover or making alternative arrangements to provide for potential future liabilities and losses.
- 3.14.2 Divisional Directors shall advise the Director of Finance of all risks, and changes to risks, in accordance with procedures specified by the Director of Finance. Strategic and Divisional Directors are not authorised to arrange insurance cover except via the Director of Finance.
- 3.14.3 Formal identification of key risks which could threaten identified service or Council objectives must be carried out using a risk management process approved by the Director of Finance. Identified risks and any remediable actions are to be agreed as part of the process which will include costs and timescales for action. Divisional Directors shall maintain operational risk registers and ensure that they are kept up to date and monitored on a quarterly basis, reporting significant divisional risk / projects to the Director of Finance.
- 3.14.4 Any damage, loss or other event which may lead to an insurance claim shall be notified immediately to the Director of Finance. No action should be taken or undertaking given by any officer which would prejudice the Council's position in making an insurance claim. Failure to inform the Director of Finance of any changed circumstances could affect the validity of the insurance cover.

3.14.5 Divisional Directors are responsible for ensuring compliance with the terms of any relevant insurance policy and for implementing any other advice given by the Director of Finance on the management of insured and uninsured risks.

4.0 REVENUE BUDGETS

GENERAL FUND AND HRA BUDGETS

4.1 General

These rules apply to all activities of the Council, except for trading units for which the Council determines that separate rules in 4.9 to 4.14 shall apply.

4.2 Definitions

Budget ceilings are spending limits given to individual services when the annual budget is approved, as varied from time-to-time in accordance with the scheme of virement.

A **corporate budget** is a sum of money included in the annual budget which is not included in a budget ceiling. This may be a ceiling or an estimate.

The **council tax requirement** is the amount required by the Council from council taxpayers in any given year to meet its budgeted expenditure.

A **departmental budget** is the sum of all budget ceilings for which a single strategic director is responsible.

An **earmarked reserve** is a reserve created for a specific purpose.

A **carry forward reserve** is a reserve created for the purpose of holding underspends carried forward.

A **scheme of virement** is a scheme approved as part of the annual budget, which may include:

- (a) authority given to the Mayor and directors to vary budget ceilings;
- (b) authority to commit monies held in corporate budgets;
- (c) authority to create, add sums to, and commit sums held in, earmarked reserves.

4.3 Setting a Budget

4.3.1 The Council shall set a budget each year when considering a recommendation of the City Mayor. The recommended budget shall, as a minimum, contain:

- (a) the proposed council tax requirement;

- (b) the proposed band D council tax;
- (c) budget ceilings for individual services and the departmental budget each forms part of;
- (d) a scheme of virement.

4.3.2 The Director of Finance shall advise the Council on the adequacy of the estimates made in the Mayor's recommended budget, the adequacy of reserves, and risks inherent within the budget.

4.3.3 The Director of Finance shall prepare a draft budget for the City Mayor's consideration each year, and strategic directors shall provide such information as is necessary to support preparation of the draft budget.

4.3.4 Strategic directors shall ensure that a detailed budget is correctly recorded on RMS, as soon as practicable after the budget is approved by the Council.

4.4 Incurring Expenditure and Collecting Income

4.4.1 Subject to the following paragraph, strategic directors are authorised to incur expenditure on services for which there is approved budget provision within a budget ceiling. Finance and Contract Procedure Rules must be complied with when expenditure is incurred.

4.4.2 Strategic directors are responsible for collecting budgeted income.

4.4.3 Where budgeted expenditure is to be met by grant income, strategic directors are responsible for complying with the conditions of grant aid. This includes making arrangements for the appropriate retention of documents, including clear working papers, for audit purposes.

4.4.4 All applications for grant income must be signed by a strategic or divisional director, having taken advice from the Director of Finance. The certification of expenditure in support of a grant claim may only be authorised by the Director of Finance or his/her nominee.

4.5 Controlling Expenditure and Income

4.5.1 Each strategic director is responsible for:

- i. managing the cost of each of his/her services within the provision contained within each budget ceiling;
- ii. ensuring that their departmental budget is not overspent in total; this is the key control on which budget management is based.

4.5.2 Each strategic director is responsible for ensuring that there is a nominated cost centre manager responsible for controlling each budget ceiling within his/her departmental budget. Budget ceilings may be divided amongst more than one cost centre manager, but each part of the departmental budget must be allocated to one (and only one) cost

centre manager.

4.5.3 When nominating cost centre managers, strategic directors shall align budgetary accountability with managerial responsibility for use of resources as closely as possible.

4.5.4 Cost centre managers are responsible for ensuring that the budget for which they are responsible is not overspent (or under-recovered) and are accountable to their strategic directors (through normal line management arrangements) in this regard.

4.6 Reserves

4.6.1 The Council's budget management framework allows the creation of earmarked reserves, as permitted within the scheme of virement.

4.6.2 Each department shall have a carry forward reserve.

4.6.3 At the end of each year, resources shall be transferred to each department's carry forward reserve equal to the amount by which there is an underspend on that department's departmental budget.

4.6.4 If, notwithstanding the prohibition on overspending, a departmental budget is overspent, the amount of overspend shall be deducted from the relevant carry forward reserve (which may, as a consequence, become overdrawn).

4.6.5 Strategic directors may use sums held in carry forward reserves for such purposes as they see fit, subject to approval of a business case by the City Mayor.

4.7 Monitoring Expenditure

4.7.1 Each strategic director shall ensure there is a framework for monitoring budgets, which complies with guidelines given by the Director of Finance.

4.7.2 These frameworks must ensure that cost centre managers receive adequate information and training to enable them to control those parts of the budget for which they are responsible.

4.7.3 The Director of Finance shall periodically report progress on implementation of the budget to the City Mayor/Executive and the Overview Select Committee.

4.7.4 Each strategic director shall report progress on the implementation of his/her departmental budget to the Director of Finance, in such manner and to such timescales as the Director of Finance specifies.

4.7.5 The City Mayor/Executive shall hold strategic directors to account for their management and use of resources and may seek explanatory information from strategic directors as it sees fit.

4.7.6 The Overview Select Committee may seek further explanation from any strategic director as it sees fit, or refer any matter to the City Mayor/Executive for its consideration.

4.8 Reporting the Outturn

4.8.1 The Director of Finance shall report the revenue outturn to the City Mayor/Executive and to the Overview Select Committee, as soon as practicable after the end of the financial year.

4.8.2 Each strategic director shall supply such information and explanations to the Director of Finance as is requested for the purposes of this report.

4.8.3 The City Mayor/Executive shall hold strategic directors to account for their management and use of resources during the course of the year and may seek further information from strategic directors as it sees fit.

TRADING ORGANISATIONS

4.9 Definitions

For the purpose of this part of this section of the Rules, the following definitions shall apply:

- i. a **trading organisation** is a part of the Council to which these Rules apply as determined from time to time by the Council (and which makes income from selling its services either inside or outside the Council);
- ii. a **retained surplus** is a trading surplus earned by a trading organisation which they are permitted to retain under these Finance Rules.

4.10 General

4.10.1 Rules in section 4.11 to 4.14 apply to trading organisations to which the Council determines they should apply. Other parts of the Authority's budget shall be managed in accordance with the Rules in sections 4.1 to 4.8 above.

4.11 Budget Setting

4.11.1 Prior to the beginning of each year, the relevant strategic director shall set a budget for each trading organisation in accordance with a timescale and guidance given by the Director of Finance.

4.11.2 Arrangements for supplying work to Council services, and charging for such work, shall be made prior to the beginning of each year following consultation with client strategic directors.

4.12 Accounting Records

4.12.1 Accounts of trading organisations shall be kept in accordance with

legislation, statements of accounting practice issued by CIPFA, and other instructions issued by the Director of Finance.

4.13 Budget Management

4.13.1 Strategic directors responsible for trading organisations shall ensure that each organisation achieves its budgeted return.

4.13.2 Where it appears that the budgeted return is not going to be achieved, the relevant strategic director shall advise the Director of Finance and take appropriate action. He/she should make recommendations to the City Mayor/Executive as necessary. The following action is available:

- i. to reduce the costs of the organisation;
- ii. to seek alternative sources of income;
- iii. to supply additional chargeable work in accordance (in the case of internal clients) with arrangements set prior to the beginning of the year (see above);
- iv. to reduce the budgeted return of the organisation (this will usually involve creating a deficit budget).

4.13.3 Where action (iv) is to be taken, the relevant strategic director is responsible for finding compensating savings within a budget ceiling for which he/she is responsible.

4.13.4 Notwithstanding the above, where it appears that a budgeted return is not achievable, a strategic director may decide to take no action, provided that failure to achieve the budgeted return can be accommodated within the aggregate retained surpluses from previous years of the trading services under his/her control.

4.13.5 The Director of Finance shall report part year and full year trading results of each trading organisation, and strategic directors shall ensure that information is provided as required.

4.14 Surpluses

4.14.1 Each strategic director may retain such proportion of the aggregate surplus of his/her trading organisations as the City Mayor shall specify under this Rule. The current proportion is 50%.

4.14.2 Retained surpluses may be used, subject to approval of a business case by the City Mayor, for the purposes of the trading organisation.

5.0 CAPITAL PROGRAMME

5.1 Definitions

In this section of Finance Procedure Rules:

Capital Resources are sums of money which may be spent on capital expenditure.

Service Resources are such capital resources as the Council may determine when it approves the capital programme.

Corporate Resources are all capital resources other than service resources.

The **Capital Programme** is the Council's planned level of spending on all capital schemes.

Programme Areas are groups of capital schemes within which the Council permits directors to reallocate resources, as determined by the Council when it approves the capital programme.

5.2 Capital Programme

5.2.1 The Director of Finance is responsible for recommending a capital programme to the City Mayor . He/she may recommend the programme as a whole, or authorise individual directors to recommend parts of the programme.

5.2.2 The capital programme may consist of:

- (a) schemes for which specific sums of money are provided based on cost estimates;
- (b) provisions for later decision by the City Mayor or;
- (c) a combination of the two.

5.2.3 The City Mayor shall recommend a capital programme to Council prior to the beginning of each period to which it relates on the basis of one or more reports referred to in paragraph 5.2.1. The programme may be for one or more years.

5.2.4 The capital programme approved by the Council shall determine:

- (a) the extent to which the programme can be changed or added to by the City Mayor, and the extent to which other decisions about deployment of resources can be taken by the City Mayor;

- (b) the extent to which directors are authorised to commit expenditure.

5.2.5 When submitting a capital programme to the City Mayor, the Director of Finance (or director as the case may be) shall identify the following:

- The revenue consequences of any unsupported borrowing;
- The revenue consequences of any schemes apart from the cost of borrowing;
- The extent to which borrowing is affordable, sustainable and prudent with reference to such indicators as the Director of Finance believes appropriate;
- The extent of any pre-commitment of capital resources in years beyond the plan;
- Where directors are authorised to commit expenditure on a scheme, the title of the director;
- The extent to which any schemes are grouped into programme areas.

5.2.6 The Director of Finance shall determine how controllable budgets are charged for any projects that are funded by borrowing in respect of capital consumption and interest.

5.3 Additions and Amendments to Capital Programme by Directors

5.3.1 Directors can add schemes to the capital programme provided the total cost of a new scheme is below £250,000 and totally funded from service resources.

5.3.2 Directors can amend the approved programme by:

- (a) transferring resources within programme areas;
- (b) viring resources between schemes in their approved capital programme, or by using additional service resources, provided any increased costs or virement are below £250,000.

5.3.3 Additions and amendments made by directors shall be reported to the City Mayor/Executive as part of the next capital monitoring report (see paragraph 5.6).

5.4 Incurring expenditure

5.4.1 The approved capital programme shall specify the authority given to directors and the City Mayor to commit expenditure.

5.4.2 No expenditure may be incurred on a scheme funded by grant or third party contributions without written confirmation of these resources.

5.5 Cost increases

5.5.1 Once directors have been authorised to incur expenditure, they are responsible for ensuring that each scheme is completed on time, in accordance with its objectives and within the approved capital programme provision.

5.6 Capital Monitoring

5.6.1 Directors are responsible for ensuring that there are proper arrangements within their service areas for monitoring physical and financial progress of capital schemes.

5.6.2 The Director of Finance shall periodically report progress on the capital programme and the outturn position to the City Mayor /Executive and the Overview Select Committee. Directors shall supply such information as may be required for the preparation of this report.

5.6.3 The Overview Select Committee may seek further information on the performance of individual schemes from directors or refer matters to the City Mayor for further consideration as they see fit.

5.7 Carry forward of resources

5.7.1 Any corporate resources unspent at the end of the financial year will be carried forward to future years unless the City Mayor determines otherwise, after consideration of the outturn position.

5.7.2 Any service resources unspent at the end of the financial year may be carried forward provided it is possible to do so.

5.8 Capital receipts

5.8.1 The Directors of Property and Housing are responsible for achieving capital receipts required to finance the capital programme.

5.8.2 The Director of Finance shall report the capital receipts received in the year to the City Mayor / Executive and Overview Select Committee as part of the capital monitoring reports.

6.0 TREASURY MANAGEMENT

6.1 General

- 6.1.1 All Treasury Management activities will be conducted in accordance with the Authority's Treasury Management Policy as approved from time to time by the Council.
- 6.1.2 The Director of Finance shall review and seek Council approval, to a revised Treasury Management Policy at least every 3 years.
- 6.1.3 The performance of the Treasury Management function shall be reported periodically to the Overview Select Committee.

6.2 Loans

- 6.2.1 All borrowing shall be undertaken by the Director of Finance. Strategic and Divisional Directors do not have authority to borrow money.
- 6.2.2 At the beginning of each year, the Director of Finance shall seek the approval of the City Mayor / Executive I to a Treasury Strategy for the year. The Strategy, which shall comply with the approved policy, shall identify the Authority's strategy for borrowing and lending during the financial year.
- 6.2.3 The Director of Finance is responsible for ensuring that loans are effected in the Authority's name to meet the needs of the Authority on the most economic terms. All borrowing shall comply with the Council's Treasury Strategy.
- 6.2.4 The Authority's Register of Stock, Bonds and Mortgages shall be the Director of Finance unless otherwise approved by the City Mayor / Executive in respect of any specific debt, and the Director of Finance is responsible for maintaining records of money borrowed by the Authority.

6.3 Leasing of Assets

- 6.3.1 This sub-section of the Council's Finance Procedure Rules applies to all leasing of assets other than land and buildings.
- 6.3.2 The Director of Finance is responsible for securing agency status where necessary for the acquisition of leased assets with a financial company or broker, and shall from time to time make arrangements to lease various assets required by the Council where this is financially advantageous.. The Director of Finance shall comply with the relevant Contract Procedure Rules and Finance Procedure Rules when securing a company or broker or when leasing assets. Except where specified below the Director of Finance shall:
 - i. arrange all leases of assets entered into by the Authority;

- ii. negotiate all lease extensions and terminations;
- iii. negotiate arrangements with lessors for the disposal of unwanted assets;;
- iv. maintain records of all leases entered into by the Authority.

6.3.3 Divisional Directors may request the Director of Finance to arrange leases for specific items. Strategic and Divisional Directors are not permitted to negotiate or enter into leases except in the following circumstances:

- i. short term lease or hire arrangements for a period of one year or less;
- ii. leases for specialist equipment where the Director of Finance has agreed that such leases can be entered into without further reference to him/herself.
- iii. arrangements for leases of equipment which are inclusive of a specialist repair and maintenance contract.

6.3.4 Where Divisional Directors enter into leases under the provisions of the above regulation, they may also terminate or extend such leases after consultation with the Director of Finance.

6.3.5 Divisional Directors are responsible for the following in respect of leased assets:

- i. establishing appropriate insurance arrangements for leased assets;
- ii. receipt of goods / assets to be leased;
- iii. recording leased assets on divisional inventories of assets in accordance with Finance Procedure Rules on financial administration;
- iv. ensuring assets are safeguarded during the period of the lease, and complying with all obligations under the lease in respect of the asset;
- v. notifying the Director of Finance of the loss of any leased asset;
- vi. arranging the disposal of unwanted leased assets in accordance with the lessor's instructions at the expiry of a lease.

6.3.6 Divisional Directors shall not dispose of any assets during the period of a lease without consulting the Director of Finance, and shall be responsible for meeting costs of any early termination or similar charges.

6.4 Investments

6.4.1 At the beginning of each financial year, the Director of Finance shall seek the approval of the City Mayor / Executive to an annual investment strategy for that year.

6.4.2 The Director of Finance shall make arrangements for the investment

and management of all of the Authority's cash balances (including schools except where they opt out) in accordance with the Annual Investment Strategy, except in respect of any specific cash balances where other arrangements are approved by the City Mayor / Executive .

- 6.4.2 All investments under the control of the City Council shall be made in the name of the Authority unless otherwise agreed by Council in respect of any specific investments.

7.0 INTERNAL AUDIT

7.1 General

The primary role of the Internal Audit Service is to objectively examine, evaluate and report on the adequacy of the Council's internal control environment as a contribution to the proper, economic, efficient and effective use of resources and the management of risk. Internal Audit also advises on, carries out and directly supports investigations into suspicions of fraud or financial irregularity.

Provision of an adequate and effective system of Internal Audit is the responsibility of the Council. The Council has delegated this function to the Director of Finance, who shall provide an Internal Audit Service to the City Council in accordance with statutory requirements and professional standards.

7.2 Audit Planning and Reporting

- 7.2.1 The Head of Audit shall prepare and agree with the Director of Finance an Annual Audit Operational Plan which will set out the intended work of Internal Audit over the coming year. The plan shall be based on an objective assessment of need arising from an analysis of risk and shall be approved, but not directed, by the Audit Committee. Irrespective of its means of delivery, every process, service and activity falling within the City Council's responsibility shall be subject to the City Council's system of internal audit.
- 7.2.2 The views of Strategic Directors shall be sought about which activities are to be included in the plan as being in need of audit.
- 7.2.3 Work outside the plan may also be specially commissioned at the request of a Strategic or Divisional Director. Any such reviews shall be risk-assessed by Internal Audit and only undertaken if the risks involved justify the audit work necessary.
- 7.2.4 Internal Audit shall at all times conduct its work in accordance with the *Code of Practice for Internal Audit in Local Government*, issued by CIPFA in 2006. Internal Audit shall also abide at all times by the requirements of the Council's Internal Audit Charter.
- 7.2.5 For the purposes of carrying out an audit or investigation, Internal Auditors are authorised to:
- i. have access at all times to any City Council premises and property;
 - ii. have access to all data, records, documents and correspondence relating to any financial or any other activity

- of the City Council;
- iii. have access to any assets of the City Council;
- iv. require from any member, employee, agent, partner, contractor or other person engaged in City Council business any necessary information and explanation.

These rights of access include access to relevant records (whether electronic or otherwise) held by service providers. They apply to Council services provided under contracts and partnership arrangements of all kinds including joint and pooled arrangements. This right of access shall be incorporated within all relevant contract or service agreement documents involving City Council services provided other than internally. It applies to all internal auditors legitimately engaged on Leicester City Council Internal Audit business, whether they are employees of Internal Audit or are provided under an authorised agency or other contract or partnership.

7.2.6 Internal Audit shall remain at all times free from undue influence or other pressure affecting its actions and reporting.

7.2.7 Internal Audit shall report in its own name to the Director of Finance. The Head of Audit has the right to report directly to the City Mayor) if, in his opinion, there are matters of concern that could place the Council in a position where the risks it faces are unacceptable

7.2.8 From time to time, the Head of Audit shall report to the Audit Committee on progress made in delivering the Internal Audit Operational Plan.

7.2.9 Implementation of the recommendations made in internal and external audit reports shall be monitored by the Audit Committee. Strategic and Divisional Directors are accountable to the Audit Committee for ensuring that appropriate action is taken in accordance with those recommendations.

7.2.10 The Director of Finance shall report annually to the Audit Committee on the provision of the Internal Audit service. In addition, the Director of Finance shall report to the Audit Committee on the annual review of the effectiveness of the Council's system of internal audit

7.3 Divisional Directors' Responsibilities in respect of financial control and irregularities

7.3.1 All Divisional Directors shall maintain proper financial controls in financial systems operated within their area of responsibility (see section 2 of these rules) and shall be responsible for the prevention, detection and resolution of fraud and irregularities.

7.3.2 Divisional Directors shall cooperate fully at all times with Internal Audit and ensure that Internal Audit can properly fulfil its role. Any disputes or non-cooperation may be referred to the Director of Finance and ultimately the Audit Committee for resolution.

7.3.3 Immediately any actual or potential financial irregularity affecting the Council is known or suspected, the appropriate Strategic or Divisional Director shall inform the Head of Audit and make proposals in respect of any further investigation that may be required (and the extent of any support required from Internal Audit) and make proposals in respect of other action to be taken.

7.3.4 If the proposals are acceptable to the Director of Finance, Strategic and Divisional Directors shall carry out the proposed actions. Otherwise, alternative proposals shall be made.

7.3.5 Strategic and Divisional Directors are responsible for taking appropriate action on receipt of recommendations from Internal Audit, either as a consequence of a planned or specially commissioned review or an investigation into a suspected fraud or financial irregularity.

7.4 Investigations

7.4.1 For the purposes of carrying out an investigation, the corporate investigations team are authorised to:

- i. have access at all times to any City Council premises and property;
- ii. have access to all data, records, documents and correspondence relating to any financial or any other activity of the City Council;
- iii. have access to any assets of the City Council;
- iv. require from any member, employee, agent, partner, contractor or other person engaged in City Council business any necessary information and explanation.

These rights of access include access to relevant records (whether electronic or otherwise) held by service providers. They apply to Council services provided under contracts and partnership arrangements of all kinds including joint and pooled arrangements. This right of access shall be incorporated within all relevant contractor service agreement documents involving City Council services provided other than internally.

7.4.2 All action taken shall comply with the Council's Anti-Fraud and Corruption Policy Statement and Prosecutions Policy as adopted and approved by the Audit Committee.

7.4.3 In respect of investigations into suspected Housing and Council Tax benefits fraud, the Director of Finance, or another person authorised by the Director of Finance for this purpose, shall have full discretion

to determine the appropriate course of action, including referral to Legal Services or the Police for consideration of prosecution.

- 7.4.4 In all other cases, referral to the Police shall only be made after full consultation with the appropriate Strategic or Divisional Director and the Monitoring Officer.

8. DOCUMENT RETENTION

Officers and members must comply with the Authority's current Document Retention and Disposal Policy.

This can be viewed by clicking on the hyperlink below

<http://www.leicester.gov.uk/your-council/how-we-work/records-retention-and-disposal>