

# **CHAPTER 9 FINANCE RULES**

## **LONDON BOROUGH OF BROMLEY**

### **34. (A) FINANCIAL REGULATIONS AND PROCEDURES 2020**

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# **PART 1 – FINANCIAL REGULATIONS**

## **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 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 Corporate Services, Director of Finance 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 Director of Finance and the Chief Officers are included in Financial Procedures. These set out how the Regulations should be implemented and provide further guidance.
- 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 Corporate Services and Director of Finance, 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 Regulations 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 Director of Finance and the Portfolio Holder by the relevant Chief Officer and may be treated as disciplinary offences. Where the Director of Finance considers it appropriate they will report to the next meeting of the Audit Sub-Committee any substantial breach of these Regulations that is identified. The Director of Finance is also responsible for reporting, where appropriate, breaches of Financial Regulations to the Council and/or to the Executive. The Director of Finance shall be responsible for ensuring the Council's continuing compliance with the Accounts and Audit Regulations 2015 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 Director of Finance. Any such report that has financial implications shall be drafted in accordance with the "Code of Practice on Drafting Financial Implications in Committee Reports" (Financial Procedures Appendix 3).
- 1.9 These procedures shall be reviewed regularly by the Director of Finance 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 Director of Finance is responsible for maintaining a continuous review of the Financial Regulations and submitting any additions or changes necessary to Full Council for approval.
- 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 Members, Officers and others acting on behalf of the Authority are required to follow Financial Regulations and Contract Procedure Rules.

The Director of Finance is responsible for issuing advice and guidance to underpin this and Members, Officers and others acting on behalf of the Authority must have regard to such advice.

## **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.
- 2.1.2 The Council’s appointed officer under Section 151 is the Director of Finance. 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 paragraph 2.5.3 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.
- 2.1.3 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 their 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, five Councillors and two Independent Persons. 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. They must report to and provide information for the Executive, the Full Council, the Policy Development and Scrutiny committees and other committees. They are 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 Corporate Services as:

### The Monitoring Officer

- a) The Monitoring Officer is responsible for promoting and maintaining high standards of conduct and 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
- b) The Monitoring Officer must ensure that Executive decisions and the reasons for them are made public. They must also ensure that Members are aware of decisions made by the Executive and of those key decisions made by Officers who have delegated Executive responsibility.
- c) The Monitoring Officer is responsible for advising all Members and Officers about who has authority to take a particular decision.
- d) 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.
- e) The Monitoring Officer, together with the Director of Finance, 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.

### 2.5.3 Director of Finance:

- a) 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 2015.
  - The Local Government Pension Scheme Regulations 2013
- b) The Director of Finance 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.
- c) Section 114 of the Local Government Finance Act 1988 requires the Director of Finance 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.
- d) Section 114 of the 1988 Act also requires:
- The Director of Finance to nominate a properly qualified member of staff to deputise should they be unable to perform the duties under section 114 personally.
  - The Authority to provide the Director of Finance 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 Director of Finance.
- 2.6.2 It is the responsibility of Chief Officers to consult with the Director of Finance 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 Director of Finance where required. They must notify the Director of Finance 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 Director of Finance is responsible for setting accounting policies and ensuring that they are applied consistently.

### 2.7.5 Accounting records and returns:

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

### 2.7.6 Annual statement of accounts:

The Director of Finance is responsible for ensuring that the annual statement of accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (CIPFA/LASAAC).

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:

- a) Corporate plans
- b) The budget
- c) 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 paragraph 4.02 of article 4 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 Finance. The draft budget should include allocation to different services and projects, proposed taxation levels and contingency funds.

### 3.3.2 Budget Preparation:

The Director of Finance 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 Director of Finance 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 Director of Finance.

### 3.3.5 Budget Monitoring and Control:

The Director of Finance is responsible for providing appropriate financial information to enable budgets to be monitored effectively. They 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 Director of Finance. They should report on variances within their own areas and take necessary action to avoid exceeding their budget allocation and alert the Director of Finance to any problems.

### 3.3.7 Resource Allocation:

The Director of Finance 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 Director of Finance 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 Director of Finance. The guidelines will take account of:

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

### 3.3.10 Maintenance of Reserves:

It is the responsibility of the Director of Finance to advise the Executive and/or the Full Council on minimum 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 Finance 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 Director of Finance 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 2015 require every local Authority to maintain an adequate and effective Internal Audit.

- 4.4.2 The responsible body, currently the Public Sector Audit Appointments Limited is responsible for appointing External Auditors to each local Authority such as Bromley who have opted into that arrangement . The basic duties of the External Auditor are governed by section 20 of the Local Audit and Accountability Act 2014.
- 4.4.3 The Authority may, from time to time, be subject to audit, inspection or investigation by other external bodies such as HM Revenue and Customs, who have statutory rights of access.

#### **4.5 Preventing Fraud and Corruption**

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

[http://onebromley/BA/Pub\\_CE/Pub\\_Audit/Pub\\_IA/Lists/News%20Items/Attachments/11/Anti-fraud%20and%20corruption%20strategy.pdf](http://onebromley/BA/Pub_CE/Pub_Audit/Pub_IA/Lists/News%20Items/Attachments/11/Anti-fraud%20and%20corruption%20strategy.pdf)

#### **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 Portfolio Holder for Resources, Commissioning and Contracts proposes the policy statement to the Full Council. The Director of Finance 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 Director of Finance.
- 4.7.4 The Director of Finance is responsible for reporting to the Portfolio Holder for Resources, Commissioning and Contracts 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 Director of Finance, who is required to act in accordance with CIPFA's Code of Practice for Treasury Management in the Public Services.
- 4.7.6 The Director of Finance is responsible for reporting to the Portfolio Holder for Resources, Commissioning and Contracts not less than three times in each financial year on the activities of the treasury management operation and on the exercise of their delegated treasury management powers. One such report will comprise an annual report on treasury management for presentation by 30 September of the preceding 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. They 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 Director of Finance 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 Director of Finance. 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 Director of Finance 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 Director of Human Resources and Customer Services 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 - section 11.

## **5.5 Taxation**

- 5.5.1 The Director of Finance 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 Director of Finance 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 Director of Finance to advise on the establishment and operation of trading accounts and business units.
- 5.6.2 It is the responsibility of the Director of Corporate Services to advise on the establishment and operation of any future wholly owned company arrangements.

## **6 EXTERNAL ARRANGEMENTS**

### **6.1 Introduction**

6.1.1 The Council provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders. The Council 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 Director of Finance must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. Director of Corporate Services must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. They, 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 Director of Finance 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.

## **7 SCHEME OF VIREMENT**

(Not applicable to schools that have separate Regulations)

### **7.1 Introduction**

- 7.1.1 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.
- 7.1.2 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. A division of service is as defined by CIPFA Standards currently the Service Reporting Code of Practice (SeRCOP).
- 7.1.3 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.

### **7.2 Definition of Terms**

- 7.2.1 “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).
- 7.2.2 “Contingent Budget” - refers to those provisions designated by the Director of Finance which are mainly outside the direct control of the Authority.



### 7.3 Virement Arrangements

7.3.1 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 Director of Finance in consultation with the appropriate Chief Officer).

7.3.2 Portfolio Holder agreement will be required for proposals which transfer funds for the creation of new staff posts

7.3.3 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.

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

- a) on the approval of the appropriate Chief Officer for sums up to £50,000
- b) on the approval of the appropriate Portfolio Holder for sums in excess of £50,000 and up to £250,000
- c) on the approval of the Executive for sums in excess of £250,000 and up to £1,000,000
- d) on the approval of the Full Council for sums above £1,000,000.

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

#### **7.4 Maintenance of Buildings**

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

#### **7.5 Notification to Director of Finance**

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

#### **7.6 Supplementary Estimates**

- 7.6.1 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.
- 7.6.2 The Executive cannot agree a supplementary estimate if this has the effect of reducing General Fund “Not Earmarked” Reserves below £20m (based upon the latest projections of expenditure).

# PART 2 - FINANCIAL PROCEDURES

## 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 Director of Finance 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 Director of Finance 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 Director of Finance'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 Director of Finance and the Portfolio Holder by the relevant Chief Officer and may be treated as disciplinary offences. Where the Director of Finance 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 Director of Finance shall be responsible for ensuring the Council's continuing compliance with the Accounts and Audit Regulations 2015 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 Director of Finance. Any such report that has financial implications shall be drafted in accordance with the "Code of Practice on Drafting Financial Implications in Committee Reports". (Appendix 3)
- 1.10 These procedures shall be reviewed regularly by the Director of Finance 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
- 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 and 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 Director of Finance, in accordance with a timetable laid down by the Director of Finance, 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 Director of Finance appropriate supporting information and documentation as specified by them. The Director of Finance 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 Director of Finance, 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 Director of Finance, for presentation to the Executive.
- 2.3 The Director of Finance 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.

<https://onebromley.bromley.gov.uk/HDoI/ManKit/wikisite/Wiki%20Pages/Council's%20Capital%20Programme.aspx>

- 2.5 The Director of Finance 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"  
[https://www.bromley.gov.uk/downloads/file/6334/lb\\_bromley\\_budget\\_202021](https://www.bromley.gov.uk/downloads/file/6334/lb_bromley_budget_202021)
- 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 Director of Finance 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 Director of Finance 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 Director of Finance to the General Purposes and Licensing Committee as soon as practical after the end of each financial year. The final accounts will be approved by the GP & L Sub Committee on behalf of 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) 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 Director of Finance.

## **4. ACCOUNTING ARRANGEMENTS**

### **Contacts: Heads of Finance / Internal Audit**

#### **4.1 Introduction**

- 4.1.1 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 Director of Finance.
- 4.1.2 The Accounts & Audit Regulations 2015 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.
- 4.1.3 Where new financial systems are proposed or significant amendments are planned to existing financial systems, the Director of Finance's advice shall be sought. No changes to any accounting procedures or form of accounts shall be made without the approval of the Director of Finance.
- 4.1.4 Each Chief Officer shall, in consultation with the Director of Finance, 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.
- 4.1.5 Such financial instructions shall, in accordance with the Accounts & Audit Regulations 2015, 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.

## **4.2 Separation of Duties**

4.2.1 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

## **4.3 Authorised Officers**

4.3.1 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

4.3.2 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 Director of Finance where prime documents are processed under procedures within their control (e.g. recommendations to the Director of Finance to write off bad debts).

## 4.4 I-Procurement

4.4.1 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 successor systems), or
- Where agreed by the Director of Finance

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

- 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 Procedure Rules.
- 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.
- 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.

4.4.3 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 Procedure Rules.

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 they 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.

## **4.5 Write-Offs**

- 4.5.1 No uncollectable amounts, including bad debts, should be written off except with the approval of the Director of Finance, whether exercised personally or properly delegated by them to a member of their staff for this purpose.
- 4.5.2 Further guidance in this area is given in Income Collection, section 12 and Write off procedures, section 24 of these Financial Procedures.

## **4.6 Retention of Documents**

- 4.6.1 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.
- 4.6.2 Chief Officers shall also ensure that accounting records are retained in safe custody for such period as shall be determined by the Director of Finance 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 are included in the Bromley Corporate Retention Schedule; open the Finance Schedule or other relevant schedules as required. (Appendix 2)  
[Bromley Corporate Retention Schedule](#)
- 4.6.3 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.

## **4.7 External Arrangements/Partnerships**

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

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

4.7.3 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.

#### **4.8 External funding**

The Director of Finance 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

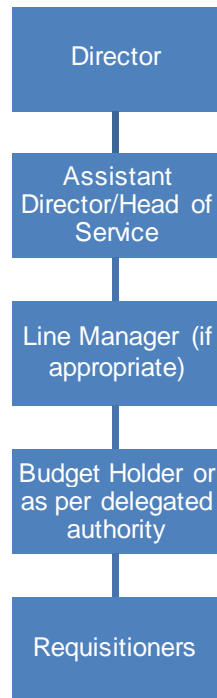
**Contacts: Director of Finance / Internal Audit**

### 5.1 Authorisation Limits for placing of orders and payments

- 5.1.1 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.
- 5.1.2 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.
- 5.1.3 Any delegated authority under the scheme of delegation authorised by a Chief Officer must be in accordance with the Council's Contract Procedure Rules.
- 5.1.4 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 Procedure Rules have been complied with.

Amount of order or payment	Director	Assistant Director/Head of Service	Line Manager (if appropriate)	Budget Holder or as per delegated authority
£1m and above	✓			
£500,000 up to £999,999	✓			
£250,000 up to £499,999	✓			
£100,000 up to £249,999	✓	✓		
£50,000 up to £99,999	✓	✓	✓	✓
£5,000 up to £49,999	✓	✓	✓	✓
Up to £4,999	✓	✓	✓	✓





5.1.5 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.

## 5.2 Listed Exemptions

5.2.1 However there are other payments/ actions that require authorisation which Chief Officers should include within their Scheme of Delegation.

5.2.2 A list of the exceptions from i-proc and AP1/2 certification limits are detailed below:

1. Travel Expenses and Petty Cash (inc signature on cheque book) – *Budget Holder, Line Manager, Assistant Director/Head of Service or Director*
2. Timesheets Agency - Staff *Budget Holder, Line Manager, Assistant Director/Head of Service or Director*
3. Overtime Claim and Car Mileage – *Director, Assistant Director/ Head of Service*

4. Special Leave, Ex-gratia Payments, Season Ticket loans, Interview Expenses -*Budget Holder, Line Manager, Assistant Director/Head of Service or Director*
  5. Income write offs - *Assistant Director/Head of Service or Director plus Head of Finance as per Financial Regulations 24*
  6. Panel Decisions – *Adults and Children’s Social Care - Chief Officer’s scheme of delegation list.*
  7. Manual BACS/CHAPS Payment Authorisation – *Finance officers only.*
  8. Cheques over £50k and BACS - *Finance officers only*
  9. Investment Payments - *Technical Group only (senior accountant and above)*
- 5.2.3 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 [ApManBrom@liberata.com](mailto:ApManBrom@liberata.com) to be held 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.
- 5.2.4 Manual signatures can be captured by various types of equipment including scanners, photocopiers and fax machines. Once acquired, signatures can be transmitted electronically and copied between files, as well as being printed on paper documents.
- 5.2.5 An electronic document, such as an email, Word file or fax, containing a digitised signature is nowadays considered to be no different from a paper one which has been signed manually.
- 5.2.6 It is therefore important that individuals use images of their own signatures with care and that there are controls over the use of other people's digitised signatures.
- 5.2.7 Whereas for internal e-mails there is an assumption that they are from a verifiable source, you should seek assurances that external e-mails are similarly from a secure source.

Examples of electronic signatures are:

- Typed name
- E-mail address
- Scanned image of a signature
- Automatic e-mail signature

- 5.2.8 Images of signatures should be used only when essential and internally within the organisation.
- 5.2.9 Electronic signatures will not override instances where signatures or a seal is required e.g. contracts over £200k or where there is a legal requirement.

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

### **Contacts: 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 through the banks' automated clearing system (BACS) or other electronic transfers of funds drawn on the Authority's bank accounts such as CHAPS or by cheque.
- 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 Director of Finance.
- 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 Director of Finance 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 or (with the Director of Finance' initial approval) by internet e-mail or via the supplier's web site. A copy 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 Director of Finance'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) Over £5,000 – follow the Contract Procedure Rules

## 7. CONTRACT PROCEDURE RULES

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

7.1 Contract Procedure Rules must be complied with as applicable

Contract Procedure Rules

## **8. PAYMENT OF ACCOUNTS**

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

### **8.1 PAYMENTS**

- 8.1.1 The Director of Finance 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 Director of Finance or under arrangements approved by them. All payments should be made through one of the Council's E payment systems (i-Proc; Social Care Information System; Confirm) wherever possible and unless otherwise agreed with the Director of Finance. Where this is not possible an agreed manual process system may be used.
- 8.1.2 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 Director of Finance 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).
- 8.1.3 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. E-mailed invoices are acceptable with the approval of the Director of Finance, or their delegated representative.
- 8.1.4 The Director of Finance shall be responsible for deciding the most appropriate method of payment for categories of invoice. Payments will normally be made via electronic transfer (BACS); cheque payments should only be made by exception where a BACS payment is not possible. 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.
- 8.1.5 Payments in advance should only be made where there is no practical alternative, and the reasons should be recorded. Payments should not be



made in advance of goods or services being delivered. Any invoice subsequently obtained should be filed with the original payment documentation, and endorsed appropriately to prevent duplicate payments.

8.1.6 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 Director of Finance will prepare manual cheques for urgent payments (i.e. where required immediately) but two Authorised signatories will be required.

8.1.7 The following checks should be conducted for all invoices received:

- Establish whether the invoice relates to an i-Proc order, a Confirm order, a Social Care Information System 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.

8.1.8 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.

8.1.9 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.

8.1.10 Where the above are satisfied the invoice should be passed for payment promptly.

- 8.1.11 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.
- 8.1.12 Other anomalies should be referred to the supplier and a correct invoice supplied for payment.
- 8.1.13 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 FP8.1.7 should be conducted, an i-Proc order raised retrospectively, authorised and the invoice paid against it.
- 8.1.14 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
- 8.1.15 An AP1 should be completed in all cases matching 8.1.14 a) or 8.1.14b). Utility Bills are exempt from the above authorisation controls.
- 8.1.16 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.
- 8.1.17 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 Director of Finance 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.
- 8.1.18 Chief Officers may delegate the authority to certify invoices to designated officers within their department. 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.

## **8.2 Checking Required**

- 8.2.1 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.
- 8.2.2 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).
- 8.2.3 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/ Social Care Information System) or the Certification “section” of AP1/AP2 is completed.
- 8.2.4 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 cannot be returned to the certifying officer, another authorised officer should certify the amendment on the AP2 form.
- 8.2.5 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.

8.2.6 The following checks are regarded by the Director of Finance 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 Director of Finance at FP 8.2.7 -8.3.2 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/Social Care Information System ) 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 Director of Finance);
- c) Where appropriate, that any assets have been entered into the relevant departmental inventory or stores record (see Section 17).

8.2.7 The Director of Finance 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

8.2.8 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.

### **8.3 Verification of Goods / Services Received**

8.3.1 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 8.2.6(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".

8.3.2 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 Directors of Education, Adults & Children's Social 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.

### **8.4 Maintenance**

8.4.1 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 Director of Finance at FP8.2.7 or in Education, Adults and Children's Social Care Services by inspecting as part of pre-arranged visits from care managers.

## **8.5 Placements**

Education, Adult & Children's Social Care Service 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.

## **8.6 Direct Care**

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.

## **8.7 Creditors Provision**

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

## **8.8 Late Payment of Debts**

Guidance on Late Payment of Debts legislation is set out in the [Appendix 5](#)

## **8.9 Purchasing Cards**

- 4 Purchasing Cardholder Procedures issued to officers must be complied with as applicable. The policy and procedures relating to purchase cards can be found by following the link below

[http://onebromley/BA/Pub\\_Res/Pub\\_FMD/Pub\\_proc/Pages/PurchCards.aspx](http://onebromley/BA/Pub_Res/Pub_FMD/Pub_proc/Pages/PurchCards.aspx)

## 9. IMPREST ACCOUNTS & PETTY CASH

### Contacts: Corporate Finance / Internal Audit (Internal Controls)

- 9.1 The Director of Finance 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. Petty cash payments should only be used when there is no other alternative.
- 9.2 Where appropriate, the Director of Finance 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 Director of Finance. (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 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 Director of Finance. (This approval will normally be delegated to the relevant 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 and should be processed through the HR system including car allowances and travel 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.

## 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 imprest) in accordance with current VAT Regulations. Failure to do so can lead to loss of income and/or imposition of penalties by HM 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 Principal Accountant in the Division.

## **11. SALARIES, WAGES & PENSIONS**

**Contact: Human Resources**

### **11.1 General**

- 11.1.1 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.
- 11.1.2 All payments of salaries, wages, pensions, compensation and other emoluments to all employees and pensioners of the organisation shall be made by the Director of HR & Customer Services or under arrangements approved by them. Salaries and wages must not be paid through the creditors system.
- 11.1.3 All payments, including travel, subsistence and other allowances shall be made in accordance with current legislation, HMRC Regulations and relevant decisions of the Council.
- 11.1.4 Each Chief Officer, or their nominated representative, shall notify the Director of HR & Customer Services as soon as is practicable of all matters affecting the payment of emoluments 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.**

11.1.5 All salaries, wages and pension records, including those relating to 11.4 will be in a form approved by the Director of HR & Customer Services and shall be certified by an officer authorised in accordance with 11.3. All such records should be submitted to the Director of HR & Customer Services in accordance with the timetables and deadlines determined by them.

## **11.2 Self-Employed Status**

11.2.1 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.

11.2.2 For further guidance contact Human Resources

## **11.3 Pension Life Certificates**

11.3.1 The Director of Finance shall ensure that life certificates are obtained in respect of pension beneficiaries living abroad 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. Tell Us Once (death notification). Also, additional information is required for child benefits for those over the age of 18.

11.3.2 The data matching of pension payrolls to official national records of deceased persons as part of the National Fraud Initiative (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.

11.3.3 Records of deceased persons are now provided by the Tell Us Once to pension administrators and payrolls. In the absence of a Tell Us Once notification, an original certified death certificate is required.

## **11.4 Travel, Subsistence & Other Allowances**

- 11.4.1 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 on the online HR system and paid in accordance with approved Council procedures as currently in force.
- 11.4.2 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: Exchequer Services**

- 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 monies 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 Director of Finance and Section 5 of these Regulations; or
  - Raise an account for inclusion in the Council's debtors system, to enable the Director of Finance 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 Director of Finance.
- 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 Director of Finance. 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 monies received on behalf of the Council should be paid forthwith at the Director of Finance's instructions either to his appointed contractor or be banked direct to the credit of the Council. Every employee who receives monies shall maintain a record, in a form approved by the Director of Finance, 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 monies collected and due to be banked.

- 12.9 All officers responsible for banking monies should ensure that cheque and cash payments are processed in accordance with the Cashiers Postal Receipts and Cashiers Kiosk Maintenance procedures or the Collection and Deposit process. Where individual cheques are received on the reverse of each cheque, the officer should enter the relevant reference and the name of the relevant department or division.
- 12.10 Payment Kiosks are to be used exclusively for the collection of Council income unless otherwise agreed by the Director of Finance.
- 12.11 All payments must be reconciled daily to the Cash Management System Controls and deposited into the Council's bank account within 1 working day. All unidentified income within the Cash Management System must be investigated and cleared promptly.
- 12.12 All debit/credit card payments via the Council's Cash Management System, the internet, Touch Tone system or Portals must comply to Payment Card Industry Data Security Standards (PCI DSS)
- 12.13 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 Head of Finance.
- 12.14 Where monies 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 monies held do not exceed the insurance value of the secure facilities provided (see Section 15).
- 12.15 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.
- 12.16 Any decision to write-off an amount must be taken with the authority of the Director of Finance, whether exercised personally or properly delegated by them to a member of his staff. The amounts involved, and approval granted, should be recorded in the accounting records. Write-off procedures are detailed in Section 24 of these procedures.
- 12.17 As soon as is practicable after the end of each financial year Chief Officers at the request of the Director of Finance 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 Director of Finance, 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 Director of Finance shall be authorised to operate such subsidiary bank accounts as he deems necessary. Only the Director of Finance 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 Director of Finance. 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 Director of Finance 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 Director of Finance 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 Director of Finance, 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 every manual cheque of £1,000 or more shall be countersigned by an authorised signatory empowered by the Director of Finance.

## 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 Director of Finance.
- 14.4 All Executive decisions on borrowing, investment or financing (within policy parameters) shall be delegated to the Director of Finance or through them to staff designated by them, 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 Director of Finance 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 Director of Finance shall report to the Resources Portfolio Holder not less than three times in each financial year on the activities of the Treasury Management operation and on the exercise of the treasury management powers delegated to them or her including monitoring compliance. One such report shall comprise the Annual Report for presentation by 30<sup>th</sup> September of the preceding 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 Director of Finance 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 Director of Finance 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 Chief Executives 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 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 Director of Finance promptly in writing of any proposals that will change cash storage or alter significantly the value of stocks or stores held, or alterations to Council buildings 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 Director of Finance will give advice as appropriate.
- 15.5 Every Chief Officer shall immediately notify the Insurance Section in writing and where appropriate, the Police upon the occurrence of any loss, damage, liability or potential liability in connection with their department. Notification is not required if the value is less than £500. Evidence supporting the claim should be provided in such form as may be required by the Insurance Section.
- 15.6 Chief Officers need to notify the Director of Finance of all cash holdings for insurance purposes. The Director of Finance will advise Chief Officers of their maximum level of cash holdings for insurance purposes.
- 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.

- 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 Director of Finance 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 and Risk Manager. A safe schedule will then be maintained containing relevant details e.g. location, type, permitted maximum holding and the agreed amount for the particular location. The overnight limit includes anything defined as money including paper currency, coin, bank notes, bullion, cheques, travellers cheques registered cheques postal orders and money orders.
- 15.12 The Director of Finance 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 Director of Finance.
- 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 Director of Finance on request evidence of the adequacy of such cover.
- 15.15 The Director of Finance 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 Director of Finance.
- 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 Director of Finance.

## 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: - Strategic Property**

- 18.1 The Director of Housing, Planning and Regeneration shall ensure that a comprehensive terrier of all land and properties held by the Council is maintained.
- 18.2 The Director of Corporate Services shall have the custody of all the title deeds in the possession of the Council under secure arrangements.
- 18.3 The Council has adopted a Corporate Landlord approach to how it treats its operational assets.
- 18.4 The Council owns the property assets from which services are delivered or are supported. The Corporate Landlord approach sees that all decisions affecting property assets will be considered from a Corporate perspective. Service occupiers will not be free to make independent decisions regarding the use or utilisation of Council premises. The corporate landlord model applies to all Council premises including local authority controlled schools regardless of whether premises related budgets are centralised or devolved
- 18.5 Service departments are effectively “tenants” within the premises they occupy and will have defined responsibilities for the premises they occupy
- 18.6 The introduction of the corporate landlord model is to ensure good stewardship of the Council’s property assets and it is important that service occupiers understand the roles they have to play in the process.
- 18.7 Strategic Property will ensure that premises related budgets are used wisely and effectively to provide best value; buildings are used efficiently, meet legislative requirements, are properly maintained, having regard to available budgets, and accessible to service users.
- 18.8 The desired outcome is enhanced service delivery through ‘fit for purpose’ buildings which contributes to customer satisfaction with the service received. This management arrangement facilitates the efficient utilisation of property assets and the potential for realisation of operational savings.
- 18.9 The Corporate Landlord will take responsibility for providing a corporate and consistent policy/standard approach to:
  - Acquisition and disposal
  - Space standards and utilisation
  - Repair and maintenance

- Premises related Health and Safety requirements
- Premises related Statutory inspections
- Security, caretaking and cleaning
- Disabled access requirements
- Utility Management

18.10 The underlying Core Principles of the Corporate Landlord model are:

- Deliver best consideration for the Council's assets in accordance with s.123 Local Government Act 1972.
- Increase income from the Council's property assets (long term revenue streams preferred to one-off capital receipts)
- Reduce expenditure on the Council's property assets
- Optimise assets to meet the Council's corporate objectives:
- Provide quality modern operational buildings for staff and customers that will help the Council to deliver outstanding service to customers and attract and retain talented professional staff.
- Release surplus operational estate for long-term revenue income and/or development
- Achieve 100% compliance (physical buildings and H&S)
- Consolidated and transparent single property budget, held by Property & Economy (ALL property income and expenditure is centralised – Services have any property cost codes/budgets removed and centralised)
- Account for full market rent for ALL buildings, including operational ones.
- Hold live Asset information that can be easily and simply reported/communicated and properly used to strategically optimise asset management as well as respond to enquiries from Members and the public.

18.11 The Insurance and Risk Manager should be informed of all acquisitions, disposals and alterations of property to ensure that the Council's insurance



schedule accurately represents the land and property held by the Council at any given time.

18.12 Under section 123 of the Local Government Act 1972, the Council has the power to dispose of land. The main caveat to this power is that the council must not do so for “a consideration less than the best that can be reasonably obtained”. This is interpreted as being the best price achievable in the open market.

18.13 The focus of the duty is on the outcome rather than any particular process being followed. That said, if a disposal were to be challenged, the Courts are likely to find the duty to obtain best consideration has not been complied with where:

- there is a failure to take proper advice;
- proper advice has been obtained but there has been a failure to follow it or reasons that cannot be justified; or
- advice has been obtained and followed, but the advice is so plainly wrong that the Council either knew or ought to have known it was acting unreasonably

18.14 There is a current General Consent (the General Disposal Consent (England) 2003), which gives consent to the disposal of any interest in land at less than best consideration where the council considers it will help it to secure the promotion or improvement of the economic social or environmental well-being of its area, subject to the condition that the undervalue (i.e. the difference between the consideration obtained and the best consideration that can reasonably be obtained) does not exceed £2million.

18.15 Should the Council wish to dispose of an asset, The Director of Housing, Planning and Regeneration shall ensure that appropriate advice is sought and reported to ensure that the requirements of Section 123 of the Local Government Act 1972 are complied with.

## 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;
  - 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 Director of Finance).
- 19.3 Where the estimated value of the asset(s) is over £50,000, the tendering procedures in Contract Procedure rules 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 procedures set out in section 18.12 to 18.15 (Strategic Property) should be followed.

## **20. INTERNAL & EXTERNAL AUDIT**

**Contact: Internal Audit**

### **20.1 Internal Audit**

The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit (England) Regulations 2015 state that “A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

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 Director of Finance.

The Public Sector Internal Audit Standards define internal auditing as ‘an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.’

Managers should ensure that auditors are provided promptly with any information and explanations that they seek in the course of their work.

Managers should consider and respond promptly to recommendations in audit reports and ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient manner.

Where necessary, and on production of proof of identity and authority, the Head of Audit and Assurance or his staff 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.

## **20.2 Internal Control**

20.2.1 The Authority is complex and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives.

20.2.2 The Authority has statutory obligations, and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations.

20.2.3 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.

20.2.4 The system of internal controls is established in order to provide measurable achievement of:

- Accomplishment of its objectives and goals
- Efficient and effective operations
- Reliable financial information and reporting
- Compliance with laws and regulations
- Risk management
- Safeguarding its assets

20.2.5 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 Public Sector

Internal Audit Standards and with any other statutory obligations and Regulations.

20.2.6 An adequate and effective system of Internal Audit of the accounting records and control systems of the Authority will be maintained by the Director of Finance, under delegated authority from the Council.

### **20.3 External Audit**

20.3.1 The Local Audit and Accountability Act 2014 sets out the framework for the audit of local authorities. Public Sector Audit Appointments Limited is currently responsible for appointing the External Auditors to the Council. The External Auditor has rights of access to all documents and information necessary for audit purposes.

20.3.2 The basic duties of the External Auditor are defined in the Local Audit and Accountability Act 2014 and the Local Government Act 1999. In particular the Code of Audit Practice issued by the National Audit Office and Terms of Appointment 2015 set out, what External Auditors must 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
- whether, in the auditor's view, the audited body has put arrangements in place that support the achievement of value for money

20.3.3 The Authority's accounts are scrutinised by the External Auditors, who must be satisfied that the statement of accounts give a 'true and fair' view of the financial position of the Authority and its income and expenditure for the year in question and complies with the legal requirements.

## 21. PREVENTING 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 good 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.

Managers should ensure that fraud risks are considered in all individual systems and processes in their area of responsibility. Appropriate controls for the prevention and detection of fraud and corruption should be incorporated accordingly and operate effectively.

- 21.4 Any suspected fraud, theft, irregularity, improper use or misappropriation of the Authority's property or other resources must be reported immediately to the Head of Audit and Assurance in accordance with the Authority's Fraud Response Plan. The Head of Audit and Assurance, if he considers it appropriate, may conduct an independent investigation.

Any staff reporting suspicions under the 'Raising Concerns' ("whistle blowing") procedure will be dealt with in a way that shows their concerns are being taken seriously and with respect and confidentiality.

Pending investigation and reporting, the senior officer of that business area, in conjunction with Internal Audit, must take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.

- 21.5 Any suspected irregularities involving senior officers or Members must be reported to the Chief Executive and the Monitoring Officer.
- 21.6 Managers must not undertake fraud investigations. Fraud investigation should only be investigated by the Greenwich Fraud Team who the Authority has a partnership agreement with via Internal Audit.
- 21.7 All staff must co-operate with any fraud investigations.

- 21.8 A decision to involve the police or other agency to investigate a suspected fraud should only be made by the Director of Finance in consultation with the relevant Chief Officer and the Monitoring Officer. This will be for circumstances where sufficient evidence exists to believe that a criminal offence may have been committed.
- 21.9 The Authority's disciplinary procedures should be instigated where the outcome of an audit or investigation indicates that improper behaviour has occurred.
- 21.10 Further guidance is contained in the Anti-Fraud & Corruption Strategy [http://onebromley/BA/Pub\\_CE/Pub\\_Audit/Pub\\_IA/Lists/News%20Items/Attachments/11/Anti-fraud%20and%20corruption%20strategy.pdf](http://onebromley/BA/Pub_CE/Pub_Audit/Pub_IA/Lists/News%20Items/Attachments/11/Anti-fraud%20and%20corruption%20strategy.pdf)

## **22. INFORMATION SYSTEMS**

### **Contact: Information Systems / 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 ICT 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 Director of Finance and Director of Corporate services respectively have a professional responsibility to ensure that the Authority's financial and ICT systems are sound and must be notified, in advance, of any new developments or changes that may affect financial management, service and other relevant information .
- 22.3 All Council financial 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 Director of Finance.
- 22.4 All Officers are responsible for ensuring the accuracy and integrity of any information input and stored within the Council's financial and management information systems.
- 22.5 The Director of Corporate Services shall ensure that adequate procedures exist to ensure compliance with the principles of current Data Protection laws and other relevant legislation including Freedom of Information and Human Rights Acts in respect of personal data held in computerised and manual information systems.
- 22.6 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.
- 22.7 The Director of Corporate Services 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. They will be



responsible for making such notifications as and when required by the Commissioner.

- 22.8 Chief Officers shall be responsible for ensuring that they and their staff comply with the Council's IT Security Policy and Guidelines and Data Protection
- 22.9 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 backup copies being taken and kept securely.
- 22.10 All Officers and Members should comply with the Authority's published policy; "Acceptable Use Policy for Internet and E-Mail"

[http://onebromley/BA/Pub\\_IM/TeamInfoMan/Published%20Documents/Acceptable%20use%20policy%20for%20Internet%20and%20email.pdf](http://onebromley/BA/Pub_IM/TeamInfoMan/Published%20Documents/Acceptable%20use%20policy%20for%20Internet%20and%20email.pdf)

## 23. GIFTS & HOSPITALITY

**Contact: Director of Corporate Services**

- 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 Corporate Services holds a separate register for Members for this purpose.

[http://onebromley/BA/Pub\\_LandDS/Pub\\_DandCS/Team\\_DandCS/Team\\_DS/Team\\_CT/Published%20Documents/Gifts%20and%20Hospitality%20Code%20of%20Conduct.doc](http://onebromley/BA/Pub_LandDS/Pub_DandCS/Team_DandCS/Team_DS/Team_CT/Published%20Documents/Gifts%20and%20Hospitality%20Code%20of%20Conduct.doc)

## **24. PROCEDURES FOR WRITE-OFFS**

### **24.1 Background**

- 1.1.1 Circumstances may arise in which amounts due must, for all practical purposes, be deemed uncollectable.
- 1.1.2 The Accounts & Audit Regulations 2015 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. Director of Finance), whether exercised personally or properly delegated by them to a member of their staff. The amounts involved, and approval granted, should be recorded in the accounting records.
- 1.1.3 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.

### **24.2 Bad Debts / Loss of Income**

- 24.2.1 The Director of Finance 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;
  - (v) The debtor having no funds in their estate;
  - (vi) The debt being statute barred;

24.2.2 Other individual bad debts or loss of income, not falling into these categories, may be written off as follows:

- (i) by the Director of Finance, if it does not exceed £15,000;
- (ii) by the Director of Finance with the approval of the relevant Portfolio Holder if over £15,000 not exceeding £25,000;
- (iii) by the Director of Finance with the approval of the Executive if exceeding £25,000.

24.2.3 For those items falling within (24.2.1) and (24.2.2) above, the Director of Finance has nominated the following to approve write-offs on his behalf:\*

Heads of Finance

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

Named School Governors up to £500 for Primary Schools

Benefits Manager (Operations )

Head of Corporate Finance and Accounting Assistant Director

Exchequer Services

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

### **24.3 Stocks and Stores**

24.3.1 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 they deem necessary. If cumulative adjustments in any one year exceed £10,000 the Director of Finance must be informed;
- (ii) If exceeding £5,000 but not exceeding £10,000 the appropriate Chief Officer must obtain the approval of the Director of Finance prior to adjusting stock records to reflect actual stock records. The Chief Officer and Director of Finance 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.

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

## **24.4 Plant and Equipment**

24.4.1. 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 Director of Finance should be informed.

## **APPENDIX 1 - FRAUD AND CORRUPTION PROTOCOL**

### **Introduction**

This protocol specifies how the Director of Finance 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.

All employees have a responsibility for the security of both the Council's assets and 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 Whistleblowing Procedure.

[http://onebromley/BA/Pub\\_LandDS/Pub\\_LSD/Pages/RaisingConcerns.aspx](http://onebromley/BA/Pub_LandDS/Pub_LSD/Pages/RaisingConcerns.aspx)

The Chief Officer may, if he then considers it appropriate, conduct an independent investigation.

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. 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 who may involve officers from the Royal Borough of Greenwich Fraud Team with whom it works in partnership. 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 & Assurance 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 & Assurance. 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 & Assurance 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.



## **APPENDIX 2 – RETENTION OF DOCUMENTS**

Chief Officers shall be responsible for ensuring that records are carefully and systematically filed and retained for inspection by the Director of Finance or agencies (e.g. HM Revenue and Customs).

Records should be retained in accordance with the Council's Retention Schedule and Policy which should be read in conjunction with the Council's IT security and Data Protection policies in order to support compliance with current data protection laws and the Freedom of Information Act 2000

These Policies apply to electronic records and to manual records (e.g. paper, microfiche). A record is any recorded material (usually a document) whether or not it is stored in a database or file.

The minimum periods for the retention of financial records are set out in the Council's Record Retention Policy.

### Bromley Corporate Retention Schedule

It is the responsibility of the Information Asset Owner in each service area to ensure that these retention periods are within those set out any service specific legislation such as PAYE, VAT or Construction Industry Schemes. The Information Asset Owners should also be aware of the maximum time to retain records in line with GDPR regulations.

The retention schedule is not exhaustive and where there is uncertainty the advice of the Director of Finance and the Director of Corporate Services must be sought. Periods referred to are in addition to the current year of account, which ends at the conclusion of the annual external audit of the Council's accounts.

Records held locally in establishments e.g. schools shall be retained in accordance with the School's Financial Regulations.

The Director of Finance or his representative shall have access to documents relating to such funds should it be deemed necessary.

### **Local Audit and Accountability Act 2014**

Section 2 of the Local Audit and Accountability Act 2014 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.

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**

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.

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).

From 1996/97 Local Authorities were required to have their accounts approved by a Committee or the Full 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.

Central Government guidance 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.

### **APPENDIX 3 - 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 Director of Finance 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 Director of Finance’s Department five 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 Head of Corporate Finance and Accounting should clear all draft reports with financial considerations that impact on the Capital Programme before they are passed to the Committee services.

## APPENDIX 4 - TRANSPARENCY CODE

### Introduction

The Department for Communities and Local Government (DCLG) published a revised Local Government Transparency Code on 27 February 2015. The revised Code came into effect on 1 April 2015. The code seeks to ensure that certain data held by local Councils is published in a timely and open way.

Personal data will not be included if publishing it would contravene the GDPR and the Data Protection Act 2018.

### Areas covered

The Code requires the publication of specified categories of data, and recommends the publication of additional data, under the headings below:– (the .gov link should be checked to verify the current headings)

- Individual items of expenditure exceeding £500;
- Data on the land and buildings held by the authority;
- Information on invitations to tender, and every contract or purchase order, with a value of over £5,000;
- Details of every transaction on a Government Procurement Card used by the authority;
- Grants to voluntary, community and social enterprise organisations: dates made and amounts granted;
- The authority's organisation chart, covering the top three levels in the organisation, including salary bands;
- Details of trade union facility time: number of representatives and spending upon them;
- The number of controlled parking spaces within their area;
- Data on the value of the authority's social housing stock;
- Data on senior salaries
- The pay multiple
- The authority's constitution;
- Details of counter-fraud work;
- Details of waste contracts;
- Data on parking revenues.

The current Local Government Transparency Code was issued in February 2015. The Code applies to local authorities in England, including fire and rescue authorities and National Park authorities, and to parish councils with either gross income or expenditure over £200,000; but not to Police and Crime Commissioners. It can be found at:

<https://www.gov.uk/government/publications/local-government-transparency-code-2015>

## APPENDIX 5 - LATE PAYMENT OF DEBTS

### Background

1. The Late Payment of Commercial Debts (Interest) Act 1998 and the Late Payment of Commercial Debts Regulations 2013 provides a statutory right to claim interest on the late payment of commercial debts. Previously, businesses were only able to claim interest on late paid debts if it was included in the contract or if they pursued the debt through the courts and the courts decided to award interest.

### Contracts

2. The legislation gives precedence to contractually agreed provisions. However, the Act contains provisions to prevent parties to a contract “contracting out” of the legislation by setting very low rates of interest on late payments, or by extending credit terms excessively or by any other terms which result in no substantial remedy for late payment. The provisions apply the test of “reasonableness” to such terms.

### Definition of key terms

3. *Late payment*: a payment is “late” when it is received after:
  - the expiry of the contractually agreed credit period (whether agreed orally or in writing); **or**
  - the credit period in accordance with trade custom and practice or in the course of dealing between the parties; **or**
  - the default credit period defined in the legislation (30 calendar days).
4. *Commercial debt*: the Act applies to a debt under a contract for the supply of goods or services where the purchaser and the supplier are each acting in the course of a business.

### Size of Debt / Statute of Limitations

5. No minimum level has been set below which a claim for interest cannot be made but claims for interest must be made within six years.

### Credit periods

6. Where no credit period is defined in a contract, or no contract exists, the Act sets a default credit period of 30 (calendar) days from delivery of an undisputed invoice for payment, or delivery of the goods and / or service, whichever is the later.
7. This is also the measure used by the Local Authority for payment of undisputed invoices. Time starts from the date the Local Authority (not the payment section) receives the invoice to the date of:

- despatch of a cheque or other payment instrument;
- notification to bank for BACS payments; **or**
- bank processing of the payment if the Local Authority specifies a period after which the bank is to make the payments once it has received the BACS file.

If an invoice is received in advance, the 30 day or agreed term period starts from the satisfactory receipt of goods and/or services. Where the date the Local Authority receives the invoice it allows 2 working days to be added to the date of invoice.

8. Some purchasers and suppliers have a long-standing relationship in which there is no agreed credit period but the purchaser usually pays at the end of the month following the month in which the invoice is received. Where this is standard practice the credit period is considered to end on the last day of the month following the month in which the invoice is received. Interest starts the next day.

**Interest**

9. The Act seeks to recompense creditors for the cost of the payment delay. It provides power for the Secretary of State to set the rate of statutory interest and this is currently set at the Bank of England base rate for business to business transaction + 8%.

10. The current (and past) UK base rate can be found on the Bank of England web site at:

<https://www.bankofengland.co.uk/statistics>  
<https://www.bankofengland.co.uk/boeapps/database/Bank-Rate.asp>

11. Interest is calculated as simple, not compound, interest as follows:

$$\text{Debt} \times \text{Interest Rate} \times \frac{\text{the number of days late}}{365}$$

12. Interest stops running on a debt once the principal has been paid. However, unless payment is accepted on other terms, any part payment of the debt will go to reduce the amount of the interest first.

**Separation and assignment of interest**

13. The Act allows the interest to be pursued separately from the principal debt and permits assignment of the interest to third parties, such as factors.