

LONDON BOROUGH OF BROMLEY

FINANCIAL REGULATIONS 2012 AND PROCEDURES

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FINANCIAL REGULATIONS 2012

1. STATUS OF FINANCIAL REGULATIONS

- 1.1 Financial Regulations provide the framework for managing the London Borough of Bromley's financial affairs and are deemed to be part of its constitution. They apply to every member and officer of the Authority and anyone acting on its behalf.**
- 1.2 The summary Regulations identify the financial responsibilities of the Full Council, Executive and Policy Development and Scrutiny Committee members, the Chief Executive, the Monitoring Officer who is the Director of Resources, Finance Director and other Chief Officers. Executive Members and Chief Officers should maintain a written record where decision making has been delegated to members of their staff, including seconded staff. Where decisions have been delegated or devolved to other responsible officers, references to the Chief Officer in the Regulations should be read as referring to them.**
- 1.3 More detailed responsibilities of the Finance Director and the Chief Officers are included in Financial Procedures. These set out how the Regulations should be implemented and provide further guidance. The procedures contain both Regulations that must be adhered to and more general guidelines as well as examples to facilitate good financial control. All members and officers have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, properly authorised, provides value for money and achieves best value.**
- 1.4 The Regulations shall not override any statutory provisions that apply. However, subject to the above, and with the agreement of the Director of Resources and Finance Director, the General Purposes and Licensing Committee may waive compliance with any of these Regulations in a particular case or in any particular class of case where applicable.**

- 1.5 Each Chief Officer is responsible for ensuring that these Regulations are strictly adhered to, throughout the department under their control. Except where otherwise stated, all references in these Regulations to “Chief Officer” should be read as meaning heads of department but this includes all officers that are carrying out duties on behalf of a Chief Officer. Such delegation by Chief Officers should be formally approved and documented.**
- 1.6 Where applicable consultants or agencies acting for the Council will be bound by these procedures and it should be a condition of their employment or engagement that they do so. The provisions of these procedures shall also apply to services carried out under agency arrangements for any other Authority or Organisation, except where otherwise required by that Authority.**
- 1.7 Substantial breaches of Financial Regulations shall be reported to the Finance Director and the Portfolio Holder by the relevant Chief Officer and may be treated as disciplinary offences. Where the Finance Director considers it appropriate he will report to the next meeting of the Audit Sub-Committee any substantial breach of these Regulations that is identified.**
The Finance Director shall be responsible for ensuring the Council’s continuing compliance with the Accounts and Audit Regulations 2011 and all relevant Accounting Codes of Practice and Auditing Standards.
- 1.8 As such, no report having financial implications shall be submitted to Members without adequately timed prior consultation with the Finance Director. Any such report that has financial implications shall be drafted in accordance with the “Code of Practice on Drafting Financial Implications in Committee Reports”.**
- 1.9 These procedures shall be reviewed regularly by the Finance Director but at least every 3 years. The General Purposes and Licensing Committee should approve all amendments and summaries of changes resulting from reviews of codes of best practice, procedures or explanatory notes. Relevant financial thresholds (e.g. write-offs, petty cash payments) should additionally be reviewed against inflation on an annual basis wherever possible.**

- 1.10 As suggested good practice it is recommended that these Regulations be applied to transactions relating to any Amenity or Voluntary Funds handled by staff in the course of their duties.**
- 1.11 The Finance Director is responsible for maintaining a continuous review of the Financial Regulations and submitting any additions or changes necessary to full Council for approval. The Finance Director is also responsible for reporting, where appropriate, breaches of Financial Regulations to the Council and/or to the Executive.**
- 1.12 Chief Officers are responsible for ensuring that all staff in their departments are made 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 either hard or electronic copies are available for reference within their departments.**
- 1.13 The Finance Director is responsible for issuing advice and guidance to underpin the Financial Regulations that members, officers and others acting on behalf of the Authority are required to follow.**

2. STRATEGIC RESPONSIBILITIES

2.1 Financial Management

2.1.1 Section 151 of the Local Government Act 1972 states that each Local Authority “shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”. Full Council approves those arrangements taking into account the views of the General Purposes and Licensing Committee who will also, along with the Audit Sub-Committee, carry a monitoring brief to ensure the arrangements remain effective and are applied appropriately. The said “arrangements” include the Council’s Financial Regulations, Contract Procedure Rules and the Scheme of Delegation (so far as it relates to financial matters). In approving those arrangements, Members are bound by the general principles of administrative law. The Council’s appointed officer under Section 151 is the Finance Director. In performing his functions as the appointed officer, he shall seek to ensure that the management of the Council’s financial affairs accord with the arrangements approved by Council subject to his overarching statutory duties including those referred to at paragraphs 2.5.7-10 below. The Section 151 officer can be held accountable by the electorate to whom he owes a fiduciary duty to carry out those duties effectively and these cannot be overridden by the Council.

2.1.2. Financial management covers all financial accountabilities in relation to the running of the Authority, including the budget and policy framework.

2.2 The Full Council

2.2.1 The full Council is responsible for adopting the Authority's constitution and members' code of conduct and for approving the budget and policy framework within which the Executive operates.

2.3 The Executive

2.3.1 The Executive is responsible for proposing the budget and policy framework to the full council, and for discharging Executive functions in accordance with the policy framework and budget.

2.3.2 Executive decisions can be delegated to a committee of the Executive, an individual Executive member or an officer. Executive members must consult with relevant officers before taking a decision within his or her delegation, the member must take account of legal and financial liabilities and risk management issues that may arise from the decision.

2.4 Committees

2.4.1 Policy Development and Scrutiny Committees: There are six Policy Development and Scrutiny (PDS) Committees who have a major role in policy development and scrutinising the decisions of the Executive. They have no decision making powers but make reports and recommendations which advise the Executive and the Council as a whole on its policies, budget and service delivery. PDS Committees also monitor the decisions of the Executive and can challenge or 'call-in' a decision that has been made by the Executive.

2.4.2 General Purposes and Licensing Committee: Legislation prevents all the Council's powers being exercised by the Executive so the General Purposes and Licensing Committee deals with Non Executive functions, quasi-legal issues such as licensing and with staffing and audit matters. In particular the Audit Sub Committee deals with Financial Regulations as well as Internal and External Audit.

2.4.3 The Standards Committee promotes and maintains a high standard of conduct by Bromley councillors and co-opted members. It has a membership of seven, four of whom are persons independent of the Council. It is responsible for advising the Council on the adoption and revision of the members' code of conduct, and for monitoring the operation of the code.

2.5 The Statutory Officers

2.5.1 Chief Executive:

The Chief Executive is responsible for the corporate and overall strategic management of the Authority as a whole. He or she must report to and provide information for the Executive, the full Council, the Overview and Scrutiny committees and other committees. He or she is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the Authority.

2.5.2 The Director of Resources as:

The Monitoring Officer

The Monitoring Officer is responsible for promoting and maintaining high standards of financial conduct and therefore provides support to the Standards Committee. The Monitoring Officer is also responsible for reporting any actual or potential breaches of the law or maladministration to the full Council and/or to the Executive, and for ensuring that procedures for recording and reporting key decisions are operating effectively. The Monitoring Officer is responsible for compliance with the Constitution

2.5.3 The Monitoring Officer must ensure that Executive decisions and the reasons for them are made public. He or she must also ensure that members are aware of decisions made by the Executive and of those made by officers who have delegated Executive responsibility.

2.5.4 The Monitoring Officer is responsible for advising all members and officers about who has authority to take a particular decision.

2.5.5 The Monitoring Officer is responsible for advising the Executive and/or full Council about whether a decision is likely to be considered contrary to, or not wholly in accordance with, the Authority's budget and policy framework.

2.5.6 The Monitoring Officer, together with the Finance Director, is responsible for advising the Executive or full Council about whether a decision is likely to be considered contrary to, or not wholly in accordance with the budget. Actions that may be contrary to the budget include:

- **Initiating a new policy, which has budgetary implications.**
- **Committing expenditure in future years above the approved budget level.**
- **Interdepartmental transfers above virement limits.**
- **Causing total net expenditure to increase beyond the approved budget.**

2.5.7 Finance Director:

The statutory duties arise from (inter alia):

- **Section 151 of the Local Government Act 1972.**
- **The Local Government Finance Act 1988.**
- **The Local Government and Housing Act 1989.**
- **The Local Government Acts 2000 and 2003.**
- **The Accounts and Audit Regulations 2011.**
- **The Local Government Pension Scheme Regulations**

2.5.8 The Finance Director is responsible for:

- **The proper administration of the Authority's financial affairs.**
- **Setting and monitoring compliance with financial management standards.**
- **Advising on the corporate financial position and on the key financial controls necessary to secure sound financial management.**
- **Providing financial information.**
- **Preparing the revenue budget and capital programme.**
- **Treasury management and banking.**

2.5.9 Section 114 of the Local Government Finance Act 1988 requires the Finance Director to report to the full Council, Executive and External Audit, if the Authority or one of its officers:

- **Has made, or is about to make, a decision which involves incurring unlawful expenditure.**
- **Has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the Authority.**
- **Is about to make an unlawful entry in the Authority's accounts.**

2.5.10 Section 114 of the 1988 Act also requires:

- **The Finance Director to nominate a properly qualified member of staff to deputise should he or she be unable to perform the duties under section 114 personally.**
- **The Authority to provide the Finance Director with sufficient staff, accommodation and other resources, including legal advice where this is necessary, to carry out the duties under section 114.**

2.6 Chief Officers

2.6.1 Chief Officers are responsible for ensuring that members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Finance Director.

2.6.2 It is the responsibility of Chief Officers to consult with the Finance Director and seek approval on any matter liable to affect the Authority's finances materially, before any commitments are incurred.

2.7 Other Financial Accountabilities

2.7.1 Virement:

The full Council is responsible for agreeing procedures for virement of expenditure between budget headings.

2.7.2 Chief Officers are responsible for agreeing in-year virements within delegated limits, in consultation with the Finance Director where required. They must notify the Finance Director of all virements over £50,000. (The Scheme of Virement sets out the rules and the levels of delegation.)

2.7.3 Treatment of year-end balances:

The full Council is responsible for agreeing guidelines for the carrying forward of under and overspendings on budget headings.

2.7.4 Accounting policies:

The Finance Director is responsible for setting accounting policies and ensuring that they are applied consistently.

2.7.5 Accounting records and returns:

The Finance Director is responsible for determining the accounting procedures and records for the Authority.

2.7.6 Annual statement of accounts:

The Finance Director 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: A statement of Recommended Practice (CIPFA/LASAAC).

2.7.7 The General Purposes and Licensing Committee is responsible for approving the annual statement of accounts.

2.7.8 Further details are contained in the detailed budget book.

3. FINANCIAL PLANNING

3.1 Introduction

3.1.1 The full Council is responsible for approving the Authority's budget and policy framework proposed by the Executive. In terms of financial planning, the key elements are:

Corporate plans

The budget

Capital programme.

3.2 Policy Framework

3.2.1 The full Council is responsible for approving the budget and policy framework. The policy framework comprises the plans and strategies set out in Article 4 of Para 4.02 of the constitution.

3.2.2 The full Council is responsible for setting the level at which the Executive may reallocate budget funds from one service to another. The Executive 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.

3.2.3 Preparation of Corporate Plans:

The Chief Executive is responsible for proposing corporate plans to the Executive for consideration before their submission to the full Council for approval.

3.2.4 Preparation of the Council's Performance Plan:

The Chief Executive is responsible for proposing the overall performance plan to the Executive for consideration before its submission to the full council for approval.

3.3 Revenue and Capital Budgeting

3.3.1 Budget Format:

The general format of the budget will be approved by the full Council and proposed by the Executive on the advice of the Director of Resources. The draft budget should include allocation to different services and projects, proposed taxation levels and contingency funds.

3.3.2 Budget Preparation:

The Finance Director is responsible for ensuring that a revenue budget is prepared on an annual basis and a financial forecast on a four yearly basis for consideration by the Executive, before submission to the full Council. The full Council may amend the budget or ask the Executive to reconsider it before approving it.

3.3.3 The Executive is responsible for issuing guidance on the general content of the budget in consultation with the Finance Director as soon as possible following approval by the full Council.

3.3.4 It is the responsibility of Chief Officers to ensure that budget estimates reflecting agreed service plans are submitted to the Executive and that these estimates are prepared in line with guidance issued by the Executive and the Finance Director.

3.3.5 Budget Monitoring and Control:

The Finance Director is responsible for providing appropriate financial information to enable budgets to be monitored effectively. He or she must monitor and control overall expenditure and income against budget allocations and report to the Executive on the Council's overall position on a regular basis.

3.3.6 It is the responsibility of Chief Officers to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Finance Director. They should report on variances within their own areas and take necessary action to avoid exceeding their budget allocation and alert the Finance Director to any problems.

3.3.7 Resource Allocation:

The Finance Director is responsible for developing and maintaining a resource allocation process that ensures due consideration of the full Council's policy framework.

3.3.8 Preparation of the Capital Programme

The Finance Director is responsible for ensuring that a capital programme is prepared on an annual basis for consideration by the Executive before submission to the full Council.

3.3.9 Guidelines

Guidelines on budget preparation are issued to members and Chief Officers by the Executive following agreement with the Finance Director. The guidelines will take account of:

- Legal requirements**
- Medium-term planning prospects**
- Corporate plans**
- Available resources**
- Spending pressures**
- Best value and other relevant government guidelines**
- Other internal policy documents**
- Cross-cutting issues (where relevant).**

3.3.10 Maintenance of Reserves:

It is the responsibility of the Finance Director to advise the Executive and/or the full Council on prudent levels of reserves for the Authority.

4 RISK MANAGEMENT AND CONTROL OF RESOURCES

4.1 Introduction

4.1.1 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.

4.2 Risk Management

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

4.2.2 The Director of Resources is responsible for preparing the Authority's risk management policy statement, for promoting it throughout the Authority and for advising the Executive on proper insurance cover where appropriate.

4.3 Internal Control

4.3.1 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.

4.3.2 The Finance Director 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. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other provisions that govern their use.

4.3.3 It is the responsibility of Chief Officers to establish sound arrangement, for planning, appraising, authorising and controlling

their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

4.4 Audit Requirements

4.4.1 The Accounts and Audit Regulations 2011 require every local Authority to maintain an adequate and effective Internal Audit.

4.4.2 The responsible body currently the Audit Commission is responsible for appointing External Auditors to each local Authority. The basic duties of the External Auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by section 5 of the Audit Commission Act 1998.

4.4.3 The Authority may, from time to time, be subject to audit, inspection or investigation by other external bodies such as HM Customs and Excise and the Inland Revenue, who have statutory rights of access.

4.5 Preventing Fraud and Corruption

4.5.1 The Head of Audit is responsible for the development and maintenance of an anti-fraud and anti-corruption policy.

4.6 Assets

4.6.1 Chief Officers 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.

4.7 Treasury Management and Banking

4.7.1 The Authority has adopted CIPFA's Code of Practice for Treasury Management in the Public Services.

4.7.2 The full Council is responsible for approving the Treasury Management Policy Statement. The Executive proposes the policy statement to the full Council. The Finance Director has delegated responsibility for implementing and monitoring the policy statement.

4.7.3 All money in the hands of the Authority is controlled by the officer designated for the purposes of section 151 of the Local Government Act 1972, referred to in the code as the Finance Director.

4.7.4 The Finance Director is responsible for reporting to the Executive a proposed treasury management strategy for the coming financial year at or before the start of each financial year.

4.7.5 All Executive decisions on borrowing, investment or financing shall be delegated to the Finance Director, who is required to act in accordance with CIPFA's Code of Practice for Treasury Management in the Public Services.

4.7.6 The Finance Director is responsible for reporting to the Executive not less than four times in each financial year on the activities of the treasury management operation and on the exercise of his or her delegated treasury management powers. One such report will comprise an annual report on treasury management for presentation by 30 September of the succeeding financial year.

4.8 Staffing

4.8.1 The full Council is responsible for determining how officer support for Executive and Non-Executive roles within the Authority will be organised.

4.8.2 The Chief Executive is responsible for providing overall management to staff. He or she will also be responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job.

4.8.3 Chief Officers are responsible for controlling total staff numbers by:

- Advising the Executive on the budget necessary in any given year to cover estimated staffing levels.**
- Adjusting the staffing to a level that can be funded within approved budget provision, varying the provision as necessary within that constraint in order to meet changing operational needs.**

5 SYSTEMS AND PROCEDURES

5.1 Introduction

5.1.1 Sound systems and procedures are essential to an effective framework of financial accountability and control.

5.2 General

5.2.1 The Finance Director is responsible for the operation of the Authority's accounting systems, the form of accounts and the supporting financial records. Any changes made by Chief Officers to the existing financial systems or the establishment of new systems must be approved by the Finance Director. However, Chief Officers are responsible for the proper operation of financial processes in their own departments.

5.2.2 Any changes to agreed procedures made by Chief Officers to meet their own specific service needs should be agreed with the Finance Director in advance.

5.2.3 Chief Officers should ensure that their staff receive relevant financial training.

5.2.4 Chief Officers must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation. Chief Officers must ensure that staff are aware of their responsibilities under freedom of information legislation.

5.3 Income and Expenditure / Scheme of Delegation

5.3.1 It is the responsibility of Chief Officers 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 Chief Officer's behalf, or on behalf of the Executive, in respect of payments, income collection and placing orders, together with the limits of their authority. The Executive is responsible for approving procedures for writing-off debts as part of the overall control framework of accountability and control.

5.4 Payments to Employees and Members

5.4.1 The Finance Director is responsible for the payments of salaries and wages to all staff, including payments for overtime, and for payment of allowances to Members. - see Salaries, Wages and Pensions.

5.5 Taxation

5.5.1 The Finance Director is responsible for advising Chief Officers, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the Authority.

5.5.2 The Finance Director 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.

5.6 Trading Accounts/Business Units

5.6.1 It is the responsibility of the Finance Director to advise on the establishment and operation of trading accounts and business units.

6 EXTERNAL ARRANGEMENTS

6.1 Introduction

6.1.1 The Finance Director 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.

6.2 Partnerships

6.2.1 The Executive is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.

6.2.2 The Executive can delegate functions, including those relating to partnerships, to Chief Officers. These are set out in the scheme of delegation that forms part of the Authority's constitution. Where functions are delegated, the Executive remains accountable for them to the full Council.

6.2.3 Representation of the Authority on partnership and external bodies will be decided in accordance with the scheme of delegation.

6.2.4 The Finance Director must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. He or she must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. He or she in conjunction with the appropriate Chief Officer must ensure that the risks have been fully appraised before agreements are entered into with external bodies.

6.2.5 Chief Officers are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

6.3 External funding

6.3.1 The Finance Director is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Authority's accounts.

6.4 Work for third parties

6.4.1 The Executive is responsible for approving the contractual arrangements for any work for third parties or external bodies unless this is delegated to Chief Officers.

SCHEME OF VIREMENT

(Not applicable to schools and colleges, who have separate Regulations)

- 1. The scheme of virement is intended to enable the Executive, Chief Officers and their staff to manage budgets with a degree of flexibility within the overall budget and policy framework determined by the full Council, and therefore to optimise the use of resources.**

- 2. The overall revenue budget is drawn up by the Executive and approved by the full Council. Chief Officers and budget managers are therefore authorised to incur expenditure in accordance with the estimates that make up the budget. The rules below cover virement; that is, switching resources between approved heads of expenditure. For the purpose of this scheme, a budget head is considered to be a cost centre and a division of service is a mandatory division of service as defined by CIPFA's Best Value Accounting Code of Practice service expenditure analysis.**

- 3. Virement does not create additional overall budget liability. Chief Officers are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they should not support recurring expenditure from one-off sources of savings or additional income, or create future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. Chief Officers must plan to fund such commitments from within their own budgets.**

4. Definition of Terms

“Main Account” - refers to the total budget for employees, running expenses, individual special schemes, financing charges, recharges or income within a single service heading (main code).

“Contingent Budget” - refers to those provisions designated by the Finance Director which are mainly outside the direct control of the Authority.

5. Virement Arrangements

a) No virement is allowed from or to any of the following budgets without approval of the Executive

Financing charges

Rates and other taxes

Recharges

Insurances

Contingent budgets (as determined by the Finance Director in consultation with the appropriate Chief Officer).

b) Portfolio Holder agreement will be required for proposals which:

- transfer funds for the creation of new staff posts**

c) Executive approval will be required for proposals which:

would cause the total budget head to be exceeded in the current year or increase the commitment in future years are to be financed from savings arising from competitive tendering.

d) Virement will be allowed within one year between other main accounts as follows:

I. on the approval of the appropriate Chief Officer for sums up to £50,000

II. on the approval of the appropriate Portfolio Holder for sums in excess of £50,000 and up to £250,000

III. on the approval of the full Executive for sums in excess of £250,000 and up to £1,000,000

**IV. on the approval of the full Council for sums above
£1,000,000.**

- e) Virements actioned by a Chief Officer shall be included on the next quarterly monitoring report to the appropriate Executive meeting and notified to the Finance Director.**

6. Maintenance of Buildings

Building Maintenance funding is now split between “landlord and tenant” responsibilities.

7. Notification to Finance Director

Please ensure that your Head of Finance is informed of all virement approvals granted.

Supplementary Estimates

The Executive can agree a supplementary estimate for an individual item up to £1m as long as the full year effect does not exceed £1m. All larger items are to be approved by Full Council. The Executive cannot agree a supplementary estimate if this has the effect of reducing General Fund “Not Earmarked” Reserves below £10m (based upon the latest projections of expenditure).

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1. GENERAL

Contact: Internal Audit

- 1.1 These procedures outline the approved system of corporate financial control to secure the proper administration of the Council's financial affairs, as required by Section 151 of the Local Government Act 1972 and must be adhered to by all.
- 1.2 The Finance Director will add, amend or delete these procedures to reflect the overall needs of Departments and changing circumstances such as, price increases affecting financial thresholds.
- 1.3 Each Chief Officer is responsible for ensuring that these procedures are strictly adhered to, throughout the department under their control.

Except where otherwise stated, all references in these Regulations to "Chief Officer" should be read as meaning heads of department but this includes all officers that are carrying out duties on behalf of a Chief Officer. Such delegation by Chief Officers should be formally approved and documented.
- 1.4 Each Chief Officer should ensure that all staff in their department are made aware of and fully understand the requirements and implications of Financial Procedures as far as they relate to their professional duties and responsibilities. However, this does not remove the requirement for all staff to make themselves conversant with these procedures and comply with their requirements.
- 1.5 Consultants or agencies acting for the Council will be bound by these procedures and it should be a condition of their employment or engagement that they do so. The provisions of these procedures shall also apply to services carried out under agency arrangements for and other Authority or organisation, except where otherwise required by that Authority.
- 1.6 The Finance Director is ultimately responsible for interpreting these Procedures and determining what is considered "substantial",

“significant”, “adequate”, “prompt” etc. as required by these Procedures. Contact details are given at the start of each procedure to facilitate the provision of advice from Finance Director’s Department. However, in the majority of day-to-day cases it is envisaged that officers will seek advice from their Departmental Head of Finance.

- 1.7 Substantial breaches of the procedures shall be reported to the Finance Director and the Portfolio Holder by the relevant Chief Officer and may be treated as disciplinary offences. Where the Finance Director considers it appropriate he will report to the next meeting of the Audit Sub-Committee any substantial breach of these Regulations that is identified.
- 1.8 The Finance Director shall be responsible for ensuring the Council’s continuing compliance with the Accounts and Audit Regulations 2011 and all relevant Accounting Codes of Practice and Auditing Standards.
- 1.9 As such, no report having financial implications shall be submitted to Members without adequately timed prior consultation with the Finance Director. Any such report that has financial implications shall be drafted in accordance with the “Code of Practice on Drafting Financial Implications in Committee Reports”.
- 1.10 These procedures shall be reviewed regularly by the Finance Director but at least every 3 years. The General Purposes and Licensing Committee should approve all amendments and summaries of changes resulting from reviews of codes of best practice, procedures or explanatory notes. Relevant financial thresholds (e.g. write-offs, petty cash payments) should additionally be reviewed against inflation on a regular basis.
- 1.11 As suggested good practice it is recommended that these Procedures be applied to transactions relating to any Amenity or Voluntary Funds handled by staff in the course of their duties.
- 1.12 The accounting policies are set out in the statement of accounts, which is prepared at 31st March each year, and covers such items as:
 - Separate accounts for capital and revenue transactions

- The basis on which debtors and creditors at year end are included in the accounts
- Details on substantial provisions and reserves
- Fixed assets
- Depreciation
- Capital charges
- Work in progress
- Stocks and stores
- Deferred charges
- Accounting for value added tax
- Government grants
- Leasing
- Pensions

1.13 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 quality arrangements have been made for securing economy, efficiency

2. PREPARATION OF BUDGETS

Contacts: Heads of Finance, Technical (Capital Programme)

Revenue Budget

- 2.1 Prior to the start of the revenue budget process, Chief Officers will submit to the Finance Director, in accordance with a timetable laid down by the Finance Director, projections of anticipated real changes (including statutory and demographic factors) over a predetermined period for the services that they manage, this will be for at least three years. Chief Officers will also submit to the Finance Director appropriate supporting information and documentation as specified by him or her. The Finance Director will use this information to compile a forecast of the Council's revenue expenditure and income for consideration by the Executive.
- 2.2 Prior to each financial year, in accordance with a timetable laid down by the Finance Director, draft estimates of income and expenditure for the ensuing year will be prepared jointly by each Chief Officer for the Service(s) they manage and the Finance Director, for presentation to the Executive.
- 2.3 The Finance Director shall then ensure that the summarised budgets for all Departments are presented, together with an estimate of the sums necessary to meet anticipated inflation and other specific items for the following financial year to the Executive to allow them to recommend a levy to the Council before the end of the preceding February.

Capital Programme

- 2.4 Capital programme procedures must be followed in accordance with the manual of Capital Programme Procedures.
- 2.5 The Finance Director is responsible for ensuring that the programme is prepared on an annual basis. This programme will be considered by the Executive before submission to the Full Council.

3. **BUDGETARY CONTROL**

Contact: Heads of Finance

- 3.1 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
- 3.2 Budget management ensures that once the budget has been approved by Full Council, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the Authority to review and adjust its budget targets during the financial year. It also calls to account managers responsible for defined elements of the budget.
- 3.3 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 overspend, each service is required to manage its own expenditure within the cash-limited budget allocated to it.
- 3.4 Chief Officers are responsible for the control of their department's expenditure and income in accordance with the Council's approved "Principles and Budgetary Control Procedures" (see Procedures).
- 3.5 No officer shall incur expenditure outside the limits of the annual revenue budget or the approved capital programme, as amended from time to time by the Executive, except as provided for by the "Principles and Budgetary Control Procedures."
- 3.6 Even if there is insufficient budgetary provision a Chief Officer may incur expenditure that is necessary to carry out any repair, replacement or other work which is of such extreme urgency that it must be done immediately. When such an occasion arises, the Chief Officer shall advise the Finance Director and report to the Executive. In the event of a major environmental disaster or a full scale emergency this can be done retrospectively.
- 3.7 The relevant Chief Officer must consult the Finance Director on any matter within their control that could materially affect the financial

position of the Council.

- 3.8 The Authority is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with carefully weighed priorities. The budget is the financial expression of the Authority's plans and policies.
- 3.9 The revenue budget 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.
- 3.10 Medium-term planning (or a three to five 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.
- 3.11 A report on the final accounts will be submitted by the Finance Director to the General Purposes and Licensing Committee as soon as practical after the end of each financial year. The final accounts will need to be approved by the Council annually.
- 3.12 The Local Authority must decide the level of general reserves it wishes to maintain before it can decide the level of council tax. 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.
- 3.13 Capital expenditure (including use of capital grants and PFI/PPP projects) 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.

- 3.14 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.
- 3.15 Chief Officers must comply with guidance concerning capital schemes and controls issued by the Finance Director.

4. ACCOUNTING ARRANGEMENTS

Contact: Heads of Finance/ Internal Audit

- 4.1 Chief Officers and Heads of Finance are responsible for maintaining all accounting and financial records for systems under their control, including automated or computerised systems, in a form approved by the Finance Director.
- 4.2 The Accounts & Audit Regulations 2011 require that the Authority's accounting system and the form of their accounts and supporting accounting records shall be determined by the responsible financial officer.
- 4.3 Where new financial systems are proposed or significant amendments are planned to existing financial systems, the Finance Director's advice shall be sought. No changes to any accounting procedures or form of accounts shall be made without the approval of the Finance Director.
- 4.4 Each Chief Officer shall, in consultation with the Finance Director, prepare such financial instructions as are considered necessary for the proper financial management, operation and control of the services for which they are responsible, in accordance with Financial Regulations and procedures.
- 4.5 Such financial instructions shall, in accordance with the Accounts & Audit Regulations 2011, contain measures to:
 - Ensure that the financial transactions of the Authority are recorded as soon as reasonably practical and as accurately as reasonably possible;
 - Enable the prevention and detection of inaccuracies and fraud; and
 - Facilitate the ability to reconstitute any lost records.

Separation of Duties

4.6 Each Chief Officer is responsible for ensuring, so far as is reasonably practicable, that there is adequate internal separation of duties in their department in relation to significant financial transactions. For example:

- staff responsible for calculating, checking and recording monies due to or due to be paid by the Council shall not receive or make such payments;
- staff examining and checking the accounts of cash transactions shall not carry out (i.e. process) such transactions;
- Staff who sign authorise orders, confirm receipt of goods or services, and certify payments shall not perform more than one function for the same transaction.

Authorised Officers

4.7 Each Chief Officer, in consultation with the Departmental Head of Finance, shall determine which officers in their department are Authorising Officers for all main financial transactions on their behalf. These should as a minimum include:

- orders for goods, works or services;
- payment of accounts;
- travel, subsistence and special assistance claims;
- payroll documents (e.g. overtime claims, timesheets)
- recommendations for write-off

4.8 The appropriate Chief Officer shall supply up to date details of all authorised officers together with copies of their specimen signatures or authorisation evidence, and any financial limits that apply to Accounts Payable. Additionally, copies of these lists and specimen signatures or evidence of authorisation shall be provided to the Finance Director where prime documents are processed under procedures within his or her control (e.g. recommendations to the Finance Director to write off bad debts).

i-Procurement

4.9 All orders for Goods, works and services should be placed via the i-Procurement system unless the following apply:

- The Order originates from an established finance element of a service specific system (e.g. Confirm, Care First), Or
- Where agreed by the Finance Director

4.10 The following role definitions will apply when orders are raised and paid on the i-proc system:-

a) *Requisitioning Officer Role:* an officer authorised by their Chief Officer to raise order requisitions on the i-Proc system on behalf of the Council. They would identify the potential supplier, check budget provision is available and best value is obtained, either by using the “Lead Officer” recommendation or their own knowledge and experience, and in accordance with section 6 and Contract Procedures.

b) *Receipting of goods Role:* an officer who confirms on the i-Proc system that goods/services have been received. The officer fulfilling this role must have first hand knowledge that the goods have been received and will be held accountable for funds subsequently released where the corresponding goods have not been received. This role can be completed by the requisitioning officer or an individual other than the approving officer.

c) *Approving Officer Role:* an officer other than a) designated by their Chief Officer to authorise individual orders in accordance with the approval hierarchy. In approving an order the approving officer is confirming that all relevant Financial Regulations and procedures have been complied with and that there is adequate budgetary provision to cover the resulting expenditure.

Where the received invoice legitimately exceeds the order amount by more than 2% by value*, an approving officer must approve an amendment to the order (submitted by the requisitioning officer of the original order) which must also meet the above requirements.

*The Tolerance for print orders is 10% by price or quantity.

- 4.11** The following role definitions will normally apply for non i-Proc processes (notwithstanding that different terms may be in common day to day use within departments):

A) *Initiating Officer Role:* an officer authorised by their Chief Officer to authorise official orders on behalf of the Council. They would normally identify the potential supplier, ensure budget provision is available and best value is obtained, either by using the “Lead Officer” recommendation or their own knowledge and experience, and in accordance with Contract Procedures.

Departments may of course prefer that one officer completes an order requisition form for authorisation by a manager but this is not a requirement of Financial Procedures (see Section 6). In such cases, it may be that the manager takes responsibility for checking budget provision and demonstrating best value. However, the manager who authorises the order is deemed the Initiating Officer and he/she therefore cannot then receive the goods, or authorise or certify the invoice.

B) *Authorising Officer Role:* an officer, other than (a) or (c), who passes an invoice for certification, having confirmed receipt of goods or services and checked arithmetical accuracy, quantities, prices etc. to the original order. This officer may in practice be the person who requested the goods / services as they will often be best placed to confirm the order has been delivered accurately.

C) *Certifying Officer Role:* an officer other than (a) or (b), designated by their Chief Officer to certify individual invoices for payment. In certifying an invoice for payment the Certifying Officer is indicating that all relevant Financial Regulations and procedures have been complied with and evidenced in paying the invoice, prior to input and certification onto Accounts Payable.

Write-Offs

- 4.12 No uncollectable amounts, including bad debts, should be written off except with the approval of the Finance Director, whether exercised personally or properly delegated by him to a member of his staff for this purpose.
- 4.13 Further guidance in this area is given in Income Collection and Write off procedures in Section 12 and the main Financial Procedures.

Retention of Documents

- 4.14 Chief Officers shall be responsible for ensuring that the accounts and supporting records of the Authority are maintained securely in accordance with proper practices and for the safe custody and proper use of controlled stationery (i.e. having an implicit monetary value) within their department.
- 4.15 Chief Officers shall also ensure that accounting records are retained in safe custody for such period as shall be determined by the Finance Director and no voucher or other document shall be destroyed before the specified period has elapsed. Details of the minimum periods for which certain records are to be retained (usually six years), and guidance as to how and when document imaging is permissible (usually once the Council's accounts have been certified by the External Auditor), are provided in the retention of documents procedures.
- 4.16 The ultimate disposal of financial records should be arranged by each Chief Officer as "confidential waste" and on no account should sensitive information be disposed of through the normal waste collection process.

External Arrangements

Partnerships

- 4.17 The Finance Director must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory and must also consider the overall corporate governance arrangements in respect of financial issues when arranging contracts

with external bodies. The Finance Director must also ensure that the financial risks have been fully appraised before agreements are entered into with external bodies.

4.18 Chief Officers are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

4.19 The Relevant Portfolio Holder is responsible for approving the contractual arrangements for any work for third parties or external bodies where the contract value exceeds £500,000 and is within the Council budget.

External funding

4.20 The Finance Director is responsible for identifying all the financial implications, including long term issues, resulting from entering into agreements with external bodies. He/she is also responsible for ensuring that all funding notified by external bodies is received and properly recorded.

5. AUTHORISATION LIMITS

Contact Finance Director / Internal Audit

5.1 Authorisation Limits for placing of orders and payments

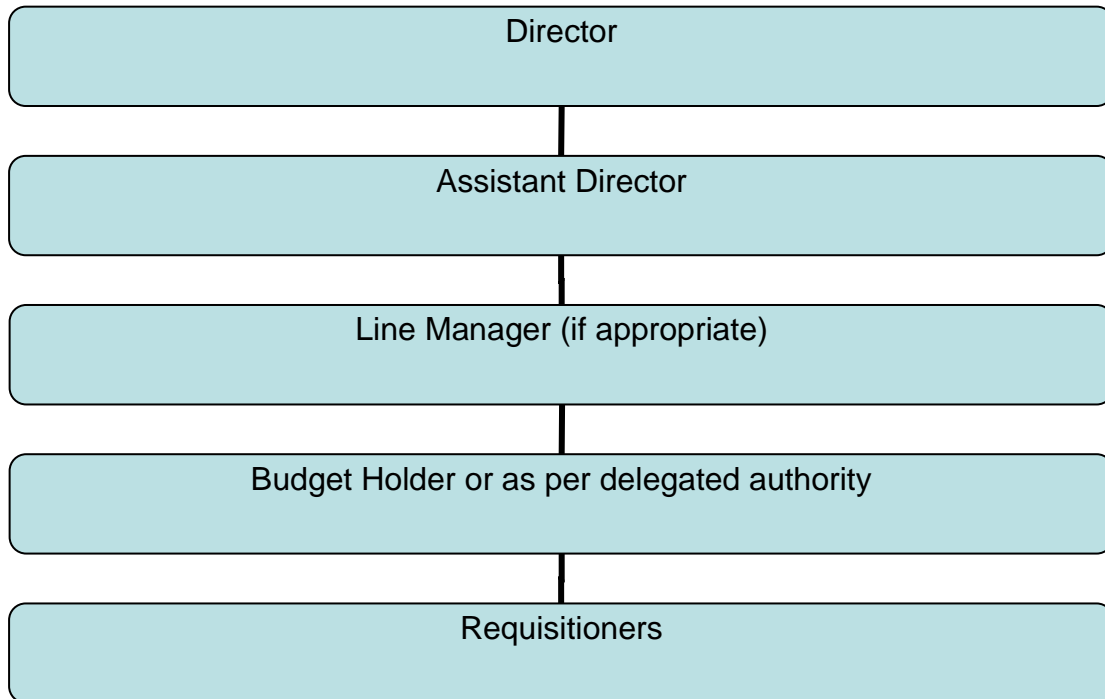
5.2 It is the responsibility of Chief Officers to ensure that a proper scheme of delegation has been established within their area and is operating effectively.

5.3 The scheme of delegation should identify staff authorised to act on the Chief Officer's behalf, or on behalf of the Executive in respect of payments, placing orders, together with the limits of their authority.

5.4 Any delegated authority under the scheme of delegation authorised by a Chief Officer must be in accordance with the Council's Contract Procedure Rules.

5.5 The approval limits (other than listed exemptions) are shown below and these apply to any orders placed via i-proc and any certification through AP1 or 2 after Contract Procedures have been complied with.

Amount of order or payment	Procurement Requirements	Director	Assistant Director	Line Manager (if appropriate)	Budget Holder or as per delegated authority
Over £1m	EU process and Executive approval	✓			
Up to £1,000,000	EU process and Portfolio Holder approval	✓			
Up to £500,000	EU process	✓			
Up to £250,000	Tendering Process - EU process for EU limit and above	✓	✓		
Up to £100,000	Tendering Process	✓	✓	✓	✓
Up to £50,000	3 written quotes	✓	✓	✓	✓
Up to £5,000	1 oral quote (confirmed in writing if exceeds £1,000)	✓	✓	✓	✓



5.6 A requisitioner will be able to raise requisitions on i-proc but they will not be able to approve orders. If the value of the requisition is less than £5,000 the requisition will be automatically routed for approval and order generation subject to the departments scheme of delegation. If the requisition value exceeds an approver's limit the requisition will be routed straight to the 1st appropriate management level above for approval.

5.7 Listed Exemptions

5.8 However there are other payments / actions that require authorisation which Chief Officers should include within their Scheme of Delegation. A list of the exceptions from i-proc and AP1/2 certification limits are detailed below:-

1. Manual Requisitions
2. Initiate order
3. Authorise official order
4. Travel Expense & Petty Cash
5. Timesheets Agency Staff
6. Overtime Claim & Car Mileage
7. AP Batch Certification
8. Sign Cheque Book
9. Liberata Work Request

10. Appointment letters, car loans, PET Approval
 11. Special Leave, Ex-gratia Payments, Season Ticket loans, Interview Expenses
 12. New Employee Forms
 13. Interim Pay Cheques
 14. Liberata Invoices
 15. Non BT Car Loans
 16. Benefits including Broomleigh
 17. Issue of Summons
 18. Income Write-Offs
 19. Academy Imprest Account
 20. Payrolls & Pensions
 21. Manual Cheque Requisition
 22. Panel Decisions
 23. Hexagon Authorisation
 24. External Training Courses
 25. Car Loans and Lease Cars
 26. Cheques over £50k
 27. Form CMI
 28. School Payments
 29. Investment Payments
 30. Waivers
- 5.9 The authorisation for the above should be locally managed by the Chief Officer for their Department. The completed authorised signatory form should be forwarded to Accounts payable (Resources Department) for them to hold in their records. Any changes should be notified immediately that they occur and not as a result of an update requested by Accounts Payable Department.

6. **ORDERS AND CONTRACTS FOR GOODS, WORKS AND SERVICES**

CONTACT: Legal/ Internal Audit

- 6.1 Public money should be spent with demonstrable probity and in accordance with the Authority's policies. Local 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. These procedures should be read in conjunction with the Authority's contract and procurement rules.
- 6.2 Every officer and member of the Authority has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the Authority, in accordance with appropriate codes of conduct.
- 6.3 Apart from petty cash and other payments from advance accounts, the normal method of payment from the Authority shall be by cheque or through the banks' automated clearing system (BACS) or other electronic transfers of funds drawn on the Authority's bank accounts by
- 6.4 All orders should be raised on the i-Procurement system. Where this is not possible unique pre-numbered official hard copy orders should be raised, any exceptions should be agreed by the Finance Director.
- 6.5 Chief Officers are responsible for the control of all orders held and issued by their department. They should determine which officers in their department should be allowed to be Initiating Officers and raise and authorise orders on their behalf.
- 6.6 It shall be the responsibility of an officer issuing an order to ensure, as far as is reasonable and practicable, that value for money is obtained in respect of each transaction. All arrangements for using Electronic Ordering, (other than through the Councils corporate - Procurement system) needs the approval of the Procurement Section. Permission will be subject to proper audit trails and safeguards being in place.
- 6.7 An official order, or its equivalent, must be raised for all goods, works and services except where one or more of the following apply:

- (i) Where a specific formal contract exists which does not incorporate any facility for the regular draw-down of services;
- (ii) Rents, business rates, council tax and utility services as supplies of a continuous and obligatory nature;
- (iii) Petty cash payments

Where hard copy official orders, are used they shall as a minimum:

- (iv) be clearly identifiable as an order from the London Borough of Bromley, including invoice address, officer contact etc.;
- (v) be serially numbered;
- (vi) be physically authorised by an authorised signatory;

6.8 Provided that the Finance Director is fully satisfied, the method by which an official order is issued shall be at the discretion of the Initiating Officer, having regard to the requirements of this procedure, and the supplier e.g. by post, fax, or (with the Finance Director' initial approval) by internet e-mail or via the supplier's web site. A carbon copy or photocopy or electronic copy (as appropriate) of all authorised orders should be retained in the form issued.

6.9 In exceptional cases only, an oral order may be made. In such cases a confirmation order must be issued. The confirmation iProc order should be despatched the same day where possible and certainly no later than within two working days and should be clearly marked "confirmation only".

6.10 All goods, works and services ordered shall be for the exclusive use of the Council or an organisation which has established arrangements to make purchases through the Council's accounts.

6.11 All leasing arrangements must have the Finance Director's prior approval.

Orders and Authority

6.12 No order shall be raised unless there is uncommitted budgetary provision to meet the estimated cost unless it relates to works necessary within Section 3.3 of these procedures.

Minimum Requirements

6.13 Before placing an order the Initiating Officer shall estimate the probable cost of the goods works or services required. This estimated cost will determine the normal procedures to be followed in obtaining quotations or tenders. These procedures are outlined below:

- a) Up to £5,000 one oral quotation (confirmed in writing where the estimated cost or value exceeds £1,000) using the appropriate approved list
- b) Between £5,000 and £50,000 obtain at least three written quotes-
- c) Over £50,000 follow Contract Procedures

7. **CONTRACT PROCEDURE RULES**

These are now contained in the Procurement part of the Managers Toolkit.

7.1 Contract Procedures must be complied with as applicable

[Contract Procedure Rules](#)

8. PAYMENT OF ACCOUNTS

Contacts: Internal Audit (Certification Controls) /Accounts Payable
Accountancy (FIS Accounts Payable)

PAYMENTS REVISED

- 8.1 The Finance Director is responsible for making safe and efficient arrangements for all payment of accounts. All payments on behalf of the Council shall therefore be made by the Finance Director or under arrangements approved by him. All payments should be made through one of the Council's E payment systems (i-Proc; Carefirst; Confirm) wherever possible and unless otherwise agreed with Internal Audit. Where this is not possible an agreed manual process system may be used.
- 8.2 Payments should be made against official invoices (or their equivalent e.g. Contractor Certificate of Payment) received from suppliers, and not against statements, delivery notes etc. The Finance Director must specifically approve exceptions to this requirement, taking account of the risk and any compensating controls in place (e.g. Residential Care payments are currently exempted from this specific requirement).
- 8.3 Payment against copy invoices (i.e. duplicates / photocopies) should only be made where detailed checking has confirmed that no payment has been made against an original and the Certifying Officer should endorse the copy invoice to that effect. Faxed invoices are acceptable with the approval of the Finance Director, or his delegated representative.
- 8.4 The Finance Director shall be responsible for deciding the most appropriate method of payment for categories of invoice. Payments will normally be made via electronic transfer (e.g. BACS); computer cheques or where appropriate controls are in place. Except where there is no practical alternative (e.g. remittance advice required), cheques should normally be despatched independently of Certifying Officers and other ordering or payments staff. Payments via BACS should only be made where the bank details have been confirmed by the supplier and checked by the Accounts Payable team.

- 8.5 Payments in advance should only be made where there is no practical alternative, and the reasons should be recorded. Any invoice subsequently obtained should be filed with the original payment documentation, and endorsed appropriately to prevent duplicate payments.
- 8.6 Payments must be made under the Council's normal payment procedures unless there is good reason to make payments as urgent (e.g. to obtain a discount). In exceptional circumstances the Finance Director will prepare manual cheques for urgent payments (i.e. where required immediately) but two Authorised signatories will be required.
- 8.7 The following checks should be conducted for all invoices received:
- Establish whether the invoice relates to an i-Proc order, a Confirm order, a Carefirst order or a purchase card payment.
 - The invoice is correctly due and has not already been paid.
 - The invoice matches or part matches the order.
 - The goods or services billed for have been received.
 - The invoice is arithmetically correct.
 - Where VAT is charged the invoice is a valid VAT invoice.
- 8.8 Where an invoice is received with a corresponding purchasing card slip, this indicates that payment has already been made through use of a purchasing card. The invoice should be sent to the Cardholder (if shown on the invoice) or otherwise sent to Corporate Procurement.
- 8.9 Where the invoice relates to an i-Proc order the following additional checks should be undertaken:
- The i-Proc order number has been included.
 - The value of the invoice does not cause the total amount and/or quantity allocated against an order to be exceeded by more than the tolerance set within i-Proc.

- 8.10 Where the above are satisfied the invoice should be passed for payment promptly.
- 8.11 If the value of an invoice relating to an i-Proc order causes the value of the i-Proc order to be exceeded by more than the tolerance then approval to change the value of the i-Proc order must be obtained.
- 8.12 Other anomalies should be referred to the supplier and a correct invoice supplied for payment.
- 8.13 Where on some occasions the invoice is correctly due, has not been paid previously and should have had an i-Proc order raised at the time the decision to purchase was made then the checks at FP8.7 should be conducted, an i-Proc order raised retrospectively, authorised and the invoice paid against it.
- 8.14 An i-Proc order is not required where one or more of the following apply:
- (a) i-Proc is unavailable
 - (b) The invoice is a utility bill
 - (c) The payment relates to an AP2
 - (d) The payment has been approved via a feeder system, e.g. CONFIRM
- 8.15 An AP1 should be completed in all cases matching 8.14 a) or 8.14b). Utility Bills received from Laser are exempt from the above authorisation controls.
- 8.16 Each Chief Officer shall arrange a suitable division of staff duties within their departments so that the officer who certifies an individual AP1/AP2 for payment shall not be the person who either approved the order or requisition, or has confirmed the receipt of goods or completion of the work concerned.
- 8.17 Chief Officers should ensure that all invoices input onto Accounts Payable for payment have been properly authorised and certified, with evidence of at least three designated officers having been involved in the whole process (ordering / receipt of goods or services / payment). The Finance Director must specifically approve exceptions to this requirement e.g. where authorisation / certification is performed electronically or where less than three officers are involved in the process.

- 8.18 Chief Officers may delegate the authority to certify invoices to designated officers within their department, including, Departmental Heads of Finance and the locally placed central department staff. Chief Officers must supply to Accounts Payable up to date details of such officers together with specimen signatures or evidence of authorisation and any financial limits that apply.

Checking Required

- 8.19 The overriding principle to be adhered to is that authorisation and certification checks should be meaningful. To this end, they should be carried out and evidenced by those officers who are in a position to judge, for instance, whether goods / services have actually been received or whether invoice prices are correct. The evidence should also be unambiguous e.g. an isolated signature on an invoice does not make it clear what has been checked or what is being authorised or certified and is therefore not acceptable.
- 8.20 The certifying of individual invoices that do not relate to i-Proc orders shall only be made in writing on the AP1/2 form (or its equivalent).
- 8.21 No invoice shall be passed for payment unless it either relates to an i-Proc order (or other approved electronic ordering method, e.g. Confirm/Carefirst) or the Certification "section" of AP1/AP2 is completed.
- 8.22 No alterations should be made to AP2 forms once they have been certified for payment. If an error is subsequently highlighted the form should be returned to the officer who certified the payment for correction. In situations where the AP2 form can not be returned to the certifying officer, another authorised officer should certify the amendment on the AP2 form.
- 8.23 Certifying Officers are responsible for ensuring that adequate checks are performed and evidenced prior to the payment of an invoice to satisfy themselves that the payment is accurate and due to be paid.
- 8.24 The following checks are regarded by the Finance Director to be good practice.

For all invoices, that:

- (a) Where appropriate, a match is made with the official order, agreement, Council resolution or other document authorising the expenditure (this is done automatically by the i-Proc system);
- (b) Prices are in accordance with quotations or are otherwise reasonable (this is done automatically by the i-Proc system);
- (c) That the invoice arithmetic is correct;
- (d) Goods have been received, examined and approved with regard to quantity and quality and / or that work done or services rendered have been satisfactorily carried out or provided (except in those cases approved by the Finance Director at FP 8.25 -8.29 e.g. maintenance works where no adverse comments have been received);
- (e) Where VAT is charged that the invoice carries the VAT registration number of the supplier;
- (f) The invoice has not been previously passed for payment;
- (g) The invoice is a proper liability of the Council, has been duly authorised (either via a corresponding i-Proc order (or other approved electronic ordering method, e.g. Confirm/Carefirst) or an AP1/AP2 where an i-Proc order is not appropriate) and is, to the best of the Certifying Officer's belief, legal expenditure.

For a sample of invoices, additional pre or post payment checks as follows, that:

- (a) Expenditure codings are correct. This must be one of the cost centre codes included in the budget holder's area of responsibility and must correspond with the type of goods, works or services described on the invoice;
- (b) VAT issues have been complied with where they apply and any VAT has been properly accounted for (NB VAT invoices should never be amended by officers and attention is drawn to the Finance Director);
- (c) Where appropriate, that any assets have been entered into the relevant departmental inventory or stores record (see Section 17).

8.25 The Finance Director recommends the following as the appropriate sample for these additional checks:

<u>Value of Invoice</u>	<u>% to be checked</u>
Under £2,500	5
£2,500 - £10,000	20
Over £10,000	100

8.26 Officers certifying batches of invoices onto the Accounts Payable system should carry out sufficient checks to ensure that corresponding i-Proc orders exist, or AP1's or their equivalents are appropriately signed off and that the amounts and supplier details on the invoice match the certification document.

Verification of Goods / Services Received

8.27 In recognising the practical difficulties associated with verifying the supply of goods or services received in certain circumstances the following approved exceptions will apply to the requirements at paragraph 8.24(d) above. In these circumstances for non i-Proc related expenditure the Goods / Services box on the relevant AP1 may be marked by the Authorising or Certifying officer as "not applicable" or "n/a".

8.28 However, officers responsible for such systems should ensure, in liaison with Internal Audit, that they design and implement sample checks on goods / services received which are appropriate to the level of risk and available resources. In particular, the Director of Education & Care Services should make proper arrangements for the linkage of service visits and inspections to the systems in place for the checking of goods and services received.

Maintenance

8.29 Invoices relating to building maintenance works or personal care aids and adaptations for which there is no corresponding i-Proc order may be certified on the basis of "no adverse comments received". Site inspections must still be performed wherever practicable, using either the sample sizes recommended by the Finance Director at FP8.25 or in Education & Care Services by inspecting as part of pre-arranged visits from care managers.

Placements

8.30 Education & Care Services placements e.g. in temporary accommodation, children's day care or with permanent and temporary residential placements, may be certified without prior physical inspection provided that: (a) the invoice is independently matched to the approved official order (or its equivalent) and (b) certifying officers promptly take account of information received from care providers and any relevant compensating controls already in place within the system e.g. visits to clients by care managers, temporary accommodation registration signing sheets, adverse comments received from clients when making financial contributions.

Direct Care

8.31 As with placements, invoices relating to homecare services (e.g. personal and domestic care) may be certified without prior physical inspection provided that: (a) the invoice is independently matched to the approved official order (or its equivalent) and (b) certifying officers promptly take account of information received from care providers and any relevant compensating controls already in place within the system e.g. visits to clients by care managers, adverse comments received from clients when making financial contributions.

Creditors Provision

8.32 As soon as is practicable after the end of each financial year Chief Officers at the request of the Finance Director must provide details of the outstanding payments relating to that year for which creditors provision should be made in the final accounts.

Late Payment of Debts

8.33 Guidance on Late Payment of Debts legislation is set out in the Payments Financial Procedure.

Purchasing Cards

8.34 Purchasing Cardholder Procedures must be complied with as applicable

[Purchasing Card Procedures](#)

9. IMPREST ACCOUNTS & PETTY CASH

Contact: Corporate Finance, Internal Audit (Internal Controls)

- 9.1 The Finance Director may, at his discretion and at the request of Chief Officers, make available imprest accounts to facilitate the cost-effective payment of minor items of expenditure on behalf of the Council.
- 9.2 Where appropriate, the Finance Director shall open an account or personally approve arrangements for the opening of an account with the Council's bankers for use by a named and responsible officer nominated by the relevant Chief Officer who will be the imprest holder. Under no circumstances is such an account to be allowed to become overdrawn.
- 9.3 Any officer to whom an imprest has been made available shall be responsible for the control and operation of the imprest account. In particular, each such officer shall:
- (a) Ensure that vouchers are obtained and retained to substantiate payments made;
 - (b) Ensure that receipts, where possible, relating to expenditure from an imprest are attached to the relevant voucher;
 - (c) Ensure the safe custody of imprest monies and cheques in their possession;
 - (d) Restrict the amount of any individual payment to £250 (including VAT), unless prior approval has been obtained from the Finance Director. (This approval will normally be delegated to the relevant Head of Finance). Imprest holders must not sub-divide payments to a single recipient;
 - (e) Properly account for VAT on all imprest account transactions (see Section 10), and ensure that HMRC requirements in respect of amounts greater than £100 are fully complied with.

NB a till receipt for items > £250 is not sufficient for VAT return purposes;

- (f) Account to the appropriate Chief Officer for the amount advanced on leaving the employment of the Council or otherwise ceasing to be responsible for holding the imprest.
 - (g) Ensure that the account is reconciled regularly, that regular reimbursement is sought and that the adequacy of the imprest amount / continuing need for the imprest is regularly reviewed;
 - (h) Sign a statement at the end of each financial year confirming the amount of the imprest held. This should also be counter-signed by a senior officer.
- 9.4 No sums received on behalf of the Council may be paid into an imprest account but shall be banked separately.
- 9.5 Every transfer of an imprest account from one member of staff to another shall be evidenced in the records of the department concerned by the signatures of the officers concerned.
- 9.6 The general principle of imprest accounting is that at any time the cash and bank balance, together with the aggregate value of any receipts on hand, unreimbursed claims and cheques not credited should total the approved imprest account balance. At no stage should the cash balance be allowed to fall below zero.
- 9.7 If it becomes apparent that the current level of imprest is insufficient, the items on which the imprest is expended should be reviewed. If it is clear that there is no reasonable alternative to expenditure through the imprest, a formal request in writing to have it increased should be made to the Finance Director. (This approval will normally be delegated to the relevant Departmental Head of Finance).
- 9.8 No officer shall authorise their own claims from an imprest account. Certification by or under delegation from a Chief Officer shall be taken to mean that the certifying officer is satisfied that the expenses and allowances claimed are properly and necessarily incurred and are properly payable.
- 9.9 Expenditure which should form part of the payroll system, e.g. car allowances, shall not be processed through imprest accounts.
- 9.10 The encashment of personal cheques and the advancing of loans from an imprest is strictly forbidden.

Petty Cash

- 9.11 All relevant Financial Procedures above, and specifically paragraph 9.3, shall also apply to petty cash floats.
- 9.12 All departments holding petty cash should ensure that, at all times, cash is adequately secured. As a minimum this should be in a cash box within a lockable drawer where the insurance limit is £350 (for the cupboard overall). Amounts in excess of £350 should be kept overnight in a safe with restricted access (See Section 15).

10. VAT

Contact: Corporate Finance

- 10.1 Chief Officers must ensure that VAT is identified and correctly accounted for in respect of all income and expenditure (including imprests) in accordance with current VAT Regulations. Failure to do so can lead to loss of income and/or imposition of penalties by Her Majesty's Revenue and Customs.
- 10.2. VAT should not be paid unless the supplier's VAT registration number is shown on the invoice. Certifying officers (as defined in Section 8 of these Regulations) shall satisfy themselves that all suppliers' invoices for goods, works or services have complied with relevant VAT legislation.
- 10.3 Officers responsible for instigating income collection for the Council shall satisfy themselves that the Council has complied with the relevant VAT legislation with regard to the supply of its services.
- 10.4 VAT should only be accounted for on imprest payments where the supplier's VAT registration number is shown on the receipt.
- 10.5 All limits shown in these Regulations exclude VAT.
- 10.6 Further guidance and advice on VAT matters is contained in Financial Procedures and is also available from the Principle Accountancy Assistant.

11. SALARIES, WAGES & PENSIONS

Contact: Exchequer Client Unit

- 11.1 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 member' allowances are authorised in accordance with the scheme adopted by the Full Council.
- 11.2 All payments of salaries, wages, pensions, compensation and other emoluments to all employees and pensioners of the organisation shall be made by the Finance Director or under arrangements approved by him/her. Salaries and wages must not be paid through the creditors system.
- 11.3 All payments, including travel, subsistence and other allowances shall be made in accordance with current legislation HMRC Regulations and relevant decisions of the Council.
- 11.4 Each Chief Officer should nominate those officers within their department who will be authorised to certify timesheets, overtime claims and claims for travelling and subsistence. This can include the relevant Departmental Head of Finance or the locally placed central department staff. A list of such officers, together with specimen signatures, shall be maintained by the Chief Officer with copies being provided to the Finance Director and the departmental personnel function. Changes shall be notified promptly as they occur.
- 11.5 Each Chief Officer, or their nominated representative, shall notify the Finance Director as soon as is practicable of all matters affecting the payment of emoluments by the Finance Director, and in particular:
- appointments, resignations, retirements, dismissals, suspensions, secondments, transfers and deaths, and for pensions, changes in marital status, dependants and deaths;

- amounts to be recovered from pay e.g. repayment of training expenses on leaving;
- absences from duty for sickness or other reason (e.g. jury service), apart from approved paid leave;
- changes in remuneration (either permanent or temporary), other than normal increments, pay awards and agreements of general application;
- Information necessary to maintain records of service for pensions, income tax, national insurance etc. This will include information on benefits in kind necessary to complete HMRC forms P11D for employees e.g. Council leased cars;
- All time records affecting payments due.

Notification may be by on-line entry into systems where appropriate.

- 11.6 All salaries, wages and pension records, including those relating to 11.4 will be in a form approved by the Finance Director and shall be certified by an officer authorised in accordance with 11.3. All such records should be submitted to the Finance Director in accordance with the timetables and deadlines determined by him.

Self-Employed Status

- 11.7 All payments to individuals, who consider themselves to be self-employed in respect of services provided to the Council, shall still be processed through the payroll system unless the status of the individual has been confirmed as self-employed in accordance with the latest HMRC Guidelines. All casual and part-time employees will nevertheless be included on the payroll.

Pension Life Certificates

- 11.8 The Finance Director shall ensure that life certificates are obtained in respect of pension beneficiaries at least every two years, with at least half the beneficiaries being checked each year, unless satisfactory alternative automated mechanisms are in place e.g. National Fraud Initiative (NFI)

- 11.9 The data matching of pension payrolls to official national records of deceased persons as part of the NFI project has provided the first automated, cost-effective and reliable alternative to life certificates. This is significant because if a fraud is being committed, a life certificate sent out by the Council will almost certainly be returned with a false signature.
- 11.10 Records of deceased persons are now provided by the Contributions Agency and are matched, using National Insurance numbers, to pension payrolls. NFI therefore recommends that pension schemes also ask for the National Insurance number of dependants of all their new pensioners.

Travel, Subsistence & Other Allowances

- 11.11 All claims for the payment of car allowances, subsistence allowances, travelling and incidental expenses in relation to the performance of official duties shall be completed in a form approved by the Finance Director, and paid in accordance with approved Council procedures as currently in force.
- 11.12 Below Chief Officer level, claims by officers must be certified by an appropriate line manager, authorised to do so by their Chief Officer. The certification by said officer shall be taken to mean that the journeys were authorised, the expenses properly and necessarily incurred and that the allowances are properly payable by the Council.

12. INCOME

Contact: Audit

- 12.1 Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly. It is preferable to obtain income in advance of supplying goods or services as this improves the Authority's cash flow and also avoids the time and cost of administering debts.
- 12.2 The identification of all moneys due to the Council is the responsibility of the relevant Chief Officer.
- 12.3 Chief Officers will take prompt action to either:
- Collect the income due within arrangements approved by the Finance Director and Section 5 of these Regulations; or
 - Raise an account for inclusion in the Council's debtors system, to enable the Finance Director to ensure that appropriate recovery procedures are undertaken where necessary.
- 12.4 Every remittance or sum of money received by a cashier or other officer employed by the Council or received by a contractor on behalf of the Council, shall immediately be acknowledged by the issue of an official receipt, ticket or voucher except where special arrangements have been agreed by the Finance Director.
- 12.5 If a payer by cheque does not require a receipt, the amount should still be recorded with the receipt being retained. The form of all receipts, tickets vouchers or other official documents in use should be approved by the Finance Director. Receipt books should be serially numbered and a register should be kept of all receipts and issues of such documents to officers, which shall be acknowledged by the signature of the recipient.
- 12.6 All moneys received on behalf of the Council should be paid forthwith at the Finance Director's instructions either to his appointed contractor or be banked direct to the credit of the Council. Every employee who receives moneys shall maintain a record, in a form approved by the Finance Director, of all amounts received and deposited.

- 12.7 Every transfer of official money from one member of staff to another will be evidenced in the records of the department concerned by the signature of the receiving officer.
- 12.8 All bankings must be made promptly and intact i.e. personal cheques should not be cashed out of money received on behalf of the Council and official expenditure should not be incurred (i.e. deducted) from moneys collected and due to be banked.
- 12.9 All officers responsible for banking monies should ensure that individual cheques are listed clearly on the reverse of the bank paying-in slip or comprehensive listing. Each officer who so banks should also enter on the paying-in slip a reference to the related debt (such as the receipt number or the name of the debtor) or otherwise indicates the origin of the cheque. On the reverse of each cheque, the officer should enter the name of the relevant department or division.
- 12.10 Responsibility for the safe keeping of all Council monies must be designated by Chief Officers to specified officers within their departments; this can include the relevant Departmental Head of Finance.
- 12.11 Where moneys are held overnight, secure arrangements must exist for their safekeeping. Keys to safes and other secure containers should be carried on the person of the key-holder or kept under secure conditions. Care should be taken to ensure that the moneys held do not exceed the insurance value of the secure facilities provided (see Section 15).
- 12.12 All charges determined by the Council shall be reviewed at least annually by the Executive or by officers under delegated arrangements. Such reviews should consider the possibility of introducing charges where none are currently made.
- 12.13 Any decision to write-off an amount must be taken with the authority of the Finance Director, whether exercised personally or properly delegated by him to a member of his staff. The amounts involved, and approval granted, should be recorded in the accounting records. Write-off procedures are covered in the scheme.

As soon as is practicable after the end of each financial year Chief Officers at the request of the Finance Director must provide details of the outstanding debts relating to that year, for which debtors provision should be made in the final accounts.

13. **BANKING ARRANGEMENTS**

Contact: Technical

- 13.1 All banking arrangements should be made through or by the Finance Director, who is responsible for liaising with the Council's bankers in relation to the Council's bank accounts and the issue of cheques.
- 13.2 The Finance Director shall be authorised to operate such subsidiary bank accounts as he deems necessary. Only the Finance Director may open or close a bank account for dealing with the Council's funds. All bank accounts shall be in the name of the Council and never an individual.
- 13.3 An overdraft on the Council's main bank account shall be permitted only to the extent approved by the Finance Director. Subsidiary bank accounts shall not be permitted to become overdrawn. In the event that this does happen, the appropriate Chief Officer shall ensure that corrective action is taken immediately.
- 13.4 The Finance Director shall ensure that the Council's main bank account is reconciled at least once a month and subject to independent review, with large or unusual items investigated as appropriate.
- 13.5 The appropriate Chief Officer shall ensure that all subsidiary accounts under their control (including those operated by contractors on the Council's behalf) are reconciled at least once a month, as above.
- 13.6 Cheque stationery (other than standard cheque books for subsidiary accounts) shall be ordered only on the authority of the Finance Director who shall ensure that adequate cheque registers are maintained and regularly reconciled to records of cheques issued by the Council.
- 13.7 Adequate security arrangements shall be maintained by the appropriate Chief Officer for all unused cheques for accounts under their control.
- 13.8 Except for cheque stationery pre-printed with a facsimile signature of the Finance Director, cheques should only be signed by an approved signatory after the cheque (including its counterfoil) has been completed in full. They should not be pre-signed under any circumstances.
- 13.9 Every crossed cheque for an amount of £50,000 or more and any uncrossed cheque for an amount of £1,000 or more and any manual cheque shall be countersigned by an authorised signatory empowered by the Finance Director.

14. **TREASURY MANAGEMENT**

Contact: Technical

- 14.1 Treasury Management comprises all the borrowing and investment activities of the Authority except those relating to the Pension Fund. Specifically it includes the formulation and monitoring of strategy, cash management, debt management and banking arrangements.
- 14.2 A Treasury Policy Statement and an Annual Treasury Strategy setting out the Authority's strategy and policies for cash management, investments and borrowings (short term and long term) shall be adopted by the Council and thereafter its implementation, monitoring and review shall be delegated to the Resources Portfolio Holder. The Council shall adopt Prudential Indicators, designed to monitor and control treasury management activities, which will thereafter be monitored by the Executive.
- 14.3 All money in the hands of the Council shall be aggregated for the purposes of treasury management and shall be under the control of the Finance Director.
- 14.4 All Executive decisions on borrowing, investment or financing (within policy parameters) shall be delegated to the Finance Director or through him to staff designated by him, who shall be required to act in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in Local Authorities. (See below).
- 14.5 All borrowing and investments shall be in the name of the Council and shall conform to any relevant regulatory requirements. The Finance Director and his staff are required to act in accordance with the Council's treasury management policy statement as approved by the Council.
- 14.6 The Finance Director shall report to the Resources Portfolio Holder not less than four times in each financial year on the activities of the Treasury Management operation and on the exercise of the treasury management powers delegated to him or her including monitoring compliance. One such report shall comprise the Annual Report for presentation by 30th September of the succeeding financial year.

15. **INSURANCE AND SECURITY**

Contact: Insurance

- 15.1 It is the overall responsibility of the Executive to approve the Council's Risk Management strategy and to promote a culture of risk management awareness throughout the Council. The Finance Director shall be responsible for effecting or approving the arrangements for instituting all insurance cover on behalf of the Council, and for negotiating claims, after consultation where necessary with other officers. The Finance Director will also make arrangements to ensure that appropriate records are kept of all property and risks covered.
- 15.2 This responsibility is delegated on a day-to-day basis to the Insurance and Risk Manager in the Finance Director's Department, and covers all of the organisation's assets, as well as claims which may arise in connection with the provision of the Council's services, or from its legal liabilities as an employer, or to third parties.
- 15.3 Separate arrangements exist for Schools and Colleges under the School Standards & Framework Act 1998, but the Local Authority (LA) will require the School to demonstrate that cover relevant to the LA's insurable assets, under a policy arranged by the Governing body, is at least as good as the relevant minimum cover determined by the LA if the LA makes such arrangements.
- 15.4 Every Chief Officer shall notify the Finance Director promptly in writing of any proposals that will change cash storage or alter significantly the value of stocks or stores held within their department. Any additions, deletions or alterations in the functions of the department, that could increase or decrease insurable risk should also be notified in writing. The Finance Director will give advice as appropriate.
- 15.5 Every Chief Officer shall immediately notify the Insurance Section and, where appropriate, the Police upon the occurrence of any loss, damage, liability or potential liability in connection with their department except that notification is not required if the value is less than £500. Initial notification may be by telephone. Evidence supporting the claim should be provided in such form as may be required by the Insurance Section. Notification in writing of every claim must be made in any event within 30 calendar days of the date of the loss or damage.
- 15.6 The Finance Director will advise Chief Officers of maximum levels of cash holdings for insurance purposes. Chief Officers are responsible

for ensuring that these insurance limits are not exceeded in their departments.

The limits for cash in transit for insurance purposes are as follow:-

- Up to £1,500.00 – no restriction
- Between £1,500.01 and £4,000.00 – requires 2 able bodied persons and a specialist carrier (this is a cash box that emits dye if tampered with)
- Between £4,000.01 and £7,500.00 – requires 3 able bodied persons and a specialist carrier.
- Over £7,500 – requires use of a specialist secure collection organisation.
- In the event of an insured loss, an excess of £500.00 applies to each incident.

- 15.7 Each Chief Officer is responsible for maintaining adequate security at all times for all assets under their control. All monies must be locked away when unattended and lockable cupboards should be used in the absence of a safe and have an insurance limit of £350 (for the cupboard overall).
- 15.8 Each Chief Officer is responsible for ensuring adequate reference checks are carried out for positions with financial responsibility to ensure the Council complies with its fidelity guarantee insurance arrangements.
- 15.9 Keys to safes and similar receptacles shall be in the safekeeping of those responsible at all times. The loss of any such keys shall be reported to the relevant line manager immediately.
- 15.10 Chief Officers must ensure that the Finance Director is kept informed of any changes to the official departmental safe inventory, whether new safes or replacements.
- 15.11 All overnight cash holdings in safes must in practice be agreed with the Insurance Manager to effect Money Insurance cover, as this is covered internally as a risk rather than with external insurers. A safe schedule will then be maintained containing relevant details e.g. location, type, permitted maximum holding (as determined by the insurance market) and the agreed amount for the particular location. The overnight limit includes pure cash, postal orders, stamps etc. and anything negotiable as money, but not cheques.

- 15.12 The Finance Director is responsible for ensuring that all appropriate employees of the Council shall be included in suitable fidelity insurance.
- 15.13 No employee shall admit liability, take any action or enter into any correspondence admitting liability on behalf of the Council without first consulting with the Finance Director.
- 15.14 Any officer of the Council who is authorised to make use of their own vehicle in the execution of the Council's business shall be responsible for effecting adequate insurance cover for such use and shall produce to their Chief Officer or the Finance Director on request evidence of the adequacy of such cover.
- 15.15 The Finance Director shall be responsible for insuring leased cars.

16. STOCKS AND STORES

Contacts: Head of Finance/ Internal Audit

- 16.1 Chief Officers are responsible for establishing adequate arrangements for the receipt, checking, care, safe custody and issue of stocks and stores held by their department.
- 16.2 Each Chief Officer shall ensure that stocks and stores holdings shall not be in excess of the reasonable requirements of their department. In determining reasonable requirements, due regard shall be paid to the value, usage, and reorder periods of the items concerned as well as perishability and obsolescence.
- 16.3 Each Chief Officer shall ensure that records are maintained of stores received; stores issued and balance in respect of their department. The systems used for stores accounting in departments must have approval of the Finance Director.
- 16.4 Each Chief Officer shall arrange for regular stock taking of significant stores held by their department, preferably involving examination by officers other than the storekeeper(s). This shall include an annual stocktaking following which a certificate of stock held shall be completed, a copy of which will be forwarded promptly to the Finance Director

17. PLANT AND EQUIPMENT

Contact: - Internal Audit

- 17.1 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. An up to date asset register is a prerequisite for proper fixed asset accounting and sound asset management
- 17.2 Chief Officers are responsible for the safe custody of the plant, machinery, vehicles, furniture, equipment and other non-consumable property held within their department.
- 17.3 Each Chief Officer shall maintain inventories listing all moveable equipment (but not furniture, filing cabinets etc) in the custody of their department which:
- Cost or is valued in its current condition at more than £1,000: or
 - Is attractive and portable: and
 - Is not in store
- 17.4 The inventory should where applicable record details of make, model number etc of equipment held and wherever possible a serial number, and at least one copy should be held separately from the assets that it lists.
- 17.5 Each Chief Officer shall arrange for physical verification of the items on their inventory records to be undertaken at least annually. This verification should be evidenced in writing, signed by the officer(s) concerned and retained for audit purposes.
- 17.6 The Council's property shall not be removed except in the normal course of the Council's business or used otherwise than for the Council's purposes unless specifically authorised by the Chief Officer concerned. Where a Chief Officer authorises temporary removal of property, a formal record shall be maintained indicating where the property can be located and shall be signed by the officer responsible for its safekeeping.
- 17.7 So far as is practical, all items should be effectively marked (using current security techniques e.g. invisible ink) as Council property.

18. **LAND AND PROPERTY**

Contact: - Property

- 18.1 The Finance Director shall maintain a comprehensive register of all land and properties held by the Council.
- 18.2 Each Chief Officer is responsible for making adequate arrangements for the maintenance of buildings under their control in accordance with the approved landlord/tenant split of responsibilities.
- 18.3 The Director of Resources shall have the custody of all the title deeds in the possession of the Council under secure arrangements.
- 18.4 The Finance Director shall be responsible so far as land and property under his or her control is concerned for obtaining the best economic return possible consistent with Council policy to which end he or she shall insure that all rents etc. are reviewed regularly.
- 18.5 Each Chief Officer shall be responsible for secure arrangement for the custody of private property of residents in Council establishments (excluding housing) and property held under Trust Fund/Receivership arrangements etc.
- 18.6 For disposal procedures see section 19.

19. DISPOSAL OF ASSETS

Contact: Internal Audit

- 19.1 Each Chief Officer is responsible for ensuring that the best possible price is obtained from the disposal of assets under their control.
- 19.2 Where the estimated current value of the asset exceeds £1,000 but is less than £50,000 the following should be considered:
- Offer the item(s) to all Council Departments - the Purchasing Working Group is the appropriate forum;
 - Sealed tenders or offers;
 - Advertising;
 - Sale by public auction;
 - Sales to staff (this method of disposal should be used only where there are good reasons for not pursuing other alternatives and should always be by sealed offers unless otherwise agreed by the Finance Director).
- 19.3 Where the estimated value of the asset(s) is over £50,000, the tendering procedures in Contract Procedures shall be followed. Subject to 19.4 where the estimated value of the asset is up to £50,000 at least three tenders should be sought and at least two should be obtained and where the asset is estimated to exceed £50,000 in value, at least four competitive tenders should be sought and at least three obtained. All tenders should be received in plain sealed envelopes bearing the word "Tender" and the subject matter to which it relates. It shall not bear any name or mark which would identify the sender. Tenders should be opened at the same time by the Initiating Officer. Where the estimated value of the asset exceeds £150,000, another officer other than the one responsible for the acceptance of the highest bid shall be present.
- 19.4 Where the assets to be disposed of consists of land or premises the Council must (other than the grant of a Lease or assignment of the remainder of a Lease for seven years or less) seek to secure the best consideration that can reasonably be obtained save with the consent of the Secretary of State. The disposal may be effected by a single estate agent or land agent subject to the Finance Director approving the use of such agent. The Finance Director shall certify that he or she considers the use of additional agents or means of advertising or

marketing is unnecessary to secure compliance with the aforesaid statutory duty. Where appropriate, the Finance Director may require the agent to accept offers by way of sealed bids or by way of public auction.

20. INTERNAL & EXTERNAL AUDIT

Contact: Internal Audit

Internal Audit

- 20.1 The Authority is complex and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives.
- 20.2 The Authority has statutory obligations, and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations.
- 20.3 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.
- 20.4 The system of internal controls is established in order to provide measurable achievement of:
- Efficient and effective operations
 - Reliable financial information and reporting
 - Compliance with laws and Regulations
 - Risk management.
- 20.5 The key controls and control objectives for internal control systems are:
- Key controls should be reviewed on a regular basis and the Authority should make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively
 - 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
 - Financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems

- An effective Internal Audit function that is properly resourced. It should operate in accordance with the principles contained in the Auditing Practices Board's auditing guideline Guidance for Internal Auditors, and CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom, and with any other statutory obligations and Regulations
- 20.6 An adequate and effective system of Internal Audit of the accounting records and control systems of the Authority will be maintained by the Finance Director, under delegated authority from the Council.
- 20.7 Internal Audit is an assurance function that provides an independent and objective opinion to the Organisation on the control environment, by evaluating its effectiveness in achieving the Organisation's objectives. It objectively examines evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 20.8 The Accounts and Audit Regulations require the Authority ("relevant body") to maintain responsibility for Internal Audit, rather than the Responsible Financial Officer (RFO) designated under section 151 of the Local Government Act 1972. However, Bromley, like many other Local Authorities, has delegated this responsibility to the Finance Director.
- 20.9 Upon production of proof of identity and authority, the Head of Audit or his representative shall have the right to enter, without prior notice, every establishment or department of the Council and require any officer, member, teacher or governor:
- To make available all documents of the Council which relate to their accounting and other records as appear to the Auditor to be necessary for the purpose of the audit, including any information of a confidential nature;
 - To supply such explanations and information as are considered necessary for the purpose of the audit;
 - To produce cash, stores or any property of the Council in their custody.
- 20.10 The Accounts and Audit Regulations 2011 provide for Internal Auditors to have access to any information from the Authority, which they require in order to carry out their duties. Previously, their right of access was confined to the Authority's accounting records.

20.11 Internal Auditors comply with the Auditing Practices Board's guideline Guidance for Internal Auditors, as interpreted by CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom

External Audit

20.12 The Local Government Finance Act 1982 set up the Audit Commission, which is currently responsible for appointing External Auditors to each Local Authority in England and Wales. The External Auditor has rights of access to all documents and information necessary for audit purposes.

20.13 The basic duties of the External Auditor are defined in the Audit Commission Act 1998 and the Local Government Act 1999. In particular, section 4 of the 1998 Act requires the Audit Commission to prepare a code of audit practice, which External Auditors follow when carrying out their duties. The code of audit practice sets out the auditor's objectives to review and report upon:

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

20.14 The Authority's accounts are scrutinised by the External Auditors, who must be satisfied that the statement of accounts 'presents fairly' the financial position of the Authority and its income and expenditure for the year in question and complies with the legal requirements.

21. FRAUD & CORRUPTION

Contact: Internal Audit

- 21.1 The Authority will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Authority.
- 21.2 The Authority's expectation of propriety and accountability is that members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.
- 21.3 The Authority also expects that individuals and organisations (e.g. 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.
- 21.4 Chief Officers and nominated officers under the Raising Concerns (“whistle blowing”) procedure shall inform the Finance Director immediately of any suspected irregularity affecting income, expenditure, cash, stores or other resource of the Council so that the Finance Director may, if he or she considers it appropriate, conduct an independent investigation thereof.
- 21.5 All employees have a responsibility for the security of the Council’s assets. Any employee who becomes aware of non-compliance with these Regulations or suspects any irregularity in respect of the Council’s systems and procedures should immediately notify their Chief Officer, normally through their line manager. If for any reason an employee feels unable to raise their concern through line management, they should do so through a nominated officer under the Council’s Raising Concerns Procedure.
- 21.6 Further guidance is contained in the Anti Fraud & Corruption Strategy

22. INFORMATION SYSTEMS

Contact: IS / Internal Audit

- 22.1 Departments have many systems and procedures relating to the control of the Authority's assets, including purchasing, costing and management systems. Departments are reliant on computers for their financial management, service and other information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.
- 22.2 The Finance Director has a professional responsibility to ensure that the Authority's financial and computer systems are sound and must be notified, in advance, of any new developments or changes.
- 22.3 All Council transactions must be processed through the corporate information systems of the Authority or its approved contractors. To ensure satisfactory standards and control, these systems may only be used with the approval of the Finance Director.
- 22.4 The Director of Resources shall ensure that adequate procedures exist to ensure compliance with the Principles of the Data Protection Act 1998 and other relevant legislation including Freedom of Information and Human Rights Acts in respect of personal data held in computerised and manual information systems.
- 22.5 All employees have a responsibility to ensure that they do not cause the loss, unauthorised destruction or disclosure of personal data in contravention of such Principles.
- 22.6 The Director of Resources or their nominated representative is the Council's Data Protection Officer and will be responsible for maintaining a central database, recording all systems to be included in notifications to the Data Protection Commissioner. He or she will be responsible for making such notifications as and when required by the Commissioner.
- 22.7 Each Chief Officer shall nominate a supporting Data Protection Officer responsible for:
- Ensuring that the information for his or her department held on the central database is complete, accurate and up to date;

- Collating and providing documentation requested by a Data Subject, in accordance with the Principles of the Data Protection Act 1998.
- 22.8 Each Chief Officer shall be responsible for ensuring that access to computer systems under their responsibility is properly controlled (e.g. appropriate use of, and regular changing of, confidential passwords) and that information is safeguarded by back up copies being taken and kept securely.
- 22.9 All Officers and Members should comply with the Authority's published Code of Conduct on Use of E-Mail & Internet.

23. **GIFTS & HOSPITALITY**

Contact: Director of Resources

- 23.1 All employees and Members of the Council shall be governed by the Council's Codes of Conduct for the acceptance of Gifts and Hospitality.
- 23.2 Material gifts or hospitality offered by an individual or company that does or could provide services to the Council should be refused where they are offered as an inducement to secure favour.
- 23.3 Each Chief Officer shall maintain a register of all gifts and hospitality received by individual members of staff in their department. Any hospitality or gifts accepted must be recorded in the relevant register. The Director of Resources holds a separate register for Members for this purpose.

24. PROCEDURES FOR WRITE-OFFS

Background

1. However, circumstances may arise in which amounts due must, for all practical purposes, be deemed uncollectable.
2. The Accounts & Audit Regulations 2011 require that in such circumstances a decision to write-off an amount must be taken with the authority of the “Section 151 Officer” (i.e. Finance Director), whether exercised personally or properly delegated by him to a member of his staff. The amounts involved, and approval granted, should be recorded in the accounting records.
3. No such provisions apply where debts are “cancelled” i.e. because they were incorrectly raised (e.g. wrong amount, wrong debtor) or “waived” i.e. because an authorised policy decision was taken not to charge or to reduce the charge of an amount otherwise properly payable by a debtor.

Bad Debts / Loss of Income

4. The Finance Director may approve the write-off of any amounts properly charged, but deemed uncollectable, in the following cases:
 - (i) bankruptcy or liquidation (where every effort should be made to minimise the loss);
 - (ii) the company having ceased trading and there being no assets;
 - (iii) the debtor being untraceable or having moved abroad;
 - (iv) court decisions;
5. Other individual bad debts or loss of income, not falling into these categories, may be written off as follows:
 - (i) by the Finance Director, if it does not exceed £5,000;
 - (ii) by the Finance Director with the approval of the relevant Portfolio Holder if over £5,000 not exceeding £25,000;
 - (iii) by the Finance Director with the approval of the Executive if exceeding £25,000.

6. For those items falling within (4) and (5) (i) above, the Finance Director has nominated the following to approve write-offs on his behalf:*

Deputy Director of Finance

Departmental Heads of Finance

Named School Governors up to £1,000 for Secondary Schools

Named School Governors up to £500 for Primary Schools

Head of Revenues and Benefits

Chief Accountant

* This is subject to amendment by the Finance Director and reported annually to Members of the Audit Sub Committee

7. Departments should, for this purpose, regularly notify the above Finance Director's staff of those officers properly delegated responsibility from their Chief Officer to recommend write-offs to the Finance Director and include specimen signatures.

Stocks and Stores

8. Stocks and Stores may be written off as follows:

- (i) If not exceeding £5,000 for one set of adjustments, the balances on stock records may be adjusted by the appropriate Chief Officer to reflect actual stock levels, following such investigations as he deems necessary. If cumulative adjustments in any one year exceed £10,000 the Finance Director must be informed;
- (ii) If exceeding £5,000 but not exceeding £10,000 the appropriate Chief Officer must obtain the approval of the Finance Director prior to adjusting stock records to reflect actual stock records. The Chief Officer and Finance Director will jointly determine what investigations may be necessary for all adjustments in excess of £5,000.
- (iii) Approval of the relevant Portfolio Holder is required for adjustments exceeding £10,000.

9. Details of all write-offs must be provided to the Finance Director.

Plant and Equipment

10. Chief Officers may authorise items to be deleted from an inventory of their department where:
 - (i) the item has become obsolete and / or is no longer adequate for the purpose intended;
 - (ii) the item is broken or worn and of no further useful purpose;
 - (iii) the item has become surplus to requirements;
 - (iv) has been lost or stolen, in which case the Finance Director should be informed.

PROTOCOLS AND SUPPLEMENTARY INFORMATION FRAUD AND CORRUPTION PROTOCOL

Part of Financial Regulations and Procedures

Introduction

This protocol specifies how the Finance Director and other Chief Officers should manage alleged cases of fraud or corruption. It clarifies responsibilities for carrying out investigations and advises on action to be taken.

Fraud for these purposes is defined as:

“The intentional distortion of financial statements or other records by persons Internal or External to the Authority which is carried out to conceal the misappropriation of assets or otherwise for gain”

Corruption for these purposes is defined as:

“The offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person”

All employees have a responsibility for the security of both the Council’s assets and for clients’ assets where Council employees may have some involvement. Any employee who suspects any irregularity should immediately inform their Chief Officer, normally through their line manager. If for any reason an employee feels unable to raise their concern through line management, then they should go through a nominated officer under the Council’s Raising Concerns Procedure also known as the confidential reporting code (Financial Procedure 21.2).

Chief Officers and nominated officers, under the Raising Concerns Procedure, have a responsibility to inform the Finance Director immediately of any suspected irregularity affecting income, expenditure, cash, stores or other resource of the Council. The Finance Director may, if he or she then considers it appropriate, conduct an independent investigation. (Financial Procedure 21.1)

The Council will take legal and/or disciplinary action in all cases of fraud or irregularity where it is considered appropriate.

Initial Allegation or Suspicion

Internal Audit and the appropriate Chief Officer should be promptly informed of any allegations or suspicions of fraud or irregularity. To facilitate a speedy and appropriate response to any concerns expressed, initial information provided should, where possible, outline the following:

The nature of the potential or actual loss to the Council, or Council's client. When and how the matter came to light Officers and /or other parties alleged to be implicated (names and designations where appropriate) "Organisation" structure showing the position and responsibility of the person(s) allegedly involved identify those who are aware of the potential fraud/irregularity.

Care needs to be taken to ensure that officers or members who may be involved in the suspected irregularity do not become aware of the situation. Staff should not carry out their own investigation prior to notifying Internal Audit as this can affect any subsequent investigation.

Internal Audit will advise if the circumstances demand immediate action to safeguard evidence or to avoid further loss to the Authority. This may include removing documentation from the site and /or the suspension of employees.

Internal Audit will also advise on whether, and if so when, the Police should be informed. The Council has nominated contacts in the Metropolitan Police who can provide advice and, where appropriate, carry out their own investigations. Initial contact with them should be made by Internal Audit. As a general rule the Council can carry out its own investigations regardless of any police involvement.

(Note: there may be instances where it is not possible to contact Internal Audit promptly e.g. weekends or evenings. At such times, for cases of identified theft rather than suspected fraud or irregularity, it is more appropriate for the matter to be reported immediately to the local police station and a crime reference obtained. In these instances Internal Audit, line management and the Insurance Manager should be informed of the details the next working day.)

Investigation

Responsibility for carrying out independent investigations lies with Internal Audit. In some cases, however, it may be more appropriate for staff in the relevant Department to carry out the investigation with

Internal Audit acting in an advisory capacity. In such cases, staff undertaking the investigation will liaise with Internal Audit at intervals agreed at the point of referral, to ensure that evidential requirements continue to be met and that the Local Authority is kept fully informed at all stages.

The most appropriate approach will be decided by Internal Audit following the initial contact and may be revised during the investigation.

Any investigation should be carried out promptly and thoroughly. To do this staff may need to be interviewed and documentation reviewed. All stages of the investigation should be thoroughly documented. The investigation should involve, as a minimum, the following:

- A clear understanding of the allegation/suspicion
- A review of all relevant documentation. Note that documents may need to be retained during the investigation
- Identification and interviews with all appropriate staff/individuals to determine such things as relevant procedures and practices
- Consideration of alternative explanations for the situation
- An evaluation of all the evidence
- A conclusion based on the findings

The findings of the investigation could be used during disciplinary or legal action. Consequently care needs to be taken to ensure that evidence is safeguarded and that the investigation is thorough and the conclusions reached are valid. The findings of the investigation should be treated as confidential.

During the investigation it may be necessary for individuals to be interviewed under caution. In such instances the rules laid down in the Police and Criminal Evidence Act and Criminal Justice and Public Order Act 1994 must be adhered to. Advice on this is available from Internal Audit. There will be instances where documentation is taken away by Internal Audit or the investigating officer for safeguarding during the investigation. The originals should be removed rather than copies. These should be kept secure and a statement prepared stating how, when and who removed the documents and where they will be stored. A decision on the removal of documents needs to be made early on in the investigation to avoid the risk of removal or tampering.

The appropriate Chief Officer and Head of Audit should be kept informed of progress during the investigation. This can be done verbally and/or by preparing written progress reports. At the end of the

investigation a report should be prepared for the appropriate Chief Officer and Head of Audit. This should include all the issues listed above together with any other relevant information. This should form the basis of a decision for any further action to be taken.

Action

It is for the appropriate Chief Officer to take appropriate action where there is evidence to support instances of fraud or irregularity. The Head of Audit should be kept informed of action taken and relevant outcomes.

These could include referral to the police, disciplinary action and/or recovery of any amounts involved.

The Chief Officer is also responsible for ensuring that any system weaknesses identified during the investigation are addressed.

RETENTION OF DOCUMENTS

Background

1. Government requirements for Local Authorities to retain financial and accounting documents are not as prescriptive as those, say, in the NHS which are governed by tailored legislation. However, all officers need to ensure that other legislative requirements, relevant to Local Authorities, are observed, in particular those laid down by the HMRC, in respect of:
 - Minimum periods for which the Council must retain records; and
 - The form in which documents may be retained.
2. The Public Records Office produces standards for the management of government records, and although these are aimed at central government, many of the standards and good practice outlined can be applied equally to local government.
3. The Association of Chief Archivists also produced guidance in 1999 through the DETR/LGA on records management within local government, in accordance with Section 224 of the Local Government Act 1972. This covers the retention of more permanent documents such as deeds, and registers of births, deaths and marriages.
4. The following paper highlights key legislation relevant to Local Authority records and presents guidance for officers on retention periods for common documents. However, clarity in this area is achieved in part by separating the timing issue (i.e. how long to retain documents) from the format issue (i.e. how to retain documents). They are actually separate, but related questions, because there is no specific legislation covering the format in which local government records are to be retained, except for those prescribed by the HMRC.
5. The following therefore sets out the key legislative requirements and best practice in both these areas and then includes at Annexes various recommended retention periods together with suggested formats.

The Audit Commission Act 1998

6. Section 6 of the Audit Commission Act 1998 provides External Auditors with a right of access to every document relating to a body that

appears necessary for the purpose of carrying out the Auditor's function under the Act.

7. The Council therefore needs to retain documents in order to be able to satisfy External Auditors' rights of access. Any policy on retention of documents therefore needs to be guided by an assessment of the likelihood that an External Auditor may request certain documents. This assessment needs to ensure that the Council avoids circumstances whereby it could have reasonably foreseen a request for a document, but the document has subsequently been destroyed.

Other Legislation

8. There is very little specific legislation that covers the periods of retention of documents for Local Authorities. The main consideration is the Limitations Act 1980 and this is discussed below.
9. In addition, Part VA of the Local Government Act 1972 deals with Access to Information. Section 100(c) refers to public inspection of minutes and other documents after meetings. This specifies that certain documents, which form part of the public part of the agenda, are required to be available for inspection by members of the public for a period of 6 years from the date of the meeting. These documents are:
 - Minutes, or copies of minutes of the meeting (except exempt items)
 - and related minutes;
 - A copy of the agenda of the meeting; and
 - A copy of any reports discussed (except exempt items).
10. From 1996/97 Local Authorities were required to have their accounts approved by a full committee or the council meeting as a whole. This requirement means that the statement of accounts would have been one of the agenda items and would therefore be one of the records that the Authority would need to retain for 6 years and have available for public inspection.
11. However, the responsible body currently the Audit Commission recommends Authorities to consider whether longer periods of retention are appropriate and although nothing is prescribed, key financial records may merit permanent preservation. As a minimum, the following is considered to be in this category:
One set of annual financial accounts and statements approved by Full

Council or Committee.

Minimum Retention Periods

12. As noted above, legislation that could be applied generally to local government records is the Limitations Act 1980, which specifies the statutes of limitation. A statute of limitation is one which provides that no Court shall entertain proceedings for the enforcement of certain rights if such proceedings were set on foot after the lapse of a definite period of time, reckoned as a rule from the date of the violation of the right. The Act provides, amongst other things:
 - That actions founded on simple contract and tort should not be brought after the end of 6 years from the date on which the cause of action accrued;
 - That an action on a specialty (which is an obligation contracted by matter of record, or by bond or other instrument under seal) may not be brought after the end of 12 years; and
 - That, in general, no action may be brought to recover land after the end of 12 years from the date when the right of action accrued.
13. Under the 1980 Act documents are therefore normally required to be retained for a period of between 6 and 12 years. For financial and accounting records the period would start from the beginning of the financial year after that to which it relates.
14. The responsible body currently the Audit Commission recommends however, that pay and pension records should be retained for a substantial period to safeguard the pension rights of staff e.g. officers may wish to retain records until the employee reaches benefit age. However, where pensions are being paid after retirement, it would seem appropriate to retain records until such time as pension is not required to be paid to any benefactor.
15. For External Audit purposes, the responsible body currently the Audit Commission recommends that original records such as invoices, payroll documents etc. should be retained for at least 18 months after the end of the financial year to which they relate and longer if possible. However, where audits remain "open" (i.e. incomplete) due to queries, objections or outstanding litigation, then it would be appropriate to retain the records for the financial years in question. Items such as general ledger, journals, loan records and interest payments may merit

retention for longer periods.

Format of Preservation

16. There is no specific legislation covering the format in which Local Government records are retained except for those prescribed by the Her Majesty's Revenue and Customs (HMRC):
17. The responsible body currently the Audit Commission recommends that Local Authorities consider the benefits of retaining the original documents for the financial year for which the audit is still open and the related costs of storage space and staffing involved in keeping original documents and weigh these against the cost of microfilming (which may include the cost of buying, borrowing or sharing the equipment).
18. Where Local Authorities do decide to microfilm records, the responsible body currently the Audit Commission states that they need to ensure that the Finance Director has certified the accuracy and completeness of microfilmed records and that this certification accompanies the records.
19. Where a decision is taken to microfilm or maintain documents in some form of electronic format, the responsible body currently the Audit Commission also recommends that officers should consider the Code of Practice for Legal Admissibility of Information Stored on Electronic Document Management Systems and its related compliance workbook, which are published by the British Standards Institution.
20. These publications are designed to assist in the evaluation of document management systems and provide a clear audit trail. Officers may also wish to consider the Code of Practice for Information Security Management, which provides guidance and recommendations on information security and IT systems and networks.

Value Added Tax (VAT)

21. Under the VAT Act 1994 (Schedule 11 paragraph 6(1)), Local Authorities must keep records as required by the Commissioners of Customs & Excise. The requirements are set out in the VAT Regulations 1995. A public body's records generally reflect the size and complexity of its activities, which may range from simple manual records to a sophisticated computerised system. The records do not have to be in any set format, but should be up to date and in sufficient detail to allow:

- Calculation of the correct amount of VAT to be paid or reclaimed;`
and
 - Customs & Excise to readily check the figures on the VAT return.
22. VAT records are normally required to be kept for 6 years. Annexes show the type of records that are required to be kept.
23. The VAT Act 1994 Schedule 11 paragraph 6(3) requires every taxable person to preserve records for a period not exceeding 6 years.
24. Records can be preserved by any means approved by the local HMRC office. Under Schedule 11 paragraphs 6(4) and 6(5) of the VAT Act 1994, records may be kept on microfilm or by computer storage media e.g. scanned images, magnetic tape, optical storage disks.
25. When the local VAT office considers an application to use such systems, the applicant's compliance history and reliability is taken into account. Approval is subject to the following conditions:
- A satisfactory audit trail;
 - Satisfactory and legible copies can be easily produced from the system on request;
 - Adequate facilities exist for viewing the system;
 - HMRC staff have access to the system on request in order to check its operation and the information stored on it;
 - HMRC staff will be given training on the system or its software; and
 - All records on the system are retained for the statutory period or such lesser time as may be allowed.
26. When any of these facilities are denied, the applicant is required to be warned in writing by the local HMRC office that unless they are provided immediately, approval to keep such records on microfilm, computer storage media etc. will be refused or withdrawn.

National Insurance Contributions (NIC)

27. Under the Social Security Contributions and Benefits Act 1992 Schedule 6(1) and SI 1979/591 and subsequent amendments, an employer must keep records of any Class 1 NIC payable in a tax year.
28. Records need to be maintained to support year-end returns, which summarise details of each employee's earnings and deductions. Other information that may be included are Class 1A contributions on the use

of company cars, details of statutory maternity pay (SMP) and statutory sickness pay (SSP).

29. All of this information is required to be retained for 3 years after the tax year to which it relates. It can be stored and provided electronically.

Pay As You Earn (PAYE)

30. Details of the records to be maintained are set out in the IT (Employment) Regulations 1993 and its subsequent amendments. Regulation 38 highlights that employers must maintain deductions working sheets for each employee receiving emoluments during the tax year.
31. Year-end returns which summarise details of employees' emoluments and deductions are required to be sent to the HMRC. P11Ds and P9Ds which record details of expenses and benefits not covered by dispensations are required to be sent to the HMRC. Records must be maintained which support the entries on all these returns.
32. All supporting records must be retained for not less than 3 years after the end of the tax year to which they relate. This information may be provided electronically. Where the data is stored electronically, paragraph 55(7) of the Regulations requires that the employer provide suitable facilities to enable an inspector to examine these records.

Payments made under deduction of tax

33. Records are required to be retained of any interest paid on stock issued by Local Authorities under deduction of tax and of returns made to the HMRC. Any rent paid under deduction of tax e.g. to a non-resident landlord must be recorded and returned to the HMRC.

Construction Industry Scheme (CIS)

34. Under the scheme contractors, including Local Authorities, must deduct and pay over to the HMRC tax at the basic rate on payments made to subcontractors (net of the cost of materials).
35. Paragraph 5 of SI 1993/743 advises that contractors are required to maintain records of all payments made and tax deducted from subcontractors who do not hold a valid exemption certificate. Records are also required to be maintained for payments that have been made without deduction of tax. These should include evidence that determines why no tax should be deducted.

36. All these records are required to be retained for 3 years after the end of the tax year to which they relate and must be available for inspection.
37. There follows a list of certain records and documents indicating what may be regarded as minimum retention periods taking account of the legislation in the preceding paragraphs and best recommended practice, whichever is the longer. Where documents are required for the purpose of actual or contemplated legal action officers should take advice before destroying documents.
38. It is stressed that where possible it may be preferable to keep certain records (e.g. general ledgers) for longer periods, and title deeds, share certificates etc. or any other documents evidencing title to or ownership of assets should, for obvious reasons, be retained until disposal of the assets.
39. It is suggested that good practice for actual invoices to be retained for the current financial year and the previous financial year (until the Accounts have been signed off by the External Audit). The previous year could then be discarded with the microfilmed copy retained.

ACCOUNTING RECORDS	PERIOD AFTER WHICH DOCUMENTS MAY BE DESTROYED	BASIS OF RETENTION	FORMAT OF PRESERVATION
Published Annual Report & Statutory Statement of Accounts (with certificates signed by Director of Resources & District Audit)	Permanent	Responsible Body recommendation Local Government Act 1972 Accounts & Audit Regulations 2003	Hard copy
All records relating to VAT (as per Annex C attached)	6 years after the end of the financial year to which they relate	VAT Act 1994	Subject to conditions, may be kept on microfilm or by computer storage media where local VAT office has approved.
Salaries, Wages & Pensions (as per paras 27 – 32 above)	6 years after the end of the financial year to which they relate, or (Pensions only) on the date on which the officer reaches the age of 70, whichever is the later.	Pension rights of staff Responsible Body recommendation Social Security Contributions & Benefits Act 1992 IT (Employment) Regulations 1993	No specific requirements, except that where stored electronically the Inland Revenue would require the employer to provide suitable facilities to

	Where pensions are being paid after retirement, records should be retained until such time as pension is not required to be paid to any benefactor.		enable an inspector to examine these records
Principal ledger records including cash books, general ledgers and journals	6 years after the end of the financial year to which they relate	Limitation Act 1980 VAT Act 1994	No specific requirements other than those relating to VAT

<p>Other major accounting records: e.g. paid invoices, receipts, cleared cheques, bank statements, insurance policies, investment holdings, loan records</p>	<p>6 years after the end of the financial year to which they relate</p>	<p>Limitation Act 1980 VAT Act 1994 SI 1993/743 (CIS)</p>	<p>Actual invoices should be retained for the current financial year and the previous financial year (until the Accounts have been signed off by the External Auditor). The previous year can then be discarded with the microfilmed copy retained.</p>
<p>Fixed asset registers, year end statements of stock and supporting statements of stocktaking</p>	<p>6 years after the end of the financial year to which they relate</p>	<p>Limitation Act 1980</p>	<p>No specific requirements other than those relating to VAT</p>
<p>Major establishment records including personal files, letters of appointment, employment contracts, references and related correspondence and</p>	<p>6 years after the officer leaves the service of the Council</p>	<p>Limitation Act 1980</p>	<p>No specific requirements</p>

records of leave			
Internal Audit files and draft and final reports	3 years after formal clearance by the relevant auditor but final reports: 6 years	NHS Internal Audit Standard	Soft copy

<p>Minor accounting records: pass-books, deposit slips, cheque counterfoils and cancelled and discharged cheques; petty cash expenditure accounts, travel & subsistence records, minor vouchers, duplicate receipt books etc.</p>	<p>Unless the external audit is still “open” (i.e. incomplete) - 18 months after the end of the financial year to which they relate</p> <p>BUT</p> <p>6 years if relates to VAT</p>	<p>Responsible Body recommendation VAT Act 1994</p>	<p>No specific requirements other than those relating to VAT</p>
<p>Debtors records</p>	<p>Unless the external audit is still “open” (i.e. incomplete) - 18 months after the end of the financial year in which they are paid or are written off, but at least 6 years in respect of any unpaid account which has not yet been written off</p> <p>BUT</p> <p>6 years if relates to VAT</p>	<p>Limitations Act 1980 Responsible Body recommendation VAT Act 1994</p>	<p>No specific requirements other than those relating to VAT</p>

Housing & Council Tax Benefits, Council Tax etc.	6 years	Limitations Act 1980	No specific requirements
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RETENTION OF CONTRACT DOCUMENTS

Type of Records	Detail
Documentation bearing signature of witnesses (e.g. contracts); documents relating to successful tender; tender opening summary, envelopes etc.	Must be retained in <u>original form</u> for 6 years (or 12 years for contracts under seal), or the project life plus 2 years, whichever is greater
Unsuccessful tenders tender evaluations; interim valuations.	Must be retained in <u>original form</u> for current year Life off contract
Supporting documents e.g. correspondence and drawings	May be microfilmed

Some records may merit consideration for permanent preservation e.g. key records relating to major building and engineering works such as surveys, site plans, drawings, bill of quantities, contract documents, including those relating to major projects which have been abandoned or deferred, deeds, lease documents, insurance policies, inventories, valuations

Contracts with consultants should include a clause which requires the consultant either to retain documents in accordance with the above, and allow reasonable access to them by the Council's authorised officers, or to return the documents to the Council for retention.

Where Private Finance Initiative contracts are entered into, it would be advisable to retain the contract documents in their original format for at least the life of the contract, and longer if possible.

VAT RECORD REQUIREMENTS

Type of Records	Detail
Business and accounting records	Orders and delivery notes Relevant business correspondence Appointment and job books Purchase and sales books Cash and other accounts books Purchase invoices and copy sales invoices Records of daily takings e.g. till rolls Annual accounts Import and export documents Bank statements and paying-in slips A VAT account Any credit or debit notes issued or received
A VAT Account (prescribed in Regulation 32 VAT Regulations 1994)	An account summarising the totals of the output tax and input tax for each tax period
Copies of all VAT invoices issued (Regulation 31(1) (c))	A copy of all VAT invoices must be retained either on paper, computer or other media and should be readily available for inspection
All VAT invoices received	
Documentation relating to acquisition of goods from other EU countries	
Copy documentation relating to the transfer, dispatch or transportation of goods to or from EU countries	

Documentation relating to imports and exports	
All credit notes, debit notes or other documents which evidence an increase or decrease in consideration that are received and copies of all such documents that are issued	
Additional records as required by Customs and Excise	

CODE OF PRACTICE ON DRAFTING FINANCIAL IMPLICATIONS IN COMMITTEE REPORTS

1. Employee costs should include National Insurance and Pension contributions, leased car costs and overtime pay where appropriate. Gross salaries should normally be calculated on the midpoints of the appropriate pay scales. The Finance Director will circulate updated “ready reckoners” of employee costs within four weeks of a pay award being settled.
2. Departments should have regard to staff turnover savings assumed in the revenue budget when determining the additional savings which are likely to arise from the deletion of posts.
3. All reports should identify clearly:
 - a) recurring and non-recurring expenditure and income
 - b) part-year and full year effects.
4. Appendices should be used when it is necessary to present large volumes of financial information in a report.
5. Avoid quoting figures to the nearest penny or pound. The nearest £’000 will suffice in most instances.
6. Where additional costs are identified:
 - a) virement should be actioned in accordance with Financial Regulations. (The report should identify the specific budgets that are to be vired and seek Member approval where necessary).

OR

- b) there should be a formal recommendation to seek a supplementary estimate from the Executive
7. Reports should cost all proposals even where expenditure can be “met from existing budgets”.
 8. All areas of financial uncertainty or risk should be highlighted. In this respect a paragraph on the risks should be clearly stated so that all risks are clear and transparent and that where relevant a full risk assessment has been carried out in line with the Risk management policy.
 9. Heads of Finance Officers should clear all draft financial reports before being passed to the Committee services.
 10. Every effort should be made to allow the Finance Director’s Department two full working days to comment on a draft report, although it is acknowledged that there will be some instances when a more urgent response is required.
 11. The Chief Accountant should clear all draft reports with financial considerations that impact on the Capital Programme before they are passed to the Committee services.

CODE OF CONDUCT FOR GIFTS AND HOSPITALITY

- i) The main reasons for having Guidelines on Conduct is to ensure that Council Officers maintain the traditional high standards of the Council. These high standards are expected of Local Government generally and their maintenance is necessary to uphold the integrity and reputation of the Council.

These standards are in some areas more rigorous than those applying to the private sector - all of us have to recognise and accept this. The fact that Local Authorities generally and the Council in particular are moving towards more business-like methods of providing services does not mean that the standards have been relaxed.

- ii) All Officers are subject to the provisions of this Code of Conduct, and to the provisions of their conditions of service relating to such matter. One of the purposes of the Code of Conduct is to provide practical guidance on how to deal with matters related to gifts and hospitality.
- iii) The third and perhaps most important reason for this Code of Conduct is that failure to follow the rules puts individual officers at personal risk of disciplinary action and, in certain circumstances, of criminal prosecution. Failure to comply with the Code of Conduct could give rise to disciplinary action, including dismissal. Criminal proceedings can arise from failure to declare pecuniary interests in accordance with the Local Government Act 1972 and under the Prevention of Corruption Acts. Any such criminal action resulting in conviction could give rise to imprisonment and would give rise to disciplinary action, including dismissal.

B. Potential Conflict between Personal and Job Roles

It is sometimes difficult to distinguish between personal and job roles. On some occasions an offer of hospitality will clearly be personal in that there is no connection whatsoever with the job of the officer to

whom it is made. On other occasions an offer of hospitality will be clearly made directly because of the officer's job role. However, there is an area in which the two roles merge, particularly with Chief and Senior Officers. It is difficult to give guidance which would cover all circumstances, but the following are examples:-

- i) If an offer of hospitality purports to be personal, officers should ask themselves whether it would have been made if they did not hold their office with the Council. If not, it should be treated as job related.
- ii) Does the person or organisation making the offer have any connection or potential connection with the Council? If so treat it as job related.

If there is any doubt the only safe course is to treat an offer as job related. At the very least, officers should seek advice. If an offer of hospitality is job related this Code of Conduct should be applied to it, together with any provisions in the conditions of service.

C. Acceptance of Gifts

Gifts should not be accepted (other than items of very small intrinsic value such as business diaries and calendars, which should be used in the work place). There are few permissible exceptions to this general rule but there are occasionally special circumstances such as:

i) Civic Occasions

From time to time there are civic occasions on which personal gifts may be given to officers. For example, an officer may be given a personal gift by a delegation from abroad which is here as part of a twinning arrangement. To refuse it would cause unnecessary offence. Therefore in such circumstances it is permissible for the officer to accept the gift provided that its value is not excessive. If it is a gift which is not personal it should be treated as belonging to the Council and dealt with accordingly. The important point is that such matters should be dealt with openly and, if need be, advice sought.

ii) **Unsolicited Gifts of Value**

Unsolicited gifts may be made which are more than small but still of modest value, e.g. bottles of spirits at Christmas. In such circumstances officers should consider whether they should be immediately returned, if need be with a note explaining why they cannot be accepted. If this is impracticable or would cause unnecessary offence, the gift may be presented to the Mayor for charitable purposes, or similar appropriate action taken. In such circumstances, it is appropriate to tell the donor what has been done and why. In any event, valuable gifts must be returned.

D. Acceptance of Hospitality

Reasonable hospitality may be accepted where it is related to a specific working arrangement (e.g. a working lunch). Caution should be exercised where the invitation is predominantly of a social nature, unless it falls into one of the exceptions mentioned later in this Code of Conduct.

A test which officers should apply in considering any offers of hospitality is that of public scrutiny. Would the acceptance of such hospitality, if made public, be open to misrepresentation, or raise doubts as to the integrity and motives of the provider and the recipient?

i) **Lunches, Dinners and Drinks**

They must only be of a reasonable value. Extravagance must be avoided.

ii) **Civic Hospitality**

It is permissible to accept civic hospitality provided by other Local Authorities, and similar hospitality provided by other public organisations. On such occasions officers will receive formal invitations and any such hospitality is open and above board. Similarly, it is acceptable where officers are invited in an official capacity to represent the Authority at a function or event unless

it falls into one of the excluded categories in this Code of Conduct.

iii) **Commercial Organisations**

Although modest hospitality is an accepted courtesy of a business relationship, this is an area which requires the utmost care. It can conveniently be divided into two parts:

1. Hospitality provided by commercial organisations with whom the Council has an existing business relationship.

This is likely to fall into two categories:-

- (a) The kind which is related to specific Council business.
- (b) The kind which is not specifically business-related but which is provided for representatives of the Council as a client. It is reasonable to accept this kind of hospitality as long as it is not extravagant unless:
 - the renewal of the firm's contract with the Council is imminent;
 - the firm is or is likely to be seeking other contracts with the Council in the immediate future; or,
 - It closely follows the award of a contract.

However, as a general rule business relationships should not become too cosy or too close - a proper distance should be kept.

2. Hospitality provided by commercial organisations with whom the Council does not have an existing business relationship.

The general rule must be to refuse. There may be possible exceptions, e.g. a local connection such as a firm with its headquarters based in Bromley having a Centenary Dinner to which it invites leading Members and Chief Officers of the

Council. However, any exceptions should be carefully considered and, if need be, advice sought.

E. Conferences/Seminars

It is the practice at some Conferences/Seminars for the Sponsors or interested organisations to provide hospitality or entertainment for those participating. Generally it is permissible for officers to accept this kind of hospitality but a distinction needs to be drawn between such hospitality which is generally provided (i.e. all the participants or a large group of them are invited) and individual hospitality (i.e. directed solely to one officer). The former is acceptable but the latter would be unlikely to be acceptable.

F. Study Trips

If these are promoted by, or involve, commercial organisations, they should be dealt with under E. Conference/Seminars. Generally, officers should participate only if the invitation is general and not confined to an individual or a select few.

G. Exhibitions/Demonstrations

Care should be exercised before accepting offers to visit exhibitions and demonstrations at the expense of other organisations. If there is a good reason to inspect equipment, etc. which the Council is considering purchasing then it may be acceptable. Even in such circumstances consideration should be given to the Council meeting any costs. An invitation which is made to a wide range of people is more likely to be acceptable than one which is made to an individual. Hospitality provided in such cases must not be extravagant.

H. Entertainment and Sporting Events

Generally the guidance given above relating to the acceptance of hospitality also applies to the acceptance of invitations coming under the heading of Entertainment, such as invitations at someone else's expense to sporting occasions, theatre trips etc. Generally such invitations should not be accepted unless they can be justified under

one of the various headings in this Code of Conduct. An exception may be where the entertainment or sporting event is of modest value and forms a part of the life of the community where the Council would normally expect to be represented. Invitations to premium events must be declined.

I. Trips Abroad

Trips abroad for business reasons (e.g. study trips or conferences) fall into two categories:

(i) To European Union (EU) Countries

The relevant Chief Officer has delegated authority to approve suitable trips but must report to the relevant service committee subsequently.

(ii) To Non-EU Countries

All trips to non-EU countries require prior approval from the relevant service committee. There is no delegation to officers.

These requirements apply whether the trip is at the Council's expense or is paid for by someone else. However, in the latter case, the same criteria of propriety should be applied, in deciding whether to accept in the first place, as apply to other types of gifts or hospitality.

J. Personal Inducements

Officers should beware of personal inducements being offered by companies in order to achieve orders for goods. The acceptance of such a personal inducement would lay staff open to criminal prosecution and disciplinary action including dismissal. Staff should report any such offer to their Chief Officer who, in appropriate cases, will alert the Finance Director and other relevant Chief Officers. Care needs to be taken if the Council still wishes to purchase the goods from the firm concerned notwithstanding that the personal inducement has been refused and reported. It would be appropriate for written representations to be made to the firm concerned to make them aware that the practice was unacceptable and should cease.

K. Register

Each Chief Officer maintains a Register to record:

- (i) Hospitality received - this should cover hospitality whenever and wherever it is received. It is not confined only to hospitality received during working hours.
- (ii) Gifts received (other than items of very low value such as business diaries, pens, pencils, calendars etc.)
- (iii) Entertainment, study trips, visits to exhibitions or demonstrations at the expense of others.
- (iv) Conferences and seminars - any hospitality, entertainment etc., during the course of conferences and seminars should be recorded in the Register.

The register entry should contain the name of the officer, the date of receipt, the name of the person or organisation providing the gift or hospitality, and a brief description of the gift or hospitality.

Officers must understand that making an entry in the Register does not legitimise the receipt of the hospitality or gift where it is questionable on the grounds of propriety. In other words the first decision is whether the hospitality or gift should be accepted taking into account this Code of Conduct - if so, it must be registered, if not the question of registration does arise.

L. Seek Advice/Be Open/Apply Common Sense

There will be occasions when hospitality is offered which is not covered by this Code of Conduct but which nevertheless is acceptable. Similarly, there will be occasions when hospitality offered appears to come within it but nevertheless should be refused. It is a fundamental principle that in considering any offer of a gift or hospitality, officers should use judgement and common-sense.

Finally, if in doubt officers should seek advice and always be open about such matters. They should understand that if they are not prepared to seek advice or be open, it is highly likely that, whatever it is, they should not be doing it.