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**AGENDA ITEM: 7**

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Meeting	Audit Committee
Date	20 March 2007
<b>Subject</b>	Review of Financial Regulations
Report of	Deputy Director for Resources & Chief Finance Officer
Summary	To update the council's financial regulations.

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Officer Contributors	Clive Medlam, Deputy Director for Resources & Chief Finance Officer Jonathan Bunt, Head of Strategic Finance
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A – Financial Regulations (revised) Appendix B – Financial Regulations (current) Appendix C – Comparison of current and revised Financial Regulations
For decision by	The Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	None

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## **1. RECOMMENDATIONS**

- 1.1 That the revised financial regulations attached at Appendix A be recommended to the Special Committee (Constitutional Review) for approval and subsequent recommendation for adoption at Council in place of the existing regulations.**
- 1.2 That the Deputy Director for Resources & Chief Finance Officer be instructed to update the Special Committee (Constitutional Review) of the decision of this committee under 1.1.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 Constitution Review Committee 22 March 2006 (Financial Regulations)
- 2.2 Council 11 April 2006 (Report of the Special Committee (Constitution Review) 22 March 2006)

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1 It is important for reasons of corporate governance that Financial Regulations are reviewed regularly and updated to reflect current best practice.

## **4. RISK MANAGEMENT ISSUES**

- 4.1 Financial regulations govern the way the Council's finances and assets are managed. Failure to have these up to date could result in mismanagement of Council funds and resources.

## **5. EQUALITIES AND DIVERSITY ISSUES**

- 5.1 Effective systems of financial regulation, internal control and corporate governance provide assurance on the effective allocation of resources and quality of service provision for the benefit of the entire community.

## **6. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS**

- 6.1 The financial regulations govern the way in which the council manages its finances and assets.

## **7. LEGAL ISSUES**

- 7.1 All issues dealt with in the report.

## **8. CONSTITUTIONAL POWERS**

- 8.1 Constitution Part 3, Section 2 details the functions of the Audit Committee including "to maintain an overview of the council's constitution in respect of contract procedure rules and financial regulations".

## **9 BACKGROUND INFORMATION**

- 9.1 The current Financial Regulations were approved by the Constitution Review Committee in March 2006 and subsequently Council in April 2006. The changes approved at that time were focused on part one of the regulations to simplify the wording, reflect necessary changes to responsibilities of Heads of Service, enhance the control over capital expenditure and clarify the arrangements for the submission of alternative budget motions to Council.
- 9.2 The review this year, which has led to the version attached as Appendix A of the report, has focused equally on both part one and part two the regulations.
- 9.3 Part one looks at the financial management of the authority, and the changes build upon the work completed in 2006, whereas part two focuses on the financial administration arrangements of the authority and are updated to reflect the changes in particular to the corporate structures and the implementation of the Modernising Core Systems project and the resultant impact on the Council's systems and processes.
- 9.4 Once approved, it is important that the revised regulations are briefed across the Council.

## **10. LIST OF BACKGROUND PAPERS**

- 10.1 None

Legal: MM  
CFO: JB

## **Financial Regulations**

(Amended April 2007)

Financial Regulations govern the way the council undertakes financial forward planning, annual budget setting, budget monitoring and closing of the accounts – setting out the responsibilities of Council, Cabinet (and Cabinet Committees), the Chief Finance Officer, Directors, Heads of Service and Cost Centre Managers. These aspects are set out in Part 1 (Financial Management).

Financial Regulations also govern the way day to day financial administration is conducted and financial controls are exercised. These aspects are set out in Part 2 (Financial Administration).

Financial Regulations are supported by other elements of the Council Constitution, in particular:-

- Scheme of Delegation
- Budget & Policy Framework Procedure Rules
- Contract Procedure Rules
- Rules on the Disposal of Land & Property.

## Part 1 – Financial Management

- 1 Medium Term Financial Strategy
- 2 Financial Forward Planning
- 3 Annual Budget Setting
- 4 Budget Management & Monitoring
  - Latest Approved Budget
  - Budget Monitoring
  - Central Contingency
  - Reporting to Members
  - Authorisation of Non-Budgeted Expenditure
- 5 Further Responsibilities of Heads of Service
  - Budget Monitoring
  - External Funding
  - Full Year Effects
  - Impact on Other Services
  - Partnership Working
  - General Requirements
- 6 Closing of Accounts & Statement of Accounts
- 7 Treasury Management Framework
- 8 Pension Fund Management

### 1 MEDIUM TERM FINANCIAL STRATEGY

1.1 The Medium Term Financial Strategy, approved by Cabinet, sets out the Executive's approach on a range of issues, including:-

- the way in which corporate service priorities are considered as part of the council's capital and revenue budget processes;
- the level of balances and reserves (having taken account of advice from the Chief Finance Officer);
- the approach to bidding for external funding;
- the setting of fees and charges;
- the management of financial risks;
- the recovery of debt.

- 1.2 The Medium Term Financial Strategy will normally be approved by Cabinet at the start of each four year municipal term, and be updated annually or sooner if there is a need to respond to significant changes in resource and/or expenditure assumptions.

## **2 FINANCIAL FORWARD PLANNING**

- 2.1 The Chief Finance Officer, in consultation with the Cabinet Member with responsibility for Resources, will maintain a Financial Forward Plan that covers a period of at least four financial years, including the current financial year.
- 2.2 The Financial Forward Plan will be produced in line with the Medium Term Financial Strategy and reported in conjunction with the annual budget, council tax and rent proposals to Cabinet and Council before 11 March of the preceding financial year. Further updates on the Financial Forward Plan may be reported during the year.
- 2.3 The Financial Forward Plan will cover revenue and capital budgets, and will highlight how resources are being re-directed to address Corporate Plan priorities.
- 2.4 In respect to resources, the Financial Forward Plan will take account of the following:-
- forecasts of formula and specific grants;
  - increases in fees and charges, and the introduction of new charges;
  - interest earnings;
  - levels of reserves and balances;
  - increased income from rents and council tax;
  - capital receipts and grants.
- 2.5 In respect to expenditure, the Financial Forward Plan will take account of the following:-
- full year effects of previous decisions;
  - changes in responsibility arising from new or amended legislation or regulations, net of increased income from new fees and charges;
  - re-direction of resources to achieving Corporate Plan priorities and targets and away from non priority areas;
  - forecast changes in service demand;
  - forecasts of inflation, pay awards and interest rates;
  - efficiency savings;
  - planned service reductions;
  - prudential borrowing;
  - financial risks.

- 2.6 In that the Financial Forward Plan has a four year horizon it is to be expected that figures in later years will often be preliminary estimates and/or aspirations of future decisions and changes in council policy.

### **3 ANNUAL BUDGET SETTING**

- 3.1 The Executive will publish a draft budget and performance management plans for consultation, usually after the Provisional Local Government Finance Settlement has been announced. Arrangements for budget consultation will be determined by the Executive.
- 3.2 The Chief Finance Officer will set the council taxbase for tax-setting purposes before 31 January of the preceding financial year, and notify precepting and levying bodies of this figure by this date. The Chief Finance Officer will, at the same time, notify all Council Members.
- 3.3 The Executive will finalise its recommendations to Council on the revenue budget, council tax, capital programme and rent levels taking account of the results of budget consultation. This will normally be in February, following announcement of the Final Local Government Finance Settlement.
- 3.4 The Executive's recommendations to Council must be made in time for Council to set the capital and revenue budget and council tax before 11 March of the preceding financial year.
- 3.5 The budget and capital programme that the Executive recommends to Council must be based on reasonable estimates of expenditure and income, and take account of:-
- outturn forecasts for the current year;
  - guidance from the Chief Finance Officer on the appropriate level of reserves, balances and contingencies;
  - financial risks associated with proposed budget developments, reductions and ongoing projects;
  - forecasts of capital receipts;
  - affordability of prudential borrowing over the period of the council's financial forward plan;
  - recommendations from the external auditor on matters such as the level of reserves and provisions.
- 3.6 The budget recommended by the Executive will incorporate the latest projection of income from fees and charges.
- 3.7 Directors and Heads of Service may approve changes to fees and charges annually where the change is broadly in line with inflation. The date for annual increases need not be 1 April.

- 3.8 Cabinet Resources Committee must approve changes to fees and charges that are significantly different from inflation, the introduction of new fees and charges, and changes to fees and charges outside the normal annual cycle.

#### Alternative Budget Motions

- 3.9 Alternative budget motions must be validated by the Chief Finance Officer before they are accepted as a valid budget motion. This is essential since if an alternative budget motion is approved, the Chief Finance Officer will need to amend the council tax bills immediately following the Council meeting and Cabinet and officers will be required to implement the detailed budget proposals.
- 3.10 The alternative budget motion must set out the appropriate changes to Cabinet's recommendations as they affect the budget for the forthcoming year and any element of the Financial Forward Plan (e.g. balances, full year effects, council tax levels). The Chief Finance Officer may also require further information to be included if he/she considers it will improve the Council's understanding of the financial implications in the forthcoming or future years.
- 3.11 Any Member proposing to put an alternative budget motion to Council is responsible for ensuring it is received by the Democratic Services Manager in line with the deadline set out in Part 4, Section 1 of the Constitution. It is also their responsibility to ensure they give the Chief Finance Officer sufficient time to fully validate their alternative budget proposals.

## **4 BUDGET MANAGEMENT & MONITORING**

#### Latest Approved Budget

- 4.1 The latest approved budget for a service or capital project is the budget determined by Council prior to the start of the year, as amended subsequently by approved variations throughout the year in accordance with the "Scheme of Virement".
- 4.2 The Chief Finance Officer is responsible for maintaining the latest approved budget.
- 4.3 It is envisaged that the Scheme of Virement for revenue and capital budgets will be determined by the Leader as part of the scheme of delegation. If this is not done, the Chief Finance Officer must determine a scheme in consultation with the Cabinet Member for Resources.

#### Budget Monitoring – General

- 4.4 Directors and Heads of Service should ensure that their cost centre managers do not enter into commitments before satisfying themselves there is sufficient approved budget provision. Directors and Heads of Service have no authority to overspend revenue or capital budgets, or under-recover income budgets under their control, and are responsible for monitoring their budgets to ensure this situation does not arise.



- 4.5 Directors and Heads of Service are required to notify the Chief Finance Officer of all underspends, over-recovery of income or windfall benefits arising within their revenue and capital budgets. Where these occur they should in the first instance be returned to central contingencies unless regulations specify restrictions on their use which make this inappropriate or the underspend, additional income or windfall is to be used to offset uncontrollable overspends elsewhere within the service. Where these exceptions occur, the Director or Head of Service is responsible for notifying the Chief Finance Officer that this is to occur.
- 4.6 Directors and Heads of Service must notify the Chief Finance Officer of forecast revenue budget or capital project overspends regardless of whether offsetting savings or additional income or capital resources have been identified.

#### Budget Monitoring – Revenue

- 4.7 Having notified the Chief Finance Officer of a forecast revenue budget overspend, the Director or Head of Service must submit proposals to the Chief Finance Officer for offsetting the forecast overspend, together with an assessment of the impact these corrective actions will have on service delivery and performance targets. Approval to these budget variations will be in line with the Scheme of Virement (see 3.3).
- 4.8 When notifying the Chief Finance Officer of such a situation, Directors and Heads of Service must advise if the problem relates solely to the current financial year or needs to be addressed within the financial forward plan as well.
- 4.9 Some services or projects within the council's budget and capital programme may be wholly or part funded by time-limited external funding. As soon as the possibility of expenditure slipping past the funding deadline is forecast, the cost centre / project manager must notify the Chief Finance Officer immediately, and provide options for reducing expenditure and/or identifying alternative funding. It should not be assumed that the loss of external funding arising from expenditure slipping will be met from central resources.

#### Budget Monitoring – Capital

- 4.10 Forecast overspends on approved capital projects must be communicated to the Chief Finance Officer immediately
- 4.11 Having notified the Chief Finance Officer, the Director or Head of Service must submit options to the Chief Finance Officer for offsetting the forecast overspend (e.g. by reducing the project specification, or budget for other projects) and/or identifying additional funding.
- 4.12 Due to the uncertainty around the generation and timing of capital receipts, and the impact that delays could have on the level of prudential borrowing, project managers must obtain the prior approval of the Chief Finance Officer before entering into any individual capital commitment on an approved capital project over £500,000.

#### Central Contingency

- 4.13 The Chief Finance Officer will determine which budget developments are to be held within the central contingency.
- 4.14 Allocations from the central contingency relating to planned developments will be approved by the Chief Finance Officer, in consultation with the Cabinet Member for Resources, following the receipt from a Director or Head of Service of a fully costed proposal to incur expenditure that is in line with planned development (including full year effect). Where there is a significant increase in the full year effect, the contingency allocation must be approved by Cabinet Resources Committee.
- 4.15 Allocations from the central contingency for unplanned expenditure up to £250,000, including proposals to utilise underspends previously generated within the service and returned to central contingency, will be approved by the Chief Finance Officer in consultation with the Cabinet Member with responsibility for Resources. Where there are competing bids for use of underspends, additional income or windfalls previously returned to central contingency, priority will be given to the service(s) that generated that return.
- 4.16 Allocations for unplanned expenditure over £250,000 must be approved by Cabinet Resources Committee.

#### Reporting to Members

- 4.17 The Chief Finance Officer will report to each and every ordinary Cabinet Resources Committee on the revenue and capital budgets and prudential borrowing indicators.
- 4.18 Reports on the revenue budget will normally include:-
- a revised forecast outturn;
  - advice from the Chief Finance Officer on whether action is required to address any diminution in reserves and, if necessary, proposals and/or options for action that needs to be taken.
- 4.19 These reports will make recommendations for varying the approved budget (revenue and capital) in the following circumstances:-
- allocations from the central contingency for unplanned expenditure over £250,000, or for planned expenditure where there are significant full year effects;
  - underspends and windfall benefits returned to the centre;
  - increases in service revenue budgets where overspends are considered unavoidable and cannot be contained within the overall budget managed by a Director or Head of Service;
  - variations in capital project budgets;
  - additions to the capital programme outside of the main budget cycle.

#### Authorisation of Non-Budgeted Expenditure

4.20 In cases of urgency or emergency, the Chief Executive may approve revenue or capital expenditure in excess of the latest approved budget.

4.21 The Chief Finance Officer may approve revenue or capital expenditure not provided for within the latest approved budget if satisfied that:-

- the expenditure is wholly reimbursable to the Council; or
- compensatory savings have been identified;
- and
- there are no significant full year effects.

In all circumstances, the expenditure must be consistent with the Corporate Plan and performance management plans.

## **5 FURTHER RESPONSIBILITIES OF DIRECTORS AND HEADS OF SERVICE**

### Budget Monitoring

5.1 Directors and Heads of Service must establish arrangements for managing revenue and capital budgets within their services. These arrangements must include:-

- schemes of delegation, which set out the authority that cost centre managers and capital project managers have for taking budget decisions (within the corporate scheme of virement); The scheme of delegation must also include levels of responsibility for committing expenditure and responsibility for the identification and collection of income due to the authority, control of Contracts, HR establishment lists and staff recruitment;
- a budget monitoring framework that reports back to service management teams, enabling Directors and Heads of Service to provide the Chief Finance Officer with a report on their revenue and capital budgets in accordance with the timetable he/she sets;
- details of who has authority to take decisions in respect to their service's budget in their absence.

### External Funding

5.2 External funding covers bids to Government and other organisations that are offering funding for projects that meet certain criteria. It also covers contributions being sought from participating organisations and individuals.

5.3 Directors and Heads of Service must provide the Chief Finance Officer with details of all bids for external funding. In particular, the following information must be provided:-

- how the bid supports achievement of Corporate Plan targets;

- whether the bid is for capital and/or revenue funding;
- revenue and capital matched funding contributions required from the council, and how these will be identified;
- revenue and capital matched funding contributions required from other organisations and individuals, how these amounts will be secured, and the risks associated with them;
- an 'exit strategy', which sets out how budgets will be adjusted after the grant expires;
- where the bid is for revenue funding:-
  - whether this is to support existing levels of activity or enhanced / new activities;
  - proposals for reducing the activity OR incorporating it in the base budget once the external funding is exhausted;
- where the bid is for capital funding :-
  - whether an asset will be created, and if so, how this fits in with the council's Asset Management Strategy;
  - how the ongoing cost of maintaining the asset will be funded;
  - whether the asset can / will be disposed of at a later date.

5.4 Directors and Heads of Service must not commit expenditure on projects requiring matched funding contributions until the external funding has been confirmed, unless approval has been given by the Chief Finance Officer. Decisions to proceed ahead of confirming external funding will be taken after assessing all relevant risks. The Chief Finance Officer has the right to refer the decision to the Cabinet Resources Committee or Cabinet Member for Resources.

5.5 Directors and Heads of Service must advise the Chief Finance Officer of all grant and subsidy notifications as soon as they are received. Where the amount notified is greater than the budget, the excess will be deemed a windfall and should in the first instance be returned to the central contingency unless regulations specify restrictions on their use which make this inappropriate or the underspend, additional income or windfall is to be used to offset uncontrollable overspends elsewhere within the service. Where the amount notified is less than the budget, the Director or Head of Service must notify the Chief Finance Officer of options for containing any potential overspend.

5.6 Where external funding is applied for, it is the responsibility of the Director or Head of Service to ensure that the monies are received from the paying body and, wherever possible, received ahead of the planned expenditure being incurred by the council.

- 5.7 Directors and Heads of Service must ensure that all conditions associated with external funding are met and that information required to complete grant and subsidy claims is provided on time.

Full Year Effects

- 5.8 In preparing any estimates of expenditure and income, Directors and Heads of Service must give proper consideration to full year effects.

Control of Establishment Lists

- 5.9 Directors and Heads of Service are responsible for making arrangements to ensure control of the service HR Establishment list. In particular to ensure that proper controls are in place to ensure that the service HR structure is fully and accurately maintained in SAP and that a system of control is in place to ensure that no new posts are created without adequate resources being in place.

Impact on Other Services

- 5.10 Before a Director or Head of Service makes a decision that could affect the budget of another Director or Head of Service they must first consult with the other Director(s) or Head(s) of Service.

Statement of Internal Control

- 5.11 Directors and Heads of Service must support the work on corporate risk management led by the Executive Director for Resources, contributing to the production of the annual Statement of Internal Control that has to be published alongside the Statement of Accounts.

Partnership Working

- 5.12 Before entering into a partnership with another organisation that involves pooling some of the council's revenue and/or capital budgets, the Director or Head of Service must ensure that adequate financial controls are in place. A financial risk assessment must also be prepared and monitored over time.

General Requirements

- 5.13 Directors and Heads of Service must consult the Chief Finance Officer at an early stage on any current or future matter or decision that has financial implications that are not incorporated in the Financial Forward Plan or could impact on the Medium Term Financial Strategy.
- 5.14 Directors and Heads of Service must adhere to guidance issued by the Executive Director for Resources and Chief Finance Officer in respect to financial forward planning, budget setting, budget monitoring and closing of the accounts.

**6 CLOSING OF ACCOUNTS & STATEMENT OF ACCOUNTS**

- 6.1 The Chief Finance Officer is responsible for making arrangements for closing the accounts and producing the annual Statement of Accounts, as well as all matters relating to their audit and public inspection.
- 6.2 The Statement of Accounts will be prepared in accordance with the CIPFA Code of Accounting Practice, which includes the deadline for their production and the requirement to include a Statement on Internal Control (SIC).
- 6.3 Directors and Heads of Service must provide on time any information the Chief Finance Officer requires to close the accounts and complete all grant and subsidy claims.
- 6.4 In closing the accounts, the Chief Finance Officer may amend the originally approved funding of revenue and capital services and projects if this is to the council's financial benefit.
- 6.5 The Annual Audit Letter includes the external auditor's report and opinion on the audit of the accounts, as well as comments and recommendations on the council's financial standing, the legality of financial transactions and internal control. This will be reported each year to the Audit Committee, together with an appropriate action plan.

## **7 TREASURY MANAGEMENT FRAMEWORK**

- 7.1 The Council adopts the key recommendations contained in "The Prudential Code for Capital Finance in Local Authorities - Interim Guidance & Notes Supplement" (CIPFA, February 2004), "Treasury Management in the Public Services: Code of Practice" (CIPFA, 2001) and any subsequent recommended good practice by CIPFA.
- 7.2 Cabinet Resources Committee will create and maintain a Treasury Management Policy Statement (TMPS), stating the policies and objectives of its treasury management activities.
- 7.3 The Chief Finance Officer will create and maintain suitable Treasury Management Practices (TMPs), setting out the manner in which the Authority will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- 7.4 Cabinet Resources Committee will receive reports on its treasury management policies, practices and activities, including an annual strategy and plan in advance of the year, and an annual report after its close in the form prescribed in the TMPs. These reports will incorporate the prudential borrowing limits and performance indicators.
- 7.5 The Chief Finance Officer has the delegated authority to undertake long term borrowing on behalf of the Authority and will issue a Delegated Powers Report immediately after this power is exercised to inform Members.

## **8 PENSION FUND MANAGEMENT**

### 8.1 The Chief Finance Officer is responsible for:-

- appointing pension fund investment managers, independent investment advisors and any other external advisors or administrators in respect to pension fund investment management;
- producing and publishing a Funding Strategy Statement;
- recommending a Statement of Investment Principles to the General Functions Committee, after consulting first with the Pension Fund Advisory Panel;
- appointing actuaries;
- communicating with other employers that are scheduled or admitted bodies as appropriate on aspects of pension fund investment management;
- keeping under reviewing arrangements for governance of the pension fund, taking into account current best practice guidance.

### 8.2 The Pensions Manager is responsible for:-

- approving early payment of deferred benefits under regulation 31;
- exercising discretion not to actuarially reduce deferred benefits paid early under regulation 31, on compassionate grounds or financial hardship grounds;
- issuing a certificate of protection in pension benefits without an application from the member (Regulation 23 of the 1997 Regulations);
- determining that a member who has opted out of the Scheme on more than one occasion should be able to rejoin the Scheme (Regulation 7 of the 1997 Regulations);
- exercising the power to accept late applications (made more than 30 days after return to work or, if does not return to work, 30 days after the date of leaving) from a member who wishes to pay optional contributions for a period of absence (Regulation 18 of the 1997 Regulations);
- informing a member, who is entitled to a pension or retirement grant under two or more provisions, which provision shall apply (Regulation 34 of the 1997 Regulations);
- determining that late applications to convert scheme AVCs into a membership credit will be accepted provided such a late claim is not made within one year of attaining NRD or six months after leaving service whichever is the later (Regulation 66 of the 1997 Regulations);
- determining that any request for the inwards transfer of pension rights made more than 12 months after the member joined the Scheme will only be accepted with the Employer's permission (Regulation 121 of the 1997 Regulations);

- determining that any request for joining previous Scheme membership (either with this Employer and/or with another scheme employer) made more than 12 months after the member rejoined the Scheme will only be accepted with the Employer's permission (Regulation 32 of the 1997 Regulations);
- exercising absolute discretion in determining the recipient(s) of any death grant payable from the Scheme (Regulation 38 of the 1997 Regulations);
- deciding whether to treat education or training as continuous despite a break (Regulation 44 of the 1997 Regulations), for the purpose of determining eligibility for a child's pension;
- communicating with other employers that are scheduled or admitted bodies as appropriate on aspects of pension fund investment management



## Part 2 – Financial Administration

- 1 Introduction
- 2 Accounting
- 3 Internal Audit
- 4 Corporate Anti-Fraud Team
- 5 Banking Arrangements
- 6 Security of Assets
- 7 Imprest Accounts
- 8 Income
- 9 Insurance
- 10 Investments, Borrowing, Capital Financing & Trust Accounts
- 11 Ordering of Supplies, Works & Services
- 12 Salaries, Wages & Pensions
- 13 Amenity & Unofficial Funds
- 14 Risk Management

### 1 INTRODUCTION

- 1.1 These Financial Management Rules apply to all financial transactions of the Council with the exception of schools with delegated budgets, which have their own set of financial regulations.
- 1.2 They are designed to safeguard the interests of the Council and individual officers by setting out clear procedures to be followed under the various sections.
- 1.3 This should be used in conjunction with other points of the constitution, legal requirements and other codes of practice which may be issued under 1.5 of this section.
- 1.4 The Chief Finance Officer or Head of Internal Audit and Ethical Governance, after discussion with the relevant Chief Officer, may report any breach of this Code to the Cabinet Meeting or Cabinet Resources Committee.
- 1.5 These Financial Management Rules may be supplemented at any time by other codes of practice or instructions issued by the Chief Finance Officer.

### 2 ACCOUNTING

- 2.1 All accounting arrangements across the council shall be in a manner approved by the Chief Finance Officer, taking into account best practice guidance issued by relevant external bodies, such as CIPFA and the Audit Commission.

- 2.2 There must be adequate separation of duties to ensure that no one officer is able to handle any financial transaction from start to finish without there being some mechanism for independent checking. By finish is meant the completion of the accounting for the transaction.
- 2.3 All accounting should occur on SAP and any exceptions must be specifically authorised by the Chief Finance Officer.

### **3 INTERNAL AUDIT**

- 3.1 Under the Accounts and Audit Regulations 2006 the Council has a statutory obligation to have an adequate and effective system of internal audit. The Head of Internal Audit & Ethical Governance has the delegated authority for providing and maintaining this service.

#### Objective, Role, Scope and Reporting

- 3.2 The Internal Audit Service is an independent, objective assurance and consulting activity designed to add value and improve the council's operations. It helps the council achieve its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management control and governance processes.
- 3.3 The objective of internal auditing is to assist officers and Members in the effective discharge of their responsibilities. To this end, internal auditing furnishes them with assurance, analyses, appraisals, counsel, and information concerning the activities reviewed and risks not mitigated adequately. This objective includes promoting effective control at reasonable cost.
- 3.4 The role of Internal Audit is to understand the key risks of the Council and to examine and evaluate the adequacy and effectiveness of the system of risk management and internal control operated by the Council and service management.
- 3.5 Internal Audit has unrestricted access to all information (including records, computer files, property and personnel) and activities undertaken by the Council, in order to review, appraise and report on:-
  - the adequacy and effectiveness of the systems of financial, operational and management control and their operation in practice in relation to the business risks to be addressed;
  - the extent of compliance with, relevance of, and financial effect of, policies, standards, plans and procedures established by the Council and service management and the extent of compliance with legislation and regulations, including reporting requirements of regulatory bodies;
  - the extent to which the assets and interests are acquired economically, used efficiently, accounted for and safeguarded from losses of all kinds arising from waste, extravagance, inefficient administration, poor value for money, fraud or other cause and that adequate business continuity and risk management strategies exist;

- the suitability, accuracy, reliability and integrity of financial and other management information and the means used to identify, measure, classify and report such information;
- the integrity of processes and systems, including those under development, to ensure that controls offer adequate protection against error, fraud and loss of all kinds; and that the process aligns with the Council's strategic goals;
- the suitability of the organisation of the units audited for carrying out their functions, to ensure that services are provided in a way which is economical, efficient and effective;
- the follow-up action taken to remedy weaknesses identified by Internal Audit review, ensuring that good practice is identified and communicated widely;
- the operation of the Council's Corporate Governance arrangements.

#### Independence

- 3.6 Internal Audit is independent of the activities audited. Internal Auditors are independent when they can carry out their work freely and objectively. Independence permits internal auditors to render the impartial and unbiased judgements essential to the proper conduct of audits. It is achieved through organisational status and objectivity.
- 3.7 The organisational status of the internal auditing service permits the accomplishment of its audit responsibilities. The Head of Internal Audit & Ethical Governance is responsible to the Corporate Governance Director and has access to the Chief Executive and Audit Committee, thereby promoting independence and ensuring a broad audit coverage, adequate consideration of audit reports, and appropriate action on unmitigated risks reported.
- 3.8 The Head of Internal Audit & Ethical Governance shall be able to meet the Chairman of the Audit Committee alone outside of the normal Audit Committee meetings.
- 3.9 Objectivity is an independent mental attitude which internal auditors maintain in performing audits. Internal auditors do not subordinate their judgement on audit matters to that of others. Drafting procedures for systems, and designing, installing and operating systems are not audit functions. Performing such activities impairs audit objectivity.

#### Responsibility & Authority

- 3.10 Internal Audit is an integral part of the organisation and functions under the policies established by management and the council.
- 3.11 The purpose, scope, authority and responsibility of the internal auditing service is defined in a formal charter. The charter makes clear the independence of the internal auditing service and emphasises that it must not be restricted when carrying out its responsibilities.

- 3.12 Any suspected irregularity involving any asset, or the exercise of any function, of the Council must be reported by the appropriate Chief Officer to the Head of Internal Audit & Ethical Governance to inform the overall assurance that can be delivered and to Head of the Corporate Anti Fraud Team (CAFT) for investigation. Primary responsibility for the prevention, detection and initial investigation of fraud lies with line management.
- 3.13 The Head of Internal Audit & Ethical Governance and Chief Finance Officer, Head of CAFT or authorised representative, shall have authority to:-
- enter any Council land or premises;
  - have access to all records, documents, correspondence and assets of the Council;
  - receive such explanations as are necessary concerning any matter under examination, and
  - require any employee of the Council to produce cash, stores or any other Council property under his or her control
- 3.14 The Council's Chief Officers shall have regard to the principles of risk management, and to the Council's risk management policy. It is the responsibility of Internal Audit to review the adequacy and effectiveness of the council's arrangements for risk management.
- 3.15 The Head of Internal Audit & Ethical Governance shall report to the Chairman of the Audit Committee all significant concerns that he may have over the adequacy and effectiveness of internal controls and risk management activities within the organisation.

#### Ethical Governance

- 3.16 The Head of Internal Audit & Ethical Governance shall raise the profile and awareness of governance activities throughout the council and set standards for modern, proactive and cost-effective governance in the Council.
- 3.17 The Head of Internal Audit & Ethical Governance shall provide assurance on the organisation's external governance arrangements.

### **4 CORPORATE ANTI-FRAUD TEAM**

- 4.1 Under Section 151 of the Local Government Act 1985 the Council has a statutory obligation to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption. The Head of the Corporate Anti-Fraud Team (CAFT) has the delegated authority for providing and maintaining this service.

#### Objective & Scope

- 4.2 The CAFT is an independent, objective activity designed to add value and improve the council's operations. It helps the council achieve its objectives by bringing a systematic, disciplined approach to investigation evaluating and improving the

effectiveness of fraud prevention and detection and the subsequent prosecution of individuals and organisations where appropriate.

- 4.3 The objective of the CAFT is to assist officers and Members in the effective discharge of their responsibilities. To this end, the CAFT furnishes them with assurance, analysis, appraisals, recommendations, counsel, and information concerning the activities it is required to become involved with. The objective includes promoting fraud awareness across the authority.
- 4.4 The scope of the CAFT encompasses both the investigation and examination of the effectiveness of the council's systems of fraud control when subject to breach. In carrying out assigned responsibilities, Investigation Officers:-
- review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information;
  - provide protocols and systems which ensure accurate reporting of any such fraud (including "Whistleblowing" and a "Fraud Hotline"), create and promote policies, plans, procedures, law, regulations and guidance which have a significant impact on the organisation;
  - provide an effective, efficient and value for money investigation service;
  - provide the organisation, its employees and business partners with a comprehensive guide in areas such as money laundering and other legislation relating to the proceeds of crime.

#### Independence

- 4.5 CAFT officers are independent when they can carry out their work so act freely and objectively. Independence permits Investigators to render the impartial and unbiased judgements essential to the proper investigation and conclusion of fraud.

#### Responsibility & Authority

- 4.6 The primary responsibility for the prevention detection and deterrence of fraud lies with Heads of Service. This responsibility includes ensuring that staff and partners are aware of both the implications of fraud and the risks of fraud across their service area. The primary responsibility for the investigation of any suspected fraud found in a service area lies with the CAFT. All details must be immediately forwarded to the CAFT, to preserve the chain of evidence linked to such investigations within the law.
- 4.7 All Council Members and employees are personally responsible for ensuring they (and any subordinates) are aware of the Council's Counter Fraud Framework, procedures and policies, and for alerting either their Head of Service, Deputy Director of Corporate Governance or the CAFT to any suspected breach.
- 4.8 The Head of the CAFT is the officer designated by the Secretary of State under the provisions of the Social Security & Administration Act 2001 to act as the Authorised Officer in the obtaining of data prescribed within the Act which may otherwise be protected, in connection with the prevention and/or detection of a crime.
- 4.9 The Deputy Director of Corporate Governance and / or the Head of the CAFT are the London Borough of Barnet responsible officers for the authorisation of arrest

and prosecution of offenders including deciding on any appropriate sanction action available within the law. Those officers are responsible for ensuring that all investigations are conducted in accordance with the Criminal Procedures & Investigations Act 1996 (CPIA) the Police & Criminal Evidence Act 1984 (PACE), Human Rights Act 2000.

- 4.10 The Deputy Director of Corporate Governance and/ or the Head of Legal are the designated persons for the authorisation of covert surveillance powers in accordance with Regulation of Investigative Powers Act 2000 (RIPA).
- 4.11 Any suspected irregularity involving fraud/corruption within any function of the Council or its partner organisations or suppliers and contractors must be reported to the CAFT. Responsibility for the subsequent investigation of potential fraud and corruption lies with the CAFT.
- 4.12 The Deputy Director of Corporate Governance, Head of the CAFT, the Chief Finance Officer, or other authorised representative, shall have authority to:-
  - Enter or visit any land, premises, offices or establishments of the Council; and carry out any necessary searches of the aforementioned.
  - have access to, search, and remove any and all records, documents and correspondence, including electronically held correspondence, documents and records, and property and assets of the Council;
  - receive such explanations as are necessary concerning any matter under examination, and / or fraud investigation;
  - require any employee of the Council to produce and surrender any cash, stores, equipment or any other Council property under his or her control
  - interview any and all individuals in connection with investigations including interviews in accordance with the Police & Criminal Evidence Act (on tape).

## **5 BANKING ARRANGEMENTS**

- 5.1 The Chief Finance Officer must approve all banking and card acquiring arrangements across the Council, and must be satisfied with the safe keeping of all controlled banking stationery.
- 5.2 The Chief Finance Officer will maintain a register of all bank and card acquiring contracts.
- 5.3 Cheques drawn on the Council's main bank accounts shall be authorised by the pre-printed title "Chief Finance Officer, London Borough of Barnet".
- 5.4 Cheques above certain financial limits set by the Chief Finance Officer shall be manually countersigned by those designated officers authorised to do so by the Chief Finance Officer.
- 5.5 The Chief Finance Officer will be responsible for ensuring that the Council's banking arrangements are reviewed on a regular basis and that the banking contract is reviewed every three years.

## **6 SECURITY OF ASSETS**

### General

- 6.1 Directors and Heads of Service are responsible for the proper security of all buildings, stocks, furniture, equipment and cash etc. within their service. The Chief Executive shall exercise a co-ordinating role on security issues and shall be consulted where it is felt that security is inadequate or in special circumstances.
- 6.2 Maximum limits for cash holdings shall be set by the Chief Finance Officer, which may not be exceeded without prior authority. Areas where cash is counted and held must be secure and with access restricted only to authorised staff.
- 6.3 All keys to safes and the like items shall be carried on the person of the officer responsible. Directors and Heads of Service shall keep a record of key holders. Any loss of keys must be reported to the Director or Head of Service.
- 6.4 Directors and Heads of Service are responsible for the proper security and privacy of all information held in computer systems under their control, for ensuring that these systems can only be accessed by authorised personnel and that adequate controls exist to ensure the separation of duties.
- 6.5 Directors and Heads of Service are responsible for undertaking a risk assessment of all assets considered crucial to the delivery of the service. The risk assessment should cover the loss of the asset caused by malfunction and the possibility of restricted access caused by an emergency crisis and the mitigating actions and contingency plans that will need to be developed to support business continuity.

### Land & Property

- 6.6 The Head of Property Services shall maintain an asset register of all properties owned by the Council (except houses and flats provided under the Housing Acts) with those assets valued on a five year cycle.
- 6.7 The asset register will show the service user of the property and link to a database of details of interest and rents payable and tenancies granted.
- 6.8 The Head of Legal shall have secure custody of title deeds and maintain an indexed register of those titles (terrier). The Head of the Information Observatory will maintain a digital map of the extents of the titles.

### Other Assets

- 6.9 Directors and Heads of Service must maintain inventories of all assets employed in their service, and make arrangements for these to be checked at least annually.
- 6.10 Any surpluses/deficits in excess of a figure set by the Chief Finance Officer shall be reported to him/her. The Chief Finance Officer shall agree the action to be taken in relation to these differences, including, if necessary reporting to the Cabinet Meeting or Cabinet Committee.
- 6.11 Council assets may only be used for council business, and may only be removed from council premises with the consent of the Director or Head of Service. The officer removing the asset then becomes responsible for the safekeeping of the

asset.

- 6.12 All Council assets shall, wherever possible, be security marked.
- 6.13 Directors and Heads of Service are responsible for the sale or disposal of assets employed in their service, and for accounting for these transactions. All disposals in excess of £6,000 (or a higher figure that is consistent with capital accounting regulations) are to be notified to the Chief Finance Officer.

### Stocks & Stores

- 6.14 Directors and Heads of Service are responsible for the safekeeping of stocks and stores held, ensuring no deterioration or damage occurs whilst held and not allowing levels held to exceed a reasonable level. All records, returns and accounts shall be held in a form approved by the Chief Finance Officer and returns will be submitted as and when required.
- 6.15 Stores shall only be issued against properly authorised requisition notes, which shall be receipted by the person collecting the goods.
- 6.16 Unused items returned to stores shall be recorded on a stores return note.
- 6.17 The condition of stocks shall be checked on a regular basis by the Officer responsible for them. Decisions regarding stock that has become obsolete should be made against clearly defined criteria and options for the most cost effective disposal of that stock must be identified.
- 6.18 Directors and Heads of Service must ensure that items classified as stock are checked at least once each financial year.
- 6.19 All surpluses or deficits identified during stock takes shall be entered onto an adjustment record and the appropriate Director or Head of Service, with the agreement of the Chief Finance Officer, may write-off deficiencies or bring surpluses into account. Wherever possible all stock considered for writing off should first be offered for sale. A record of all write-offs and disposals must be maintained. Specialist items such as hazardous chemicals must be disposed of in accordance with relevant safety procedures.
- 6.20 Stock balances must be valued in accordance with the relevant accounting standards, i.e. where applicable lower of historical cost or net realisable value.
- 6.21 The Chief Finance Officer or authorised representative may have access to all stock and stores and may make such checks as thought necessary.

## **7 IMPREST ACCOUNTS**

- 7.1 The Chief Finance Officer must authorise all imprest accounts.
- 7.2 The imprest account holder must:-
- provide a certificate showing the state of the account at the end of the financial year and additionally when requested by the Chief Finance Officer;
  - only reimburse expenditure up to a limit set by the Chief Finance Officer;



- obtain receipts for all payments made, which should be proper VAT receipts wherever possible;
- properly account for VAT in all float reimbursements;
- not allow the account to be overdrawn and shall arrange for reimbursement at regular intervals;
- not pay any salaries or wages from the account;
- not pay income into the account;
- provide the Chief Finance Officer with a full account for the advance when ceasing to be the imprest account holder.

## **8 INCOME**

- 8.1 Officers should encourage payment in advance or at point of service delivery wherever possible, and minimise the amount of credit given to customers.
- 8.2 All records relating to income due to the Council, accounts raised, and receipts issued shall be in a format agreed by the Chief Finance Officer.
- 8.3 Officers responsible for controlled stationery must keep it secure.
- 8.4 Methods of payment must be agreed by the Chief Finance Officer.
- 8.5 The Chief Finance Officer, or officer nominated by the Chief Finance Officer, may authorise payment by instalments if full payment cannot be obtained immediately.
- 8.6 Officers receiving monies shall keep an accurate and chronological account of all receipts and bankings.
- 8.7 Monies received must be banked on the day of receipt wherever possible, and not later than the next working day. All amounts paid in must be referenced to enable subsequent identification of the accounts to which they relate. All cheques, postal orders etc. shall be crossed with the crossing stamp provided.
- 8.8 No deductions may be made from monies received.
- 8.9 Heads of Service must notify the Chief Finance Officer of all monies due to the Council under contracts, leases or other agreements and the cessation of use or change of user affecting this income.

### Invoicing & Debt Recovery

- 8.10 Officers responsible for raising invoices must ensure that VAT has been properly accounted for and that the debt is recorded in a format approved by the Chief Finance Officer.
- 8.11 Officers responsible for the collection of amounts invoiced should only put forward amounts for write-off after all appropriate steps to recover the debts have been exhausted.
- 8.12 A review of every debt should be undertaken at least quarterly.

## **9 INSURANCE**

- 9.1 The Chief Finance Officer is responsible for arranging adequate insurance cover for the Council and keeping comprehensive records of all risks covered.
- 9.2 Directors and Heads of Service must notify the Chief Finance Officer immediately of all new areas of risk and of any change of circumstances likely to affect existing insurance risks.
- 9.3 Any incident which could give rise to an insurance claim must be promptly notified to the Chief Finance Officer by the relevant officer, who shall also inform the Police if appropriate.
- 9.4 The Chief Finance Officer will handle all insurance claims, in conjunction with the Head of Legal and/or the insurance company if proceedings are issued.
- 9.5 Officers must consult the Chief Finance Officer and Head of Legal in all cases where the Council is requested to give an indemnity.
- 9.6 Officers in receipt of a motor vehicle allowance must produce registration documents, insurance policy, certificate of insurance and test certificate if required by the Chief Finance Officer. Insurance policies must be comprehensive and cover use on official business.

#### Schools

- 9.7 Where funds for insurance are delegated to any school, the Council may require the school to demonstrate that cover relevant to an Council's insurable interests, under a policy arranged by the Governing Body, is at least as good as the relevant minimum cover arranged by the Council if the Council makes such arrangements, either paid for from central funds or from contributions from schools' delegated budgets. The Council will have regard to the actual risks, which might reasonably be expected to arise at the school in question in operating this requirement rather than applying an arbitrary minimum level of cover for all schools.
- 9.8 It is the responsibility of the governing body to ensure adequate arrangements are made for insurance against risks arising from the exercise of the community facilities power, taking professional advice as necessary. Such insurance must not be funded from the school budget share. The school should seek the Authority's advice before finalising any insurance arrangement for community facilities.
- 9.9 The Council is empowered to undertake its own assessment of the insurance arrangements made by a school in respect of community facilities, and if it judges those arrangements to be inadequate, make arrangements itself and charge the resultant cost to the school. Such costs could not be charged to the school's budget share.

## **10. INVESTMENTS, BORROWING, CAPITAL FINANCING & TRUST ACCOUNTS.**

- 10.1 All investments, except bearer securities, controlled by the Council shall be registered in the Council's name or in the name of nominees approved at a cabinet meeting or by a cabinet committee.

- 10.2 All securities shall be held securely by the Council's bankers, the Chief Finance Officer or custodians approved at a cabinet meeting or by a cabinet committee.
- 10.3 The Chief Finance Officer shall ensure that all borrowing and, whenever applicable trust funds, are registered in the name of the Council.
- 10.4 The Chief Finance Officer will set Prudential indicators, as outlined in the Prudential Code for Capital Finance in Local Authorities, for the forthcoming and following two financial years. The Chief Finance Officer will also provide regular monitoring reports to cabinet committee and report any breaches or amendments of the code to Council.
- 10.5 The Chief Finance Officer will be the Council's registrar of all stocks and bonds. In addition this officer will maintain a register of all loans and investments made in the name of the Council.
- 10.6 The Chief Finance Officer shall ensure that all legislative amendments and changes in treasury or capital limits are approved at a cabinet meeting or by a cabinet committee and where necessary full Council.
- 10.7 The Chief Finance Officer will be responsible for adopting the changes outlined in 10.6 and ensuring compliance with any amended practices or limits.

## 11 ORDERING OF SUPPLIES, WORKS & SERVICES

- 11.1 Procurement of supplies, works and services must be in accordance with Contract Procedure Rules.
- 11.2 Directors and Heads of Service must have systems in place to ensure that only authorised officers are allowed to place purchase orders, and that purchase orders are only raised when there is sufficient budget available.
- 11.3 Any procurement activity must follow the relevant steps prior to raising a purchase order:
  - 11.3.1 **Supplier Selection** : The authorised officer may contact the supplier(s) by phone and verbally request a quotation but the quotation should be provided in writing or by e-mail. There should be clarity about the requirements and what is expected to be achieved by this purchase. **Value for money** must be established and this is best achieved by obtaining more than one quotation as is indicated in the Contract Procedure Rules in the section of Selecting Contractors.
  - 11.3.2 **Quote / Tender evaluation** : Contract Procedure Rules require that all tenders are considered on the basis of the most economically advantageous tender (MEAT) taking into consideration price including payment terms and payment method, quality, durability and other relevant issues. Following receipt, check that it is arithmetically correct and that the requirements have been fully met. The reasons for accepting the quotation must be recorded and agreed with the cost centre manager, providing an audit trail should any queries be raised in the future. If the vendor doesn't exist on SAP, then a new vendor request must be sent to the Corporate Procurement Team (CPT). In addition, Directors and Heads of Service should explore the possibility of early payment discounts with

all suppliers of supplies, works and services. This must be done within the context of the overall Procurement Strategy.

- 11.3.3 **Creation of a purchase Order (PO)** : Once the purchase has been agreed, a purchase order must be raised on SAP.
- 11.3.4 **Payment of an invoice** : Authorised officers must ensure that a purchase order has been raised on the SAP system and successfully communicated to the supplier. Invoices in respect to works, supplies and services will be paid by the Central Accounts Team, but only after the authorising officer has first receipted the supply on SAP.
- 11.3.5 All invoices must reference a valid purchase order number, otherwise the Central Accounts Payable Team reserves the right to refuse payment of an invoice.
- 11.3.6 Only invoices presented in an acceptable format will be passed for payment. This includes invoices that do not comply with VAT Regulations.
- 11.3.7 To enable the council to comply with the Late Payment of Commercial Debts Act, no amended invoices will be accepted. Heads of Service must:-
- return an invoice to the supplier and seek a new invoice with a revised date, whenever:-
    - the invoice is dated prior to receipt of supplies, works or services and this is contrary to the agreed payment terms;
    - the invoice is incorrect;
    - the invoice does not reference a valid Purchase Order number.
- 11.3.8 when certifying an invoice for payment that was initially disputed, record the date on which the invoice was actually validated.
- 11.3.9 The Central Accounts Payable Team will perform a three-way match against the purchase order, goods receipt and invoice, prior to making a payment. Invoices that do not pass this criteria will be returned to the service for amendment.
- 11.3.10 **Payments in advance** : Directors and Heads of Service, prior to authorising payments in advance, must undertake a risk assessment of the supplier or service provider defaulting. All payments in advance in excess of £100,000 must be notified to the Chief Finance Officer.

## 12 SALARIES, PENSIONS & ALLOWANCES

- 12.1 All appointments shall be made in accordance with the Council's contractual terms and conditions (i.e. pay, grading, allowances etc).
- 12.2 The Head of HR Shared Services will ensure that arrangements are made to calculate and pay all remuneration, pensions, compensation and other payments to current and former employees.

- 12.3 School Governing Bodies shall be responsible for assessing teachers' remuneration and the Head of HR Shared Services shall maintain teachers' salary and pensions for Schools that purchase the Traded Service.
- 12.4 Directors and Heads of Service must provide to the Head of HR Shared Services:-
- the names and specimen signatures of all officers authorised to sign HR records;
  - relevant details of appointments, leavers and any other change of circumstances that may affect payment;
  - details of all work related absences due to sickness, accidents on or off duty;
  - details of special leave without pay or other paid/unpaid leave or absence;
  - when required, overtime and certified time-sheets for staff paid at hourly or weekly rates, at intervals and in the format determined by the Head of HR Shared Services.
- 12.5 On an annual basis, the Head of HR Shared Services shall require that each pensioner residing overseas provides a life certificate.
- 12.6 Salaries and wages will be paid direct to the employee's bank account. Pensions and gratuities shall be at the discretion of the Head of HR Strategy. All payments shall be made direct to the person concerned unless that person authorises otherwise.
- 12.7 Payment will be paid on contractual dates. The Head of HR Shared Services has the discretion to change payment date.
- 12.8 All cost centre managers should use SAP to periodically verify correct payments to staff
- 12.9 All claims for payment of car allowances shall be approved through SAP e-forms or through a paper format approved by the Head of HR Strategy. The names of certifying officers and specimens of their signatures shall be forwarded by Directors and Heads of Service to the Head of HR Shared Services. The certifying officer must be satisfied that all expenses claims are valid and that the allowances should be paid by the Council before authorising the payment.
- 12.10 The Chief Finance Officer shall make payments of allowances to Members of the Council, co-opted members and members of the public who attend other Council bodies who are entitled to make such claims on submission of the approved form.
- 12.11 The Director of Corporate Governance is responsible for notifying the Heads of HR of any changes to Members' Allowances.

### **13 AMENITY & UNOFFICIAL FUNDS**

- 13.1 Amenity or Unofficial Fund relates to all sums of money other than those which are

required to be paid into the Council's General Account (or such other account so authorised by the Chief Finance Officer) or Trust Fund monies outside the authority of the Council.

- 13.2 All accounts shall be opened by the Chief Finance Officer and their names shall include the name of the Borough and the establishment concerned.
- 13.3 Provided the Chief Finance Officer approves and is satisfied with accounting and security arrangements, separate accounts need not be opened for funds of small amounts.
- 13.4 The head of each establishment which sets up such a fund shall inform the relevant Head of Service of its existence (and the Governing Body in the case of schools without delegated budgets).
- 13.5 Responsibility for the administration of the fund shall rest with the head of the establishment and with such other member(s) of staff as that person shall decide.
- 13.6 Expenditure from the fund shall be at the discretion of the establishment head in conjunction with other member(s) of staff as felt necessary.
- 13.7 Cheques shall be signed and countersigned by the head and deputies of the establishment. All transactions above a limit set by the Chief Finance Officer shall be signed by at least two authorised officers.
- 13.8 Auditors shall be appointed by the head of the establishment and the fee (if any) shall be charged to the fund. Where the turnover of the fund exceeds an amount set by the Chief Finance Officer, the fund must be audited by auditors approved by that officer. The Chief Finance Officer shall have the right to inspect the accounts.
- 13.9 At the end of each financial year the head shall submit an audited summary of the fund to the Chief Finance Officer (and Governing Body if appropriate).

## **14 RISK MANAGEMENT**

- 14.1 Sound governance requires effective and efficient management of risk, covering all forms of risk, not just financial.
- 14.2 The process of identifying risks should demonstrate a direct link to the Corporate Objectives.
- 14.3 Risks are assessed using the 3x3 matrix scoring system which rates each risk as having a high, medium or low likelihood of occurring and a high, medium or low impact on the ability to deliver against the Corporate Objectives.
- 14.4 All risks should be monitored and re-assessed based on the actions and activities that either mitigate the risk or have had an impact on the risk objective that has either increased or decreased the likelihood or impact.
- 14.5 The process of re-assessing the risk is conducted by the “lead officer” who is identified in the risk log, and accepted by the Director or Head of Service.
- 14.6 The approach to risk management within Barnet is that Directors and Heads of Service are responsible for ensuring their service has a robust and efficient method of managing risk.
- 14.7 It is the responsibility of Directors and Heads of Service to ensure that risks are identified in their Key Priority Plans and Service Plans and are reviewed on a regular basis.
- 14.8 Directors & Heads of Services are responsible for taking action to mitigate against the risk or to develop contingencies to be introduced should the risk materialise.

## **Financial Regulations**

(Amended April 2006)

Financial Regulations govern the way the council undertakes financial forward planning, annual budget setting, budget monitoring and closing of the accounts – setting out the responsibilities of Council, Cabinet (and Cabinet Committees), the Chief Finance Officer and other Heads of Service. These aspects are set out in Part 1 (Financial Management).

Financial Regulations also govern the way day to day financial administration is conducted and financial controls are exercised. These aspects are set out in Part 2 (Financial Administration).

Financial Regulations are supported by other elements of the Council Constitution, in particular:-

- Scheme of Delegation
- Budget & Policy Framework Procedure Rules
- Contract Procedure Rules
- Rules on the Disposal of Land & Property.



## Part 1 – Financial Management

- 1 Financial Forward Planning
- 2 Annual Budget Setting
- 3 Budget Management & Monitoring
  - Latest Approved Budget
  - Budget Monitoring
  - Central Contingency
  - Reporting to Members
  - Authorisation of Non-Budgeted Expenditure
- 4 Further Responsibilities of Heads of Service
  - Budget Monitoring
  - External Funding
  - Full Year Effects
  - Impact on Other Services
  - Partnership Working
  - General Requirements
- 5 Closing of Accounts & Statement of Accounts
- 6 Treasury Management Framework
- 7 Pension Fund Management

### 1 MEDIUM TERM FINANCIAL STRATEGY & FINANCIAL FORWARD PLANNING

- 1.1 The Chief Finance Officer, in consultation with the Cabinet Member with responsibility for Resources, will maintain a Financial Forward Plan that covers a period of at least four financial years, including the current financial year.
- 1.2 The Financial Forward Plan will be produced in line with the Medium Term Financial Strategy approved by Cabinet, which sets out the Executive's approach on a range of issues, including:-
  - the way in which corporate service priorities are considered as part of the council's capital and revenue budget processes;
  - the level of balances and reserves (having taken account of advice from the Chief Finance Officer);
  - the approach to bidding for external funding;
  - the setting of fees and charges;
  - the management of financial risks;

- the recovery of debt.

- 1.3 The Medium Term Financial Strategy will normally be approved by Cabinet at the start of each four year municipal term, and be updated annually or sooner if there is a need to respond to significant changes in resource and/or expenditure assumptions.
- 1.4 The Financial Forward Plan will be reported in conjunction with the annual budget, council tax and rent proposals to Cabinet and Council before 11 March of the preceding financial year. Further updates on the Financial Forward Plan may be reported during the year.
- 1.5 The Financial Forward Plan will cover revenue and capital budgets, and will highlight how resources are being re-directed to address Corporate Plan priorities.
- 1.6 In respect to resources, the Financial Forward Plan will take account of the following:-
  - forecasts of formula and specific grants;
  - increases in fees and charges, and the introduction of new charges;
  - interest earnings;
  - levels of reserves and balances;
  - increased income from rents and council tax;
  - capital receipts and grants.
- 1.5 In respect to expenditure, the Financial Forward Plan will take account of the following:-
  - full year effects of previous decisions;
  - changes in responsibility arising from new or amended regulations, net of increased income from new fees and charges;
  - re-direction of resources to achieving Corporate Plan priorities and targets;
  - forecast changes in service demand;
  - forecasts of inflation, pay awards and interest rates;
  - efficiency savings;
  - planned service reductions;
  - prudential borrowing;
  - financial risks.
- 1.6 In that the Financial Forward Plan has a four year horizon it is to be expected that figures in later years will often be preliminary estimates and/or aspirations of future decisions and changes in council policy.

## **2. ANNUAL BUDGET SETTING**

- 2.1 The Executive will publish a draft budget and performance management plans for consultation, usually after the Provisional Local Government Finance Settlement has been announced. Arrangements for budget consultation will be determined by the Executive.
- 2.2 The Chief Finance Officer will set the council taxbase for tax-setting purposes before 31 January of the preceding financial year, and notify precepting and levying bodies of this figure by this date. The Chief Finance Officer will, at the same time, notify all Council Members.
- 2.3 The Executive will finalise its recommendations to Council on the revenue budget, council tax, capital programme and rent levels taking account of the results of budget consultation. This will normally be in February, following announcement of the Final Local Government Finance Settlement.
- 2.4 The Executive's recommendations to Council must be made in time for Council to set the capital and revenue budget and council tax before 11 March of the preceding financial year.
- 2.5 The budget and capital programme that the Executive recommends to Council must be based on reasonable estimates of expenditure and income, and take account of:-
  - outturn forecasts for the current year;
  - guidance from the Chief Finance Officer on the appropriate level of reserves, balances and contingencies;
  - financial risks associated with proposed budget developments, reductions and ongoing projects;
  - forecasts of capital receipts;
  - affordability of prudential borrowing over the period of the council's financial forward plan;
  - recommendations from the external auditor on matters such as the level of reserves and provisions.
- 2.6 The budget recommended by the Executive will incorporate the latest projection of income from fees and charges.
- 2.7 Heads of Service may approve changes to fees and charges annually where the change is broadly in line with inflation. The date for annual increases need not be 1 April.
- 2.8 Cabinet Resources Committee may approve changes to fees and charges that are significantly different from inflation, the introduction of new fees and charges, and changes to fees and charges outside the normal annual cycle.

#### Alternative Budget Motions

- 2.9 Alternative budget motions must be validated by the Chief Finance Officer before they are accepted as a valid budget motion. This is essential since if an alternative budget motion is approved, the Chief Finance Officer will need to amend the council tax bills immediately following the Council meeting and Cabinet and officers will be required to implement the detailed budget proposals.
- 2.10 The alternative budget motion must set out the appropriate changes to Cabinet's recommendations as they affect the budget for the forthcoming year and any element of the Financial Forward Plan (e.g. balances, full year effects, council tax levels). The Chief Finance Officer may also require further information to be included if he/she considers it will improve the Council's understanding of the financial implications in the forthcoming or future years.
- 2.11 Any Member proposing to put an alternative budget motion to Council is responsible for ensuring it is received by the Democratic Services Manager in line with the deadline set out in Part 4, Section 1 of the Constitution. It is also their responsibility to ensure they give the Chief Finance Officer sufficient time to fully validate their alternative budget proposals.

### **3. BUDGET MANAGEMENT & MONITORING**

#### Latest Approved Budget

- 3.1 The latest approved budget for a service or capital project is the budget determined by Council prior to the start of the year, as amended subsequently by approved variations throughout the year.
- 3.2 The Chief Finance Officer is responsible for maintaining the latest approved budget.
- 3.3 It is envisaged that the Scheme of Virement for revenue and capital budgets will be determined by the Leader as part of the scheme of delegation. If this is not done, the Chief Finance Officer must determine a scheme in consultation with the Cabinet Member for Resources.

#### Budget Monitoring – General

- 3.4 Heads of Service should ensure that their cost centre managers do not enter into commitments before satisfying themselves there is sufficient budget provision. Heads of Service have no authority to overspend revenue or capital budgets, or under-recover income budgets under their control, and are responsible for monitoring their budgets to ensure this situation does not arise.
- 3.5 Heads of Service are required to notify the Chief Finance Officer of all underspends, over-recovery of income or windfall benefits arising within their revenue and capital budgets, which must in the first instance be returned to central contingencies.
- 3.6 Heads of Service must notify the Chief Finance Officer of forecast revenue budget or capital project overspends regardless of whether offsetting savings or additional income or capital resources have been identified.

### Budget Monitoring – Revenue

- 3.7 Having notified the Chief Finance Officer of a forecast revenue budget overspend, the Head of Service must submit proposals to the Chief Finance Officer for offsetting the forecast overspend, together with an assessment of the impact these corrective actions will have on service delivery and performance targets. Approval to these budget variations will be in line with the Scheme of Virement (see 3.3).
- 3.8 When notifying the Chief Finance Officer of such a situation, Heads of Service must advise if the problem relates solely to the current financial year or needs to be addressed within the financial forward plan as well.
- 3.9 Some services or projects within the council's budget and capital programme may be wholly or part funded by time-limited external funding. As soon as the possibility of expenditure slipping past the funding deadline is forecast, the cost centre / project manager must notify the Chief Finance Officer immediately, and provide options for reducing expenditure and/or identifying alternative funding. It should not be assumed that the loss of external funding arising from expenditure slipping will be met from central resources.

### Budget Monitoring – Capital

- 3.10 Forecast overspends on capital projects must be communicated to the Chief Finance Officer immediately, and before commitments are entered into. These forecasts should identify overspends against budget for the current financial year and the total budget for the project.
- 3.11 Having notified the Chief Finance Officer, the Head of Service must submit options to the Chief Finance Officer for offsetting the forecast overspend (e.g by reducing the project specification, or budget for other projects) and/or identifying additional funding.
- 3.12 Due to the uncertainty around the generation and timing of capital receipts, and the impact that delays could have on the level of prudential borrowing, project managers must obtain the prior approval of the Chief Finance Officer before entering into any individual capital commitment over £500,000.

### Central Contingency

- 3.13 The Chief Finance Officer will determine which budget developments are to be held within the central contingency.
- 3.14 Allocations from the central contingency relating to planned developments will be approved by the Chief Finance Officer, in consultation with the Cabinet Member for Resources, following the receipt from a Head of Service of a fully costed proposal to incur expenditure that is in line with planned development (including full year effect). Where there is a significant increase in the full year effect, the contingency allocation must be approved by Cabinet Resources Committee.
- 3.15 Allocations from the central contingency for unplanned expenditure up to £250,000, including proposals to utilise underspends previously generated within the service,

will be approved by the Chief Finance Officer in consultation with the Cabinet Member with responsibility for Resources.

- 3.16 Allocations for unplanned expenditure over £250,000 must be approved by Cabinet Resources Committee.

#### Reporting to Members

- 3.17 The Chief Finance Officer will report to each and every ordinary Cabinet Resources Committee on the revenue and capital budgets and prudential borrowing indicators.

- 3.18 Reports on the revenue budget will normally include:-

- a revised forecast outturn;
- progress in achieving budgeted savings;
- advice from the Chief Finance Officer on whether action is required to address any diminution in reserves and, if necessary, proposals and/or options for action that needs to be taken.

- 3.19 These reports will make recommendations for varying the approved budget (revenue and capital) in the following circumstances:-

- allocations from the central contingency for unplanned expenditure over £250,000, or for planned expenditure where there are significant full year effects;
- underspends and windfall benefits returned to the centre;
- increases in service revenue budgets where overspends are considered unavoidable and cannot be contained within the overall budget managed by a Head of Service;
- variations in capital project budgets.

#### Authorisation of Non-Budgeted Expenditure

- 3.20 In cases of urgency or emergency, the Chief Executive may approve revenue or capital expenditure in excess of the latest approved budget.

- 3.21 The Chief Finance Officer may approve revenue or capital expenditure not provided for within the latest approved budget if satisfied that:-

- the expenditure is wholly reimbursable to the Council; or
  - compensatory savings have been identified;
- and
- there are no significant full year effects.

In all circumstances, the expenditure must be consistent with the Corporate Plan and performance management plans.

#### **4. FURTHER RESPONSIBILITIES OF HEADS OF SERVICE**

##### Budget Monitoring

4.1 Heads of Service must establish arrangements for managing revenue and capital budgets within their services. These arrangements must include:-

- schemes of delegation, which set out the authority that cost centre managers and capital project managers have for taking budget decisions (within the corporate scheme of virement);
- a budget monitoring framework that reports back to service management teams, enabling Heads of Service to provide the Chief Finance Officer with a report on their revenue and capital budgets in accordance with the timetable he/she sets;
- details of who has authority to take decisions in respect to the entire service budget in their absence.

##### External Funding

4.2 External funding covers bids to Government and other organisations that are offering funding for projects that meet certain criteria. It also covers contributions being sought from participating organisations and individuals.

4.3 Heads of Service must provide the Chief Finance Officer will details of all bids for external funding. In particular, the following information must be provided:-

- how the bid supports achievement of Corporate Plan targets;
- whether the bid is for capital and/or revenue funding;
- revenue and capital matched funding contributions required from the council, and how these will be identified;
- revenue and capital matched funding contributions required from other organisations and individuals, how these amounts will be secured, and the risks associated with them;
- an 'exit strategy', which sets out how budgets will be adjusted after the grant expires;
- where the bid is for revenue funding:-
  - whether this is to support existing levels of activity or enhanced / new activities;
  - proposals for reducing the activity OR incorporating it in the base budget once the external funding is exhausted;

- where the bid is for capital funding :-
  - whether an asset will be created, and if so, how this fits in with the council's Asset Management Strategy;
  - how the ongoing cost of maintaining the asset will be funded;
  - whether the asset can / will be disposed of at a later date.

4.4 Heads of Service must not commit expenditure on projects requiring matched funding contributions until the external funding has been confirmed, unless approval has been given by the Chief Finance Officer. Decisions to proceed ahead of confirming external funding will be taken after assessing all relevant risks. The Chief Finance has the right to refer the decision to the Cabinet Resources Committee or Cabinet Member for Resources.

4.5 Heads of Service must advise the Chief Finance Officer of all grant and subsidy notifications as soon as they are received. Where the amount notified is greater than the budget, the excess will be deemed a windfall and must in the first instance be returned to the central contingency. Where the amount notified is less than the budget, the Head of Service must notify the Chief Finance Officer of options for containing any potential overspend.

4.6 Heads of Service must ensure that all conditions associated with external funding are met and that information required to complete grant and subsidy claims is provided on time.

#### Full Year Effects

4.7 In preparing any estimates of expenditure and income, Heads of Service must give proper consideration to full year effects.

#### Impact on Other Services

4.8 Before a Head of Service makes a decision that could affect the budget of another Head of Service they must first consult with the other Head(s) of Service.

#### Statement of Internal Control

4.9 Heads of Service must support the work on corporate risk management led by the Executive Director for Resources, contributing to the production of the annual Statement of Internal Control that has to be published alongside the Statement of Accounts.

#### Partnership Working

4.10 Before entering into a partnership with another organisation that involves pooling some of the council's revenue and/or capital budgets, the Head of Service must ensure that adequate financial controls are in place. A financial risk assessment must also be prepared and monitored over time.



### General Requirements

- 4.11 Heads of Service must consult the Chief Finance Officer at an early stage on any current or future matter or decision that has financial implications that are not incorporated in the Financial Forward Plan or could impact on the Medium Term Financial Strategy.
- 4.12 Heads of Service must adhere to guidance issued by the Executive Director for Resources and Chief Finance Officer in respect to financial forward planning, budget setting, budget monitoring and closing of the accounts.

## **5. CLOSING OF ACCOUNTS & STATEMENT OF ACCOUNTS**

- 5.1 The Chief Finance Officer is responsible for making arrangements for closing the accounts and producing the annual Statement of Accounts, as well as all matters relating to their audit and public inspection.
- 5.2 The Statement of Accounts will be prepared in accordance with the CIPFA Code of Accounting Practice, which includes the deadline for their production and the requirement to include a Statement on Internal Control (SIC).
- 5.3 Heads of Service must provide on time any information the Chief Finance Officer requires to close the accounts and complete all grant and subsidy claims.
- 5.4 In closing the accounts, the Chief Finance Officer may amend the originally approved funding of services and projects if this is to the council's financial benefit.
- 5.5 The Annual Audit Letter includes the external auditor's report and opinion on the audit of the accounts, as well as comments and recommendations on the council's financial standing, the legality of financial transactions and internal control. This will be reported each year to Cabinet and the Audit Committee, together with an appropriate action plan.

## **6. TREASURY MANAGEMENT FRAMEWORK**

- 6.1 The Council adopts the key recommendations contained in "The Prudential Code for Capital Finance in Local Authorities - Interim Guidance & Notes Supplement" (CIPFA, February 2004), "Treasury Management in the Public Services: Code of Practice" (CIPFA, 2001) and any subsequent recommended good practice by CIPFA.
- 6.2 Cabinet Resources Committee will create and maintain a Treasury Management Policy Statement (TMPS), stating the policies and objectives of its treasury management activities.
- 6.3 The Chief Finance Officer will create and maintain suitable Treasury Management Practices (TMPs), setting out the manner in which the Authority will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

- 6.4 Cabinet Resources Committee will receive reports on its treasury management policies, practices and activities, including an annual strategy and plan in advance of the year, and an annual report after its close in the form prescribed in the TMPs. These reports will incorporate the prudential borrowing limits and performance indicators.
- 6.5 The Chief Finance Officer has the delegated authority to undertake long term borrowing on behalf of the Authority and will issue a Delegated Powers Report immediately after this power is exercised to inform Members.

## **7. PENSION FUND MANAGEMENT**

7.1 The Chief Finance Officer is responsible for:-

- appointing pension fund investment managers;
- appointing an independent investment advisor;
- producing and publishing a Funding Strategy Statement;
- recommending Statement of Investment Principles to the General Functions Committee, after consulting first with the Pension Fund Advisory Panel;
- appointing actuaries.

7.2 The Pensions Manager is responsible for:-

- approving early payment of deferred benefits under regulation 31;
- exercising discretion not to actuarially reduce deferred benefits paid early under regulation 31, on compassionate grounds or financial hardship grounds;
- issuing a certificate of protection in pension benefits without an application from the member (Regulation 23 of the 1997 Regulations);
- determining that a member who has opted out of the Scheme on more than one occasion should be able to rejoin the Scheme (Regulation 7 of the 1997 Regulations);
- exercising the power to accept late applications (made more than 30 days after return to work or, if does not return to work, 30 days after the date of leaving) from a member who wishes to pay optional contributions for a period of absence (Regulation 18 of the 1997 Regulations);
- informing a member, who is entitled to a pension or retirement grant under two or more provisions, which provision shall apply (Regulation 34 of the 1997 Regulations);
- determining that late applications to convert scheme AVCs into a membership credit will be accepted provided such a late claim is not made within one year of

attaining NRD or six months after leaving service whichever is the later (Regulation 66 of the 1997 Regulations);

- determining that any request for the inwards transfer of pension rights made more than 12 months after the member joined the Scheme will only be accepted with the Employer's permission (Regulation 121 of the 1997 Regulations);
- exercising absolute discretion in determining the recipient(s) of any death grant payable from the Scheme (Regulation 38 of the 1997 Regulations);
- deciding whether to treat education or training as continuous despite a break (Regulation 44 of the 1997 Regulations), for the purpose of determining eligibility for a child's pension.

## Part 2 – Financial Administration

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### 1. INTRODUCTION

- 1.1 These Financial Management Rules apply to all financial transactions of the Council with the exception of schools with delegated budgets, which have their own set of financial regulations.
- 1.2 They are designed to safeguard the interests of the Council and individual officers by setting out clear procedures to be followed under the various sections.
- 1.3 This should be used in conjunction with other points of the constitution, legal requirements and other codes of practice which may be issued under 1.5 of this section.
- 1.4 The Chief Finance Officer or Head of Internal and Ethical Governance, after discussion with the relevant Chief Officer, may report any breach of this Code to the Cabinet Meeting or Cabinet Resources Committee.
- 1.5 These Financial Management Rules may be supplemented at any time by other codes of practice or instructions issued by the Chief Finance Officer.

## **2. ACCOUNTING**

- 2.1 All accounting arrangements across the council shall be in a manner approved by the Chief Finance Officer, taking into account best practice guidance issued by relevant external bodies, such as CIPFA and the Audit Commission.
- 2.2 There must be adequate separation of duties to ensure that no one officer is able to handle any financial transaction from start to finish without there being some mechanism for independent checking. By finish is meant the completion of the accounting for the transaction.

## **3. INTERNAL AUDIT**

- 3.1 Under the Accounts and Audit Regulations 1996 the Council has a statutory obligation to have an adequate and effective system of internal audit. The Head of Internal Audit and Ethical Governance has the delegated authority for providing and maintaining this service.

### Objective & Scope

- 3.2 The Internal Audit Service is an independent, objective assurance and consulting activity designed to add value and improve the council's operations. It helps the council achieve its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management control and governance processes.
- 3.3 The objective of internal auditing is to assist officers and Members in the effective discharge of their responsibilities. To this end, internal auditing furnishes them with assurance, analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed. This objective includes promoting effective control at reasonable cost.
- 3.4 The scope of internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of the organisation's system of internal control and the quality of performance in carrying out assigned responsibilities. Internal auditors:-
  - review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information;
  - review the systems established to ensure compliance with those policies, plans, procedures, laws, regulations and contracts which could have a significant impact on operations and reports, and should determine whether the organisation is in compliance;
  - review the means of safeguarding assets and, as appropriate, verify the existence of such assets.
  - appraise the economy and efficiency with which resources are employed.
  - review operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned.

### Independence

- 3.5 Internal Audit is independent of the activities audited. Internal Auditors are independent when they can carry out their work freely and objectively. Independence permits internal auditors to render the impartial and unbiased judgements essential to the proper conduct of audits. It is achieved through organisational status and objectivity.
- 3.6 The organisational status of the internal auditing service permits the accomplishment of its audit responsibilities. The Head of Internal Audit and Ethical Governance is responsible to the Chief Finance Officer, Chief Executive and Audit & Resources Overview & Scrutiny Committee, thereby promoting independence and ensuring a broad audit coverage, adequate consideration of audit reports, and appropriate action on audit recommendations.
- 3.7 Objectivity is an independent mental attitude which internal auditors maintain in performing audits. Internal auditors do not subordinate their judgement on audit matters to that of others. Drafting procedures for systems, and designing, installing and operating systems are not audit functions. Performing such activities impairs audit objectivity.

#### Responsibility & Authority

- 3.8 Internal Audit is an integral part of the organisation and functions under the policies established by management and the council.
- 3.9 The purpose, scope, authority and responsibility of the internal auditing service is defined in a formal charter. The charter makes clear the independence of the internal auditing service and emphasises that it must not be restricted when carrying out its responsibilities.
- 3.10 Any suspected irregularity involving any asset, or the exercise of any function, of the Council must be reported by the appropriate Chief Officer to the Head of Internal Audit and Ethical Governance to inform the overall assurance that can be delivered. The primary responsibility for the prevention, detection and investigation of fraud lies with line management.
- 3.11 The Head of Internal Audit and Ethical Governance and Chief Finance Officer, or authorised representative, shall have authority to:-
- enter any Council land or premises;
  - have access to all records, documents, correspondence and assets of the Council;
  - receive such explanations as are necessary concerning any matter under examination, and
  - require any employee of the Council to produce cash, stores or any other Council property under his or her control
- 3.12 The Council's Chief Officers shall have regard to the principles of risk management, and to the Council's risk management policy. It is the responsibility of Internal Audit to review the adequacy and effectiveness of the council's arrangements for risk management and to produce an Annual Statement of Internal Control

## **4. Corporate Anti-Fraud Team**

Under Section 151 of the Local Government Act 1985 the Council has a statutory obligation to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption. The Head of the Corporate Anti-Fraud Team (CAFT) has the delegated authority for providing and maintaining this service.

### Objective & Scope

The CAFT is an independent, objective activity designed to add value and improve the council's operations. It helps the council achieve its objectives by bringing a systematic, disciplined approach to investigation evaluating and improving the effectiveness of fraud prevention and detection and the subsequent prosecution of individuals and organisations where appropriate.

The objective of the CAFT is to assist officers and Members in the effective discharge of their responsibilities. To this end, the CAFT furnishes them with assurance, analysis, appraisals, recommendations, counsel, and information concerning the activities it is required to become involved with. The objective includes promoting fraud awareness across the authority.

The scope of the CAFT encompasses both the investigation and examination of the effectiveness of the council's systems of fraud control when subject to breach. In carrying out assigned responsibilities, Investigation Officers:-

- review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information;
- provide protocols and systems which ensure accurate reporting of any such fraud (including "Whistleblowing" and a "Fraud Hotline"), create and promote policies, plans, procedures, law, regulations and guidance which have a significant impact on the organisation;
- provide an effective, efficient and value for money investigation service;
- provide the organisation, its employees and business partners with a comprehensive guide in areas such as money laundering and other legislation relating to the proceeds of crime.

### Independence

CAFT officers are independent when they can carry out their work so act freely and objectively. Independence permits Investigators to render the impartial and unbiased judgements essential to the proper investigation and conclusion of fraud.

### Responsibility & Authority

The primary responsibility for the prevention detection and deterrence of fraud lies with Heads of Service. This responsibility includes ensuring that staff and partners are aware of both the implications of fraud and the risks of fraud across their service area. The primary responsibility for the investigation of any suspected fraud found in a service area lies with the CAFT. All details must be immediately forwarded to the CAFT, to preserve the chain of evidence linked to such investigations within the law.

The Head of the CAFT is the officer designated by the Secretary of State under the provisions of the Social Security & Administration Act 2001 to act as Authorised Officer (Warrant Holder) in the obtaining of data prescribed within the Act which may otherwise be protected, in connection with the prevention and/or detection of a crime.

The Head of the CAFT is also the Barnet responsible officer for the authorisation of arrest and prosecution of offenders including deciding on any appropriate sanction action available within the law. The officer is responsible for ensuring that all investigations are conducted in accordance with the Criminal Procedures & Investigations Act (CPIA) the Police & Criminal Evidence Act (PACE), Human Rights and Regulation of Investigative Powers Act (RIPA) including the authorisation of surveillance powers.

Any suspected irregularity involving fraud/corruption within any function of the Council or its partner organisations or suppliers and contractors must be reported to the CAFT. Responsibility for the subsequent investigation of potential fraud and corruption lies with the CAFT.

The Head of the CAFT, the Chief Finance Officer, or other authorised representative, shall have authority to:-

- enter any Council land or premises;
- have access to all records documents correspondence and assets of the Council;
- receive such explanations as are necessary concerning any matter under examination, and
- require any employee of the Council to produce cash, stores or any other Council property under his or her control
- interview any and all individuals in connection with investigations including interviews in accordance with the Police & Criminal Evidence Act (on tape).

## **5. BANKING ARRANGEMENTS**

- 5.1 The Chief Finance Officer must approve all banking arrangements across the council, and must be satisfied over the safe keeping of all controlled banking stationery.
- 5.2 Cheques drawn on the Council's main bank accounts shall be authorised by the pre-printed title "Chief Finance Officer, London Borough of Barnet".
- 5.3 Cheques above certain financial limits set by the Chief Finance Officer shall be manually countersigned by those designated officers set out in writing by the Chief Finance Officer.



## **6. SECURITY OF ASSETS**

### General

- 6.1 Heads of Service are responsible for the proper security of all buildings, stocks, furniture, equipment and cash etc. within their service. The Chief Executive shall exercise a co-ordinating role on security issues and shall be consulted where it is felt that security is inadequate or in special circumstances.
- 6.2 Maximum limits for cash holdings shall be set by the Chief Finance Officer, which may not be exceeded without prior authority.
- 6.3 All keys to safes and the like items shall be carried on the person of the officer responsible. Heads of Service shall keep a record of key holders. Any loss of keys shall be reported to the Head of Service.
- 6.4 Heads of service are responsible for the proper security and privacy of all information held in computer systems under their control, and for ensuring that these systems are can only be accessed by authorised personnel.

### Land & Property

- 6.5 The Chief Valuer shall maintain an indexed register (terrier) of all properties owned by the Council (except houses and flats provided under the Housing Acts).
- 6.6 This record will show the purpose for which the property is held, its location, extent and plan reference, and details of interest and rents payable and tenancies granted.
- 6.7 The Head of Legal shall have secure custody of title deeds.

### Other Assets

- 6.8 Heads of Service must maintain inventories of all assets employed in their service, and make arrangements for these to be checked at least annually.
- 6.9 Any surpluses/deficits in excess of a figure set by the Chief Finance Officer shall be reported to him/her. The Chief Finance Officer shall agree the action to be taken in relation to these differences, including, if necessary reporting to the Cabinet Meeting or Cabinet Committee.
- 6.10 Council assets may only be used for council business, and may only be removed from council premises with the consent of the Head of Service. The officer removing the asset then becomes responsible for the safekeeping of the asset.
- 6.11 All Council assets shall, wherever possible, be security marked.
- 6.12 Heads of Service are responsible for the sale or disposal of assets employed in their service, and for accounting for these transactions. All disposals in excess of £6,000 (or a higher figure that is consistent with capital accounting regulations) are to be notified to the Chief Finance Officer.

### Stocks & Stores

- 6.13 Heads of Service are responsible for the safekeeping of stocks and stores held and shall not allow levels held to exceed reasonable levels. All records, returns and accounts shall be held in a form approved by the Chief Finance Officer and returns will be submitted as and when required.
- 6.14 Stores shall only be issued against properly authorised requisition notes, which shall be receipted by the person collecting the goods.
- 6.15 Unused items returned to stores shall be recorded on a stores return note.
- 6.16 The condition of stocks shall be checked on a regular basis by the Officer responsible for them.
- 6.17 Heads of Service must ensure that stock items above a value determined by the Chief Finance Officer are checked at least once each financial year.
- 6.18 All surpluses or deficits identified during stock takes shall be entered onto an adjustment record and the appropriate Head of Service, with the agreement of the Chief Finance Officer, may write-off deficiencies or bring surpluses into account.
- 6.19 The Chief Finance Officer or authorised representative may have access to all stock and stores and may make such checks as thought necessary.

## **7. IMPREST ACCOUNTS**

- 7.1 The Chief Finance Officer must authorise all imprest accounts.
- 7.2 The imprest account holder must:-
  - provide a certificate showing the state of the account, when requested by the Chief Finance Officer;
  - only reimburse expenditure up to a limit set by the Chief Finance Officer;
  - obtain receipts for all payments made, which should be proper VAT receipts wherever possible;
  - properly account for VAT in all float reimbursements;
  - not allow the account to be overdrawn and shall arrange for reimbursement at regular intervals;
  - not pay any salaries or wages from the account;
  - not pay income into the account;
  - provide the Chief Finance Officer with a full account for the advance when ceasing to be the imprest account holder.

## **8. INCOME**

- 8.1 Officers should encourage payment in advance or at point of service delivery wherever possible, and minimise the amount of credit given to customers.
- 8.2 All records relating to income due to the Council, accounts raised, and receipts issued shall be in a format agreed by the Chief Finance Officer.
- 8.3 Officers responsible for controlled stationery must keep it secure.

- 8.4 Methods of payment must be agreed by the Chief Finance Officer.
- 8.5 The Chief Finance Officer may authorise payment by instalments if full payment cannot be obtained immediately.
- 8.6 Officers receiving monies shall keep an accurate and chronological account of all receipts and bankings.
- 8.7 Monies received must be banked on the day of receipt wherever possible, and not later than the next working day. All amounts paid in must be referenced to enable subsequent identification of the accounts to which they relate. All cheques, postal orders etc. shall be crossed with the crossing stamp provided.
- 8.8 No deductions may be made from monies received.
- 8.9 Internal transfers of official money shall be acknowledged in the records of the service concerned by the signature of the receiving officer.
- 8.10 Heads of Service must notify the Chief Finance Officer of all monies due to the Council under contracts, leases or other agreements and the cessation of use or change of user affecting this income.

#### Invoicing & Debt Recovery

- 8.11 Officers responsible for raising invoices must ensure that VAT has been properly accounted for and that the debt is recorded in a format approved by the Chief Finance Officer.
- 8.12 Officers responsible for the collection of amounts invoiced should only put forward amounts for write-off after all appropriate steps to recover the debts have been exhausted.
- 8.13 A review of every debt should be undertaken at least quarterly.

### **9. INSURANCE**

- 9.1 The Chief Finance Officer is responsible for arranging adequate insurance cover for the Council and keeping comprehensive records of all risks covered.
- 9.2 Heads of Service must notify the Chief Finance Officer immediately of all new areas of risk and of any change of circumstances likely to affect existing insurance risks. The Chief Finance Officer will at least annually provide Heads of Service with a statement of existing insurances for verification.
- 9.3 Any incident which could give rise to an insurance claim must be promptly notified to the Chief Finance Officer by the relevant officer, who shall also inform the Police if appropriate.
- 9.4 The Chief Finance Officer will handle all insurance claims, in conjunction with the Head of Legal and/or the insurance company if proceedings are issued.
- 9.5 The Chief Finance Officer will examine all new, or amendments to existing policies as required in respect to contractors, mortgagors or other persons in which the Council has an interest.

- 9.6 Officers must consult the Chief Finance Officer and Head of Legal in all cases where the Council is requested to give an indemnity.
- 9.7 Officers in receipt of a motor vehicle allowance must produce registration documents, insurance policy, certificate of insurance and test certificate if required by the Chief Finance Officer. Insurance policies must be comprehensive and cover use on official business.

## **10. INVESTMENTS, BORROWING, CAPITAL FINANCING & TRUST FUNDS**

- 10.1 All investments, except bearer securities, controlled by the Council shall be made in the Council's name or in the name of nominees approved by the Cabinet Meeting or Cabinet Committee.
- 10.2 All securities shall be held securely by the Council's bankers, the Chief Finance Officer or custodians approved by the Cabinet Meeting or Cabinet Committee.
- 10.3 All borrowing and, whenever possible all trust funds, shall be in the name of the Council.
- 10.4 The Chief Finance Officer shall be the Council's registrar of stocks and bonds and shall maintain records of all monies borrowed and lent.
- 10.5 Officers acting as trustees by virtue of their official position shall deposit all securities etc. which relate to the trust with persons authorised by the Chief Finance Officer unless the deed provides otherwise.
- 10.6 All relevant legislation and limits set by the Cabinet Meeting or Cabinet Committee shall be complied with.

## **11. ORDERING OF GOODS, WORKS & SERVICES**

- 11.1 Procurement of goods, works and services must be in accordance with Contract Procedure Rules.
- 11.2 Heads of Service must have systems in place to ensure that only authorised officers are allowed to place orders, and that orders are only raised when there is sufficient budget available.
- 11.3 Processes for ordering goods, works and services must be in accordance with arrangements approved by the Chief Finance Officer.

## **12. PAYMENT OF ACCOUNTS**

- 12.1 Methods of payment (e.g. cheque, BACS) must be agreed by the Chief Finance Officer.
- 12.2 The names of officers authorised by Heads of Service to certify invoices must be notified in advance to the Chief Finance Officer. When certifying invoices for payment these officers must first check that:-

- the works, goods or services to which the account relates corresponds to those shown on the relevant official order or that one of the exemptions set out in the Contracts Procedure Rules applies;
- the works, goods or services to which the account relates have been received or satisfactorily carried out and have been examined or approved;
- the prices, additions, calculations, discounts, other allowances and VAT are correct, and that the invoice is a proper VAT invoice;
- the expenditure has been properly incurred (official order raised, committee authority given), there is budgetary provision and the expenditure has been correctly coded;
- the appropriate entries have been made in inventories, stores records or stock books;
- the invoice has not previously been passed for payment.

12.3 To enable the council to comply with the Late Payment of Commercial Debts Act, no amended invoices will be accepted. Heads of Service must:-

- return an invoice to the supplier and seek a new invoice with a revised date, whenever:-
  - the invoice is dated prior to receipt of goods, works or services and this is contrary to the agreed payment terms;
  - the invoice is incorrect;
- when certifying an invoice for payment that was initially disputed, record on the certification form the date on which the invoice was actually validated.

12.4 Invoices that are not produced in an acceptable format will not be passed for payment. This includes invoices that do not comply with VAT Regulations.

12.5 Heads of Service should explore the possibility of early payment discounts with all suppliers of goods, works and services. This must be done within the context of the overall Procurement Strategy.

12.6 Heads of Service, prior to authorising payments in advance, must undertake a risk assessment of the supplier or service provider defaulting. All payments in advance in excess of £100,000 must be notified to the Chief Finance Officer.

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

13.1 All appointments shall be made in accordance with the terms and conditions of the Council and the approved establishments, grades and rates of pay.

13.2 The Head of Human Resources shall calculate and pay all remuneration, pensions, compensation and other emoluments to current and former employees or shall approve and control alternative arrangements for this.

13.3 School Governing Bodies shall be responsible for assessing teachers' remuneration and the Head of Human Resources shall maintain teachers' salary and pensions.

13.4 Heads of Service must provide to the Head of Human Resources:-

- the names and specimen signatures of all officers authorised to sign personnel records;

- relevant details of appointments, leavers and any other change of circumstances that may affect payment or the nature of duty of any of their staff;
- details of absences due to sickness, accidents on or off duty, special leave without pay or other paid leave or absence;
- certified time-sheets for staff paid at hourly or weekly rates, at intervals and in the format determined by the Head of Human Resources.

- 13.5 At regular intervals the Head of Human Resources shall require that each pensioner shall provide a life certificate and statement of any employment which may affect the payment of pension. An undertaking to notify the Head of Human Resources should such employment be taken up shall also be obtained.
- 13.6 Salaries and wages shall normally be paid direct to the employee's bank account. Pensions and gratuities shall be at the discretion of the Head of Human Resources. All payments shall be made direct to the person concerned unless that person authorises otherwise.
- 13.7 Payment will normally only be made on the normal date except in respect of holidays or the person leaving the Council before that date. The Head of Human Resources has discretion to make an advance in exceptional circumstances.
- 13.8 The Head of Human Resources will periodically circulate a list of all salaried staff for Heads of Service to verify.

#### **14. TRAVELLING, SUBSISTENCE & FINANCIAL LOSS ALLOWANCE**

- 14.1 All claims for payment of car allowances shall be properly certified and in a format approved by the Chief Finance Officer. The names of certifying officers and specimens of their signatures shall be forwarded to the Chief Finance Officer.
- 14.2 The certification of any claim shall mean that the certifying officer is satisfied that the journeys were authorised, expenses were properly and necessarily incurred and that the allowances should be paid by the Council.
- 14.3 The Chief Finance Officer shall make payments of travelling or other allowances to Members of the Council (including co-opted Members), or its Committees or the Executive or its bodies, or members of the public who attend other Council bodies who are entitled to make such claims. All claims shall be made on the approved form.

#### **15. AMENITY & UNOFFICIAL FUNDS**

- 15.1 Amenity or Unofficial Fund relates to all sums of money other than those which are required to be paid into the Council's General Account (or such other account so authorised by the Chief Finance Officer) or Trust Fund monies outside the authority of the Council.
- 15.2 All accounts shall be opened by the Chief Finance Officer and their names shall include the name of the Borough and the establishment concerned.
- 15.3 Provided the Chief Finance Officer approves and is satisfied with accounting and

security arrangements, separate accounts need not be opened for funds of small amounts.

- 15.4 The head of each establishment which sets up such a fund shall inform the relevant Head of Service of its existence (and the Governing Body in the case of schools without delegated budgets).
- 15.5 Responsibility for the administration of the fund shall rest with the head of the establishment and with such other member(s) of staff as that person shall decide.
- 15.6 Expenditure from the fund shall be at the discretion of the establishment head in conjunction with other member(s) of staff as felt necessary.
- 15.7 Cheques shall be signed and countersigned by the head and deputies of the establishment. All transactions above a limit set by the Chief Finance Officer shall be signed by at least two authorised officers.
- 15.8 Auditors shall be appointed by the head of the establishment and the fee (if any) shall be charged to the fund. Where the turnover of the fund exceeds an amount set by the Chief Finance Officer, the fund must be audited by auditors approved by that officer. The Chief Finance Officer shall have the right to inspect the accounts.
- 15.9 At the end of each financial year the head shall submit an audited summary of the fund to the Chief Finance Officer (and Governing Body if appropriate).

## Appendix C

### Comparison of Current and Revised Financial Regulations

The purpose of this document is present clearly the changes between the current (April 2006) and revised (March 2007) versions of the Council's financial regulations.

This has been done by creating two tables (one each for Part 1 – Financial Management, and Part 2 – Financial Administration) which compare sections of the current version in left column with the equivalent sections of the revised version in the right column. Additions in the revised version are highlighted in **bold** and included within the paragraph in which they occur. Similarly, deletions from the previous version are highlighted in **bold** and ~~struck through~~, again within the paragraph in which they occur. All copied paragraphs are set in *italics*, with general comments set in normal type.

It should be noted that throughout the revised financial regulations, all references to "Heads of Service" have been changed to "Directors and Heads of Service". In general, these changes have not been included in the tables below.

#### Part 1 – Financial Management

Current Version (April 2006)	Revised Version (March 2007)
<b>1. Medium Term Financial Strategy &amp; Financial Forward Planning</b>	<b>1. Medium Term Financial Strategy 2. Financial Forward Planning</b>
The "Medium Term Financial Strategy & Financial Forward Planning" section has been split in two within the revised version. Although this has resulting in a change in the order of presentation, the content has remained essentially the same.	
<b>2. Annual Budget Setting</b>	<b>3. Annual Budget Setting</b>
No differences between the current and revised versions (apart from numbering of paragraphs)	
<b>3. Budget Management and Monitoring</b>	<b>4. Budget Management and Monitoring</b>
<i>3.1 The latest approved budget for a service or capital project is the budget determined by Council prior to the start of the year, as amended subsequently by approved variations throughout the year.</i>	<i>4.1 The latest approved budget for a service or capital project is the budget determined by Council prior to the start of the year, as amended subsequently by approved variations throughout the year <b>in accordance with the "Scheme of Virement"</b>.</i>
<i>3.5 Heads of Service are required to notify the Chief Finance Officer of all underspends, over-recovery of income or windfall benefits arising within their revenue and capital budgets, <del>which must in the first instance be returned to central contingencies.</del></i>	<i>4.5 <b>Directors and</b> Heads of Service are required to notify the Chief Finance Officer of all underspends, over-recovery of income or windfall benefits arising within their revenue and capital budgets. <b>Where these occur they should in the first instance be returned to central contingencies unless regulations specify restrictions on their use which make this</b></i>



	<i>inappropriate or the underspend, additional income or windfall is to be used to offset uncontrollable overspends elsewhere within the service. Where these exceptions occur, the Director or Head of Service is responsible for notifying the Chief Finance Officer that this is to occur.</i>
3.10 Forecast overspends on capital projects must be communicated to the Chief Finance Officer immediately, and before commitments are entered into. These forecasts should identify overspends against budget for the current financial year and the total budget for the project.	4.10 Forecast overspends on <b>approved</b> capital projects must be communicated to the Chief Finance Officer immediately, and before commitments are entered into. These forecasts should identify overspends against budget for the current financial year and the total budget for the project.
3.12 Due to the uncertainty around the generation and timing of capital receipts, and the impact that delays could have on the level of prudential borrowing, project managers must obtain the prior approval of the Chief Finance Officer before entering into any individual capital commitment over £500,000.	4.12 Due to the uncertainty around the generation and timing of capital receipts, and the impact that delays could have on the level of prudential borrowing, project managers must obtain the prior approval of the Chief Finance Officer before entering into any individual capital commitment <b>on an approved</b> capital project over £500,000.
3.15 Allocations from the central contingency for <u>unplanned</u> expenditure up to £250,000, including proposals to utilise underspends previously generated within the service, will be approved by the Chief Finance Officer in consultation with the Cabinet Member with responsibility for Resources.	4.15 Allocations from the central contingency for <u>unplanned</u> expenditure up to £250,000, including proposals to utilise underspends previously generated within the service <b>and returned to central contingency</b> , will be approved by the Chief Finance Officer in consultation with the Cabinet Member with responsibility for Resources. <b>Where there are competing bids for use of underspends, additional income or windfalls previously returned to central contingency, priority will be given to the service(s) that generated that return.</b>
3.19 These reports will make recommendations for varying the approved budget (revenue and capital) in the following circumstances:- <ul style="list-style-type: none"> <li>• allocations from the central contingency for unplanned expenditure over £250,000, or for planned expenditure where there are significant full year effects;</li> <li>• underspends and windfall benefits returned to the centre;</li> <li>• increases in service revenue budgets where overspends are considered unavoidable and cannot be contained within the overall budget managed by a Head of Service;</li> <li>• variations in capital project budgets.</li> </ul>	4.19 These reports will make recommendations for varying the approved budget (revenue and capital) in the following circumstances:- <ul style="list-style-type: none"> <li>• allocations from the central contingency for unplanned expenditure over £250,000, or for planned expenditure where there are significant full year effects;</li> <li>• underspends and windfall benefits returned to the centre;</li> <li>• increases in service revenue budgets where overspends are considered unavoidable and cannot be contained within the overall budget managed by <b>a Director or Head of Service</b>;</li> <li>• variations in capital project budgets;</li> <li>• <b>additions to the capital programme outside of the main budget cycle.</b></li> </ul>
<b>4. Further Responsibilities of Heads of Service</b>	<b>5. Further Responsibilities of Heads of Service</b>
4.1 Heads of Service must establish arrangements for managing revenue and capital budgets within their	5.1 <b>Directors and</b> Heads of Service must establish arrangements for managing revenue and

<p>services. These arrangements must include:-</p> <ul style="list-style-type: none"> <li>schemes of delegation, which set out the authority that cost centre managers and capital project managers have for taking budget decisions (within the corporate scheme of virement);</li> </ul>	<p>capital budgets within their services. These arrangements must include:-</p> <ul style="list-style-type: none"> <li>schemes of delegation, which set out the authority that cost centre managers and capital project managers have for taking budget decisions (within the corporate scheme of virement); <b>The scheme of delegation must also include levels of responsibility for committing expenditure and responsibility for the identification and collection of income due to the authority, control of Contracts, HR establishment lists and staff recruitment;</b></li> </ul>
<p>4.5 Heads of Service must advise the Chief Finance Officer of all grant and subsidy notifications as soon as they are received. Where the amount notified is greater than the budget, the excess will be deemed a windfall and must in the first instance be returned to the central contingency. Where the amount notified is less than the budget, the Head of Service must notify the Chief Finance Officer of options for containing any potential overspend.</p>	<p>5.5 <b>Directors and</b> Heads of Service must advise the Chief Finance Officer of all grant and subsidy notifications as soon as they are received. Where the amount notified is greater than the budget, the excess will be deemed a windfall and should in the first instance be returned to the central contingency <b>unless regulations specify restrictions on their use which make this inappropriate or the underspend, additional income or windfall is to be used to offset uncontrollable overspends elsewhere within the service.</b> Where the amount notified is less than the budget, the Director or Head of Service must notify the Chief Finance Officer of options for containing any potential overspend.</p>
<p>No equivalent paragraph</p>	<p>5.6 <b>Where external funding is applied for, it is the responsibility of the Director or Head of Service to ensure that the monies are received from the paying body and, wherever possible, received ahead of the planned expenditure being incurred by the council.</b></p>
<p>No equivalent paragraph</p>	<p><b>Control of Establishment Lists</b></p> <p>5.9 <b>Directors and Heads of Service are responsible for making arrangements to ensure control of the service HR Establishment list. In particular to ensure that proper controls are in place to ensure that the service HR structure is fully and accurately maintained in SAP and that a system of control is in place to ensure that no new posts are created without adequate resources being in place.</b></p>
<p><b>5. Closing of Accounts &amp; Statement of Accounts</b></p>	<p><b>6. Closing of Accounts &amp; Statement of Accounts</b></p>
<p>5.4 In closing the accounts, the Chief Finance Officer may amend the originally approved funding of services and projects if this is to the council's financial benefit.</p>	<p>6.4 In closing the accounts, the Chief Finance Officer may amend the originally approved funding of <b>revenue and capital</b> services and projects if this is to the council's financial benefit.</p>
<p>5.5 The Annual Audit Letter includes the external auditor's report and opinion on the audit of the</p>	<p>6.5 The Annual Audit Letter includes the external auditor's report and opinion on the audit of the</p>

accounts, as well as comments and recommendations on the council's financial standing, the legality of financial transactions and internal control. This will be reported each year to <del>Cabinet and</del> the Audit Committee, together with an appropriate action plan.	accounts, as well as comments and recommendations on the council's financial standing, the legality of financial transactions and internal control. This will be reported each year to the Audit Committee, together with an appropriate action plan.
<b>6. Treasury Management Framework</b>	<b>7. Treasury Management Framework</b>
No differences between the current and revised versions (apart from numbering of paragraphs)	
<b>7. Pension Fund Management</b>	<b>8. Pension Fund Management</b>
<p>7.1 The Chief Finance Officer is responsible for:-</p> <ul style="list-style-type: none"> <li>• appointing pension fund investment managers;</li> <li>• <del>appointing an independent investment advisor;</del></li> <li>• producing and publishing a Funding Strategy Statement;</li> <li>• recommending Statement of Investment Principles to the General Functions Committee, after consulting first with the Pension Fund Advisory Panel;</li> <li>• appointing actuaries.</li> </ul>	<p>8.1 The Chief Finance Officer is responsible for:-</p> <ul style="list-style-type: none"> <li>• appointing pension fund investment managers, <b>independent investment advisors and any other external advisors or administrators in respect to pension fund investment management;</b></li> <li>• producing and publishing a Funding Strategy Statement;</li> <li>• recommending a Statement of Investment Principles to the General Functions Committee, after consulting first with the Pension Fund Advisory Panel;</li> <li>• appointing actuaries;</li> <li>• <b>communicating with other employers that are scheduled or admitted bodies as appropriate on aspects of pension fund investment management;</b></li> <li>• <b>keeping under reviewing arrangements for governance of the pension fund, taking into account current best practice guidance.</b></li> </ul>
<p>7.2 The Pensions Manager is responsible for:-</p> <ul style="list-style-type: none"> <li>• approving early payment of deferred benefits under regulation 31;</li> <li>• exercising discretion not to actuarially reduce deferred benefits paid early under regulation 31, on compassionate grounds or financial hardship grounds;</li> <li>• issuing a certificate of protection in pension benefits without an application from the member (Regulation 23 of the 1997 Regulations);</li> <li>• determining that a member who has opted out of the Scheme on more than one occasion should be able to rejoin the Scheme (Regulation 7 of the 1997 Regulations);</li> <li>• exercising the power to accept late applications (made more than 30 days after return to work or, if does not return to work, 30 days after the date of leaving) from a member who wishes to pay optional contributions for a period of absence (Regulation 18 of the 1997 Regulations);</li> <li>• informing a member, who is entitled to a pension or retirement grant under two or more provisions, which provision shall apply (Regulation 34 of the</li> </ul>	<p>8.2 The Pensions Manager is responsible for:-</p> <ul style="list-style-type: none"> <li>• approving early payment of deferred benefits under regulation 31;</li> <li>• exercising discretion not to actuarially reduce deferred benefits paid early under regulation 31, on compassionate grounds or financial hardship grounds;</li> <li>• issuing a certificate of protection in pension benefits without an application from the member (Regulation 23 of the 1997 Regulations);</li> <li>• determining that a member who has opted out of the Scheme on more than one occasion should be able to rejoin the Scheme (Regulation 7 of the 1997 Regulations);</li> <li>• exercising the power to accept late applications (made more than 30 days after return to work or, if does not return to work, 30 days after the date of leaving) from a member who wishes to pay optional contributions for a period of absence (Regulation 18 of the 1997 Regulations);</li> <li>• informing a member, who is entitled to a pension or retirement grant under two or more provisions, which provision shall apply (Regulation</li> </ul>

1997 Regulations); <ul style="list-style-type: none"> <li>determining that late applications to convert scheme AVCs into a membership credit will be accepted provided such a late claim is not made within one year of attaining NRD or six months after leaving service whichever is the later (Regulation 66 of the 1997 Regulations);</li> <li>determining that any request for the inwards transfer of pension rights made more than 12 months after the member joined the Scheme will only be accepted with the Employer's permission (Regulation 121 of the 1997 Regulations);</li> <li>exercising absolute discretion in determining the recipient(s) of any death grant payable from the Scheme (Regulation 38 of the 1997 Regulations);</li> <li>deciding whether to treat education or training as continuous despite a break (Regulation 44 of the 1997 Regulations), for the purpose of determining eligibility for a child's pension.</li> </ul>	34 of the 1997 Regulations); <ul style="list-style-type: none"> <li>determining that late applications to convert scheme AVCs into a membership credit will be accepted provided such a late claim is not made within one year of attaining NRD or six months after leaving service whichever is the later (Regulation 66 of the 1997 Regulations);</li> <li>determining that any request for the inwards transfer of pension rights made more than 12 months after the member joined the Scheme will only be accepted with the Employer's permission (Regulation 121 of the 1997 Regulations);</li> <li><b>determining that any request for joining previous Scheme membership (either with this Employer and/or with another scheme employer) made more than 12 months after the member rejoined the Scheme will only be accepted with the Employer's permission (Regulation 32 of the 1997 Regulations);</b></li> <li>exercising absolute discretion in determining the recipient(s) of any death grant payable from the Scheme (Regulation 38 of the 1997 Regulations);</li> <li>deciding whether to treat education or training as continuous despite a break (Regulation 44 of the 1997 Regulations), for the purpose of determining eligibility for a child's pension;</li> <li><b>communicating with other employers that are scheduled or admitted bodies as appropriate on aspects of pension fund investment management</b></li> </ul>
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## Part 2 – Financial Administration

Current Version (April 2006)	Revised Version (March 2007)
<b>1. Introduction</b>	
No differences	No differences
<b>2. Accounting</b>	
No equivalent paragraph	<b>2.3 All accounting should occur on SAP and any exceptions must be specifically authorised by the Chief Finance Officer.</b>
<b>3. Internal Audit</b>	
Section Headings 3.2 – 3.4 Objective, Role, Scope & Reporting 3.5 – 3.7 Independence 3.8 - 3.12 Responsibility & Authority	Section Headings 3.2 – 3.5 Objective, Role, Scope & Reporting 3.6 – 3.9 Independence 3.10 - 3.15 Responsibility & Authority 3.16 – 3.17 Ethical Governance

<p>3.1 Under the Accounts and Audit Regulations <b>1996</b> the Council has a statutory obligation to have an adequate and effective system of internal audit. The Head of Internal Audit and Ethical Governance has the delegated authority for providing and maintaining this service.</p>	<p>3.1 Under the Accounts and Audit Regulations <b>2006</b> the Council has a statutory obligation to have an adequate and effective system of internal audit. The Head of Internal Audit &amp; Ethical Governance has the delegated authority for providing and maintaining this service.</p>
<p>3.3 The objective of internal auditing is to assist officers and Members in the effective discharge of their responsibilities. To this end, internal auditing furnishes them with assurance, analyses, appraisals, <b>recommendations</b>, counsel, and information concerning the activities reviewed. This objective includes promoting effective control at reasonable cost.</p>	<p>3.3 The objective of internal auditing is to assist officers and Members in the effective discharge of their responsibilities. To this end, internal auditing furnishes them with assurance, analyses, appraisals, counsel, and information concerning the activities reviewed <b>and risks not mitigated adequately</b>. This objective includes promoting effective control at reasonable cost.</p>
<p><del>3.4 The scope of internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of the organisation's system of internal control and the quality of performance in carrying out assigned responsibilities. Internal auditors:-</del></p> <ul style="list-style-type: none"> <li><del>• review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information;</del></li> <li><del>• review the systems established to ensure compliance with those policies, plans, procedures, laws, regulations and contracts which could have a significant impact on operations and reports, and should determine whether the organisation is in compliance;</del></li> <li><del>• review the means of safeguarding assets and, as appropriate, verify the existence of such assets.</del></li> <li><del>• appraise the economy and efficiency with which resources are employed.</del></li> <li><del>• review operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned.</del></li> </ul>	<p><b>3.4 The role of Internal Audit is to understand the key risks of the Council and to examine and evaluate the adequacy and effectiveness of the system of risk management and internal control operated by the Council and service management.</b></p> <p><b>3.5 Internal Audit has unrestricted access to all information (including records, computer files, property and personnel) and activities undertaken by the Council, in order to review, appraise and report on:-</b></p> <ul style="list-style-type: none"> <li><b>• the adequacy and effectiveness of the systems of financial, operational and management control and their operation in practice in relation to the business risks to be addressed;</b></li> <li><b>• the extent of compliance with, relevance of, and financial effect of, policies, standards, plans and procedures established by the Council and service management and the extent of compliance with legislation and regulations, including reporting requirements of regulatory bodies;</b></li> <li><b>• the extent to which the assets and interests are acquired economically, used efficiently, accounted for and safeguarded from losses of all kinds arising from waste, extravagance, inefficient administration, poor value for money, fraud or other cause and that adequate business continuity and risk management strategies exist;</b></li> <li><b>• the suitability, accuracy, reliability and integrity of financial and other management information and the means used to identify, measure, classify and report such information;</b></li> <li><b>• the integrity of processes and systems,</b></li> </ul>

	<p><i>including those under development, to ensure that controls offer adequate protection against error, fraud and loss of all kinds; and that the process aligns with the Council's strategic goals;</i></p> <ul style="list-style-type: none"> <li><i>the suitability of the organisation of the units audited for carrying out their functions, to ensure that services are provided in a way which is economical, efficient and effective;</i></li> <li><i>the follow-up action taken to remedy weaknesses identified by Internal Audit review, ensuring that good practice is identified and communicated widely;</i></li> <li><i>the operation of the Council's Corporate Governance arrangements.</i></li> </ul>
<p>3.6 The organisational status of the internal auditing service permits the accomplishment of its audit responsibilities. The Head of Internal Audit and Ethical Governance is responsible to the <del>Chief Finance Officer, Chief Executive and Audit &amp; Resources Overview &amp; Scrutiny Committee</del>, thereby promoting independence and ensuring a broad audit coverage, adequate consideration of audit reports, and appropriate action on <del>audit recommendations</del>.</p>	<p>3.7 The organisational status of the internal auditing service permits the accomplishment of its audit responsibilities. The Head of Internal Audit &amp; Ethical Governance is responsible to the <b>Corporate Governance Director and has access to the Chief Executive and Audit Committee</b>, thereby promoting independence and ensuring a broad audit coverage, adequate consideration of audit reports, and appropriate action on <b>unmitigated risks reported</b>.</p>
<p>No equivalent paragraph</p>	<p><b>3.8 The Head of Internal Audit &amp; Ethical Governance shall be able to meet the Chairman of the Audit Committee alone outside of the normal Audit Committee meetings.</b></p>
<p>3.10 Any suspected irregularity involving any asset, or the exercise of any function, of the Council must be reported by the appropriate Chief Officer to the Head of Internal Audit and Ethical Governance to inform the overall assurance that can be delivered. <del>The</del> primary responsibility for the prevention, detection and investigation of fraud lies with line management.</p>	<p>3.12 Any suspected irregularity involving any asset, or the exercise of any function, of the Council must be reported by the appropriate Chief Officer to the Head of Internal Audit &amp; Ethical Governance to inform the overall assurance that can be delivered <b>and to Head of the Corporate Anti Fraud Team (CAFT) for investigation</b>. Primary responsibility for the prevention, detection and <b>initial</b> investigation of fraud lies with line management.</p>
<p>3.11 The Head of Internal Audit and Ethical Governance and Chief Finance Officer, or authorised representative, shall have authority to:- .....</p>	<p>3.13 The Head of Internal Audit &amp; Ethical Governance and Chief Finance Officer, <b>Head of CAFT</b> or authorised representative, shall have authority to:- .....</p>
<p>3.12 The Council's Chief Officers shall have regard to the principles of risk management, and to the Council's risk management policy. It is the responsibility of Internal Audit to review the adequacy and effectiveness of the council's arrangements for risk management <del>and to produce an Annual Statement of Internal Control</del></p>	<p>3.14 The Council's Chief Officers shall have regard to the principles of risk management, and to the Council's risk management policy. It is the responsibility of Internal Audit to review the adequacy and effectiveness of the council's arrangements for risk management.</p> <p><b>3.15 The Head of Internal Audit &amp; Ethical</b></p>

	<p><b>Governance shall report to the Chairman of the Audit Committee all significant concerns that he may have over the adequacy and effectiveness of internal controls and risk management activities within the organisation.</b></p> <p><b><u>Ethical Governance</u></b></p> <p><b>3.16 The Head of Internal Audit &amp; Ethical Governance shall raise the profile and awareness of governance activities throughout the council and set standards for modern, proactive and cost-effective governance in the Council.</b></p> <p><b>3.17 The Head of Internal Audit &amp; Ethical Governance shall provide assurance on the organisation's external governance arrangements.</b></p>
<b>4. Corporate Anti-Fraud Team</b>	
Paragraphs not numbered	Paragraphs numbered from 4.1 to 4.12
No equivalent paragraph	<p><b>4.7 All Council Members and employees are personally responsible for ensuring they (and any subordinates) are aware of the Council's Counter Fraud Framework, procedures and policies, and for alerting either their Head of Service, Deputy Director of Corporate Governance or the CAFT to any suspected breach.</b></p>
<i>The Head of the CAFT is the officer designated by the Secretary of State under the provisions of the Social Security &amp; Administration Act 2001 to act as Authorised Officer (<del>Warrant Holder</del>) in the obtaining of data prescribed within the Act which may otherwise be protected, in connection with the prevention and/or detection of a crime.</i>	<p><b>4.8 The Head of the CAFT is the officer designated by the Secretary of State under the provisions of the Social Security &amp; Administration Act 2001 to act as the Authorised Officer in the obtaining of data prescribed within the Act which may otherwise be protected, in connection with the prevention and/or detection of a crime.</b></p>
<del><b>The Head of the CAFT is also the Barnet responsible officer for the authorisation of arrest and prosecution of offenders including deciding on any appropriate sanction action available within the law. The officer is responsible for ensuring that all investigations are conducted in accordance with the Criminal Procedures &amp; Investigations Act (CPIA) the Police &amp; Criminal Evidence Act (PACE), Human Rights and Regulation of Investigative Powers Act (RIPA) including the authorisation of surveillance powers.</b></del>	<p><b>4.9 The Deputy Director of Corporate Governance and / or the Head of the CAFT are the London Borough of Barnet responsible officers for the authorisation of arrest and prosecution of offenders including deciding on any appropriate sanction action available within the law. Those officers are responsible for ensuring that all investigations are conducted in accordance with the Criminal Procedures &amp; Investigations Act 1996 (CPIA) the Police &amp; Criminal Evidence Act 1984 (PACE), Human Rights Act 2000.</b></p> <p><b>4.10 The Deputy Director of Corporate Governance and/ or the Head of Legal are the designated persons for the authorisation of covert surveillance powers in accordance with</b></p>

	<b>Regulation of Investigative Powers Act 2000 (RIPA).</b>
<p>The Head of the CAFT, the Chief Finance Officer, or other authorised representative, shall have authority to:-</p> <ul style="list-style-type: none"> <li>• enter any Council land or premises;</li> <li>• have access to all records documents correspondence and assets of the Council;</li> <li>• receive such explanations as are necessary concerning any matter under examination, and</li> <li>• require any employee of the Council to produce cash, stores or any other Council property under his or her control</li> <li>• interview any and all individuals in connection with investigations including interviews in accordance with the Police &amp; Criminal Evidence Act (on tape).</li> </ul>	<p><b>4.12 The Deputy Director of Corporate Governance</b>, Head of the CAFT, the Chief Finance Officer, or other authorised representative, shall have authority to:-</p> <ul style="list-style-type: none"> <li>• Enter or visit any land, premises, <b>offices or establishments of the Council; and carry out any necessary searches of the aforementioned.</b></li> <li>• have access to, <b>search, and remove any and all records, documents and correspondence, including electronically held correspondence, documents and records, and property and assets of the Council;</b></li> <li>• receive such explanations as are necessary concerning any matter under examination, <b>and / or fraud investigation;</b></li> <li>• require any employee of the Council to produce and surrender any cash, stores, <b>equipment</b> or any other Council property under his or her control</li> <li>• interview any and all individuals in connection with investigations including interviews in accordance with the Police &amp; Criminal Evidence Act (on tape).</li> </ul>
<b>5. Banking Arrangements</b>	
<p>5.1 The Chief Finance Officer must approve all banking arrangements across the council, and must be satisfied over the safe keeping of all controlled banking stationery.</p>	<p>5.1 The Chief Finance Officer must approve all banking <b>and card acquiring</b> arrangements across the Council, and must be satisfied with the safe keeping of all controlled banking stationery.</p> <p><b>5.2 The Chief Finance Officer will maintain a register of all bank and card acquiring contracts.</b></p>
<p>5.3 Cheques above certain financial limits set by the Chief Finance Officer shall be manually countersigned by those designated officers <del>set out in writing</del> by the Chief Finance Officer.</p>	<p>5.4 Cheques above certain financial limits set by the Chief Finance Officer shall be manually countersigned by those designated officers <b>authorised to do so</b> by the Chief Finance Officer.</p>
<b>6. Security of Assets</b>	
<p>6.2 Maximum limits for cash holdings shall be set by the Chief Finance Officer, which may not be exceeded without prior authority.</p>	<p>6.2 Maximum limits for cash holdings shall be set by the Chief Finance Officer, which may not be exceeded without prior authority. <b>Areas where cash is counted and held must be secure and with access restricted only to authorised staff.</b></p>
<p>6.4 Heads of service are responsible for the proper security and privacy of all information held in computer systems under their control, and for ensuring that these systems are can only be accessed by authorised personnel.</p>	<p>6.4 <b>Directors and</b> Heads of Service are responsible for the proper security and privacy of all information held in computer systems under their control, for ensuring that these systems can only be accessed by authorised personnel <b>and that adequate controls exist to ensure the</b></p>



	<p>separation of duties.</p> <p>6.5 Directors and Heads of Service are responsible for undertaking a risk assessment of all assets considered crucial to the delivery of the service. The risk assessment should cover the loss of the asset caused by malfunction and the possibility of restricted access caused by an emergency crisis and the mitigating actions and contingency plans that will need to be developed to support business continuity.</p>
<p><u>Land &amp; Property</u></p> <p><del>6.5 The Chief Valuer shall maintain an indexed register (terrier) of all properties owned by the Council (except houses and flats provided under the Housing Acts).</del></p> <p><del>6.6 This record will show the purpose for which the property is held, its location, extent and plan reference, and details of interest and rents payable and tenancies granted.</del></p> <p><del>6.7 The Head of Legal shall have secure custody of title deeds.</del></p>	<p><u>Land &amp; Property</u></p> <p>6.6 The Head of Property Services shall maintain an asset register of all properties owned by the Council (except houses and flats provided under the Housing Acts) with those assets valued on a five year cycle.</p> <p>6.7 The asset register will show the service user of the property and link to a database of details of interest and rents payable and tenancies granted.</p> <p>6.8 The Head of Legal shall have secure custody of title deeds and maintain an indexed register of those titles (terrier). The Head of the Information Observatory will maintain a digital map of the extents of the titles.</p>
<p>6.13 Heads of Service are responsible for the safekeeping of stocks and stores held and shall not allow levels held to exceed reasonable levels. All records, returns and accounts shall be held in a form approved by the Chief Finance Officer and returns will be submitted as and when required.</p>	<p>6.14 <b>Directors and</b> Heads of Service are responsible for the safekeeping of stocks and stores held, <b>ensuring no deterioration or damage occurs whilst held and</b> not allowing levels held to exceed a reasonable level. All records, returns and accounts shall be held in a form approved by the Chief Finance Officer and returns will be submitted as and when required.</p>
<p>6.16 The condition of stocks shall be checked on a regular basis by the Officer responsible for them.</p>	<p>6.17 The condition of stocks shall be checked on a regular basis by the Officer responsible for them. <b>Decisions regarding stock that has become obsolete should be made against clearly defined criteria and options for the most cost effective disposal of that stock must be identified.</b></p>
<p>6.18 All surpluses or deficits identified during stock takes shall be entered onto an adjustment record and the appropriate Head of Service, with the agreement of the Chief Finance Officer, may write-off deficiencies or bring surpluses into account</p>	<p>6.19 All surpluses or deficits identified during stock takes shall be entered onto an adjustment record and the appropriate Director or Head of Service, with the agreement of the Chief Finance Officer, may write-off deficiencies or bring surpluses into account. <b>Wherever</b></p>

	<p><i>possible all stock considered for writing off should first be offered for sale. A record of all write-offs and disposals must be maintained. Specialist items such as hazardous chemicals must be disposed of in accordance with relevant safety procedures.</i></p> <p>6.20 <i>Stock balances must be valued in accordance with the relevant accounting standards, i.e. where applicable lower of historical cost or net realisable value.</i></p>
<b>7. Imprest Accounts</b>	
No differences between the current and revised versions	
<b>8. Income</b>	
8.5 <i>The Chief Finance Officer may authorise payment by instalments if full payment cannot be obtained immediately.</i>	8.5 <i>The Chief Finance Officer, or officer nominated by the Chief Finance Officer, may authorise payment by instalments if full payment cannot be obtained immediately.</i>
<del>8.9 Internal transfers of official money shall be acknowledged in the records of the service concerned by the signature of the receiving officer.</del>	No equivalent paragraph
<b>9. Insurance</b>	
9.2 <i>Heads of Service must notify the Chief Finance Officer immediately of all new areas of risk and of any change of circumstances likely to affect existing insurance risks. <del>The Chief Finance Officer will at least annually provide Heads of Service with a statement of existing insurances for verification.</del></i>	9.2 <b>Directors and</b> <i>Heads of Service must notify the Chief Finance Officer immediately of all new areas of risk and of any change of circumstances likely to affect existing insurance risks.</i>
<del>9.5 The Chief Finance Officer will examine all new, or amendments to existing policies as required in respect to contractors, mortgagors or other persons in which the Council has an interest.</del>	No equivalent paragraph
No equivalent paragraphs	<p>9.7 <b>Schools</b> <i>Where funds for insurance are delegated to any school, the Council may require the school to demonstrate that cover relevant to an Council's insurable interests, under a policy arranged by the Governing Body, is at least as good as</i></p>

	<p><i>the relevant minimum cover arranged by the Council if the Council makes such arrangements, either paid for from central funds or from contributions from schools' delegated budgets. The Council will have regard to the actual risks, which might reasonably be expected to arise at the school in question in operating this requirement rather than applying an arbitrary minimum level of cover for all schools.</i></p> <p><b>9.8</b> <i>It is the responsibility of the governing body to ensure adequate arrangements are made for insurance against risks arising from the exercise of the community facilities power, taking professional advice as necessary. Such insurance must not be funded from the school budget share. The school should seek the Authority's advice before finalising any insurance arrangement for community facilities.</i></p> <p><b>9.9</b> <i>The Council is empowered to undertake its own assessment of the insurance arrangements made by a school in respect of community facilities, and if it judges those arrangements to be inadequate, make arrangements itself and charge the resultant cost to the school. Such costs could not be charged to the school's budget share.</i></p>
<b>10. Investments, Borrowing, Capital Financing &amp; Trust Funds</b>	<b>10. Investments, Borrowing, Capital Financing &amp; Trust Accounts</b>
10.3 All borrowing and, whenever <del>possible</del> all trust funds, <del>shall be</del> in the name of the Council.	10.3 <b>The Chief Finance Officer shall ensure that</b> all borrowing and, whenever <b>applicable</b> trust funds, <b>are registered</b> in the name of the Council.
No equivalent paragraph	<b>10.4 The Chief Finance Officer will set Prudential indicators, as outlined in the Prudential Code for Capital Finance in Local Authorities, for the forthcoming and following two financial years. The Chief Finance Officer will also provide regular monitoring reports to cabinet committee and report any breaches or amendments of the code to Council.</b>
10.4 The Chief Finance Officer shall be the Council's registrar of stocks and bonds <del>and shall maintain records of all monies borrowed and lent.</del>	<b>10.5 The Chief Finance Officer will be the Council's registrar of all stocks and bonds. In addition this officer will maintain a register of all loans and investments made in the name of the Council.</b>

<p><del>10.5 Officers acting as trustees by virtue of their official position shall deposit all securities etc. which relate to the trust with persons authorised by the Chief Finance Officer unless the deed provides otherwise.</del></p>	
<p><del>10.6 All relevant legislation and limits set by the Cabinet Meeting or Cabinet Committee shall be complied with.</del></p>	<p>10.6 The Chief Finance Officer shall ensure that all legislative amendments and changes in treasury or capital limits are approved at a cabinet meeting or by a cabinet committee and where necessary full Council.</p> <p>10.7 The Chief Finance Officer will be responsible for adopting the changes outlined in 10.6 and ensuring compliance with any amended practices or limits.</p>
<p><b>11. Ordering of Supplies, Works and Services</b></p> <p>Section 11 in the revised Financial Regulations incorporates Section 12 "Payment of Accounts" section in the current Financial Regulations. For further detail see below.</p>	
<p><del>11.3 Processes for ordering goods, works and services must be in accordance with arrangements approved by the Chief Finance Officer.</del></p> <p><del>12. PAYMENT OF ACCOUNTS</del></p> <p><del>12.1 Methods of payment (e.g. cheque, BAGS) must be agreed by the Chief Finance Officer.</del></p> <p><del>12.2 The names of officers authorised by Heads of Service to certify invoices must be notified in advance to the Chief Finance Officer. When certifying invoices for payment these officers must first check that:-</del></p> <ul style="list-style-type: none"> <li><del>• the works, goods or services to which the account relates corresponds to those shown on the relevant official order or that one of the exemptions set out in the Contracts Procedure Rules applies;</del></li> <li><del>• the works, goods or services to which the account relates have been received or satisfactorily carried out and have been examined or approved;</del></li> <li><del>• the prices, additions, calculations, discounts, other allowances and VAT are correct, and that the invoice is a proper VAT invoice;</del></li> <li><del>• the expenditure has been properly incurred (official order raised, committee authority given), there is budgetary provision and the</del></li> </ul>	<p>11.3 Any procurement activity must follow the relevant steps prior to raising a purchase order:</p> <p>11.3.1 Supplier Selection : The authorised officer may contact the supplier(s) by phone and verbally request a quotation but the quotation should be provided in writing or by e-mail. There should be clarity about the requirements and what is expected to be achieved by this purchase. Value for money must be established and this is best achieved by obtaining more than one quotation as is indicated in the Contract Procedure Rules in the section of Selecting Contractors.</p> <p>11.3.2 Quote / Tender evaluation : Contract Procedure Rules require that all tenders are considered on the basis of the most economically advantageous tender (MEAT) taking into consideration price including payment terms and payment method, quality, durability and other relevant issues. Following receipt, check that it is arithmetically correct and that the requirements have been fully met. The reasons for accepting the quotation must be recorded and agreed with the cost centre manager, providing an audit trail should any queries be raised in the future. If the vendor doesn't exist on SAP, then a new vendor request must be sent to the Corporate Procurement Team (CPT). In addition, Directors and Heads of Service should</p>

<p><del>expenditure has been correctly coded;</del></p> <ul style="list-style-type: none"> <li><del>the appropriate entries have been made in inventories, stores records or stock books;</del></li> <li><del>the invoice has not previously been passed for payment.</del></li> </ul> <p><del>12.3 To enable the council to comply with the Late Payment of Commercial Debts Act, no amended invoices will be accepted. Heads of Service must:-</del></p> <ul style="list-style-type: none"> <li><del>return an invoice to the supplier and seek a new invoice with a revised date, whenever:-</del> <ul style="list-style-type: none"> <li><del>the invoice is dated prior to receipt of goods, works or services and this is contrary to the agreed payment terms;</del></li> <li><del>the invoice is incorrect;</del></li> </ul> </li> <li><del>when certifying an invoice for payment that was initially disputed, record on the certification form the date on which the invoice was actually validated.</del></li> </ul> <p><del>12.4 Invoices that are not produced in an acceptable format will not be passed for payment. This includes invoices that do not comply with VAT Regulations.</del></p> <p><del>12.5 Heads of Service should explore the possibility of early payment discounts with all suppliers of goods, works and services. This must be done within the context of the overall Procurement Strategy.</del></p> <p><del>12.6 Heads of Service, prior to authorising payments in advance, must undertake a risk assessment of the supplier or service provider defaulting. All payments in advance in excess of £100,000 must be notified to the Chief Finance Officer.</del></p>	<p><del>explore the possibility of early payment discounts with all suppliers of supplies, works and services. This must be done within the context of the overall Procurement Strategy.</del></p> <p><del>11.3.3 Creation of a purchase Order (PO) : Once the purchase has been agreed, a purchase order must be raised on SAP.</del></p> <p><del>11.3.4 Payment of an invoice : Authorised officers must ensure that a purchase order has been raised on the SAP system and successfully communicated to the supplier. Invoices in respect to works, supplies and services will be paid by the Central Accounts Team, but only after the authorising officer has first receipted the supply on SAP.</del></p> <p><del>11.3.5 All invoices must reference a valid purchase order number, otherwise the Central Accounts Payable Team reserves the right to refuse payment of an invoice.</del></p> <p><del>11.3.6 Only invoices presented in an acceptable format will be passed for payment. This includes invoices that do not comply with VAT Regulations.</del></p> <p><del>11.3.7 To enable the council to comply with the Late Payment of Commercial Debts Act, no amended invoices will be accepted. Heads of Service must:-</del></p> <ul style="list-style-type: none"> <li><del>return an invoice to the supplier and seek a new invoice with a revised date, whenever:-</del> <ul style="list-style-type: none"> <li><del>the invoice is dated prior to receipt of supplies, works or services and this is contrary to the agreed payment terms;</del></li> <li><del>the invoice is incorrect;</del></li> <li><del>the invoice does not reference a valid Purchase Order number.</del></li> </ul> </li> </ul> <p><del>11.3.8 when certifying an invoice for payment that was initially disputed, record the date on which the invoice was actually validated.</del></p> <p><del>11.3.9 The Central Accounts Payable Team will perform a three-way match against the purchase order, goods receipt and invoice, prior to making a payment. Invoices that do not pass this criteria will be returned to the</del></p>
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	<p><i>service for amendment.</i></p> <p><b>11.3.10</b> <i>Payments in advance : Directors and Heads of Service, prior to authorising payments in advance, must undertake a risk assessment of the supplier or service provider defaulting. All payments in advance in excess of £100,000 must be notified to the Chief Finance Officer.</i></p>
<p><b>12. Payment of Accounts</b></p> <p>Section removed from revised version with material incorporated into Section 11 – see above.</p>	
<b>13. Salaries, Wages &amp; Pensions</b>	<b>12. Salaries, Pensions &amp; Allowances</b>
<p>13.1 <i>All appointments shall be made in accordance with the <del>terms and conditions of the Council and the approved establishments, grades and rates of pay.</del></i></p>	<p>12.1 <i>All appointments shall be made in accordance with the <b>Council's contractual terms and conditions</b> (i.e. pay, grading, allowances etc).</i></p>
<p>13.2 <i>The <del>Head of Human Resources shall calculate and pay all remuneration, pensions, compensation and other emoluments to current and former employees or shall approve and control alternative arrangements for this.</del></i></p>	<p>12.2 <i>The <b>Head of HR Shared Services</b> will ensure that arrangements are made to calculate and pay all remuneration, pensions, compensation and other payments to current and former employees.</i></p>
<p>13.3 <i>School Governing Bodies shall be responsible for assessing teachers' remuneration and <del>the Head of Human Resources</del> shall maintain teachers' salary and pensions.</i></p>	<p>12.3 <i>School Governing Bodies shall be responsible for assessing teachers' remuneration and <b>the Head of HR Shared Services</b> shall maintain teachers' salary and pensions for <b>Schools that purchase the Traded Service</b></i></p>
<p>13.4 <i>Heads of Service must provide to the <del>Head of Human Resources</del>:-</i></p> <ul style="list-style-type: none"> <li><i>the names and specimen signatures of all officers authorised to sign <del>personnel</del> records;</i></li> <li><i>relevant details of appointments, leavers and any other change of circumstances that may affect payment <del>or the nature of duty of any of their staff;</del></i></li> <li><i><del>details of absences due to sickness, accidents on or off duty, special leave without pay or other paid leave or absence;</del></i></li> <li><i>certified time-sheets for staff paid at hourly or weekly rates, at intervals and in the format determined by the <del>Head of Human Resources.</del></i></li> </ul>	<p>12.4 <i>Directors and Heads of Service must provide to the <b>Head of HR Shared Services</b>:-</i></p> <ul style="list-style-type: none"> <li><i>the names and specimen signatures of all officers authorised to sign <b>HR</b> records;</i></li> <li><i>relevant details of appointments, leavers and any other change of circumstances that may affect payment;</i></li> <li><i><b>details of all work related absences due to sickness, accidents on or off duty;</b></i></li> <li><i><b>details of special leave without pay or other paid/unpaid leave or absence;</b></i></li> <li><i><b>when required, overtime and</b> certified time-sheets for staff paid at hourly or weekly rates, at intervals and in the format determined by the <b>Head of HR Shared Services.</b></i></li> </ul>

13.5	<del>At regular intervals the Head of Human Resources shall require that each pensioner shall provide a life certificate and statement of any employment which may affect the payment of pension. An undertaking to notify the Head of Human Resources should such employment be taken up shall also be obtained.</del>	12.5	On an annual basis, the <b>Head of HR Shared Services</b> shall require that each pensioner <b>residing overseas</b> provides a life certificate.
13.6	Salaries and wages shall <del>normally</del> be paid direct to the employee's bank account. Pensions and gratuities shall be at the discretion of the <del>Head of Human Resources</del> . All payments shall be made direct to the person concerned unless that person authorises otherwise.	12.6	Salaries and wages will be paid direct to the employee's bank account. Pensions and gratuities shall be at the discretion of the <b>Head of HR Strategy</b> . All payments shall be made direct to the person concerned unless that person authorises otherwise.
13.7	<del>Payment will normally only be made on the normal date except in respect of holidays or the person leaving the Council before that date. The Head of Human Resources has discretion to make an advance in exceptional circumstances.</del>	12.7	Payment will be paid on contractual dates. The <b>Head of HR Shared Services</b> has the discretion to change payment date.
13.8	<del>The Head of Human Resources will periodically circulate a list of all salaried staff for Heads of Service to verify.</del>	12.8	All cost centre managers should use SAP to periodically verify correct payments to staff
14.	<del>TRAVELLING, SUBSISTENCE &amp; FINANCIAL LOSS ALLOWANCE</del>	12.9	All claims for payment of car allowances shall be approved through SAP e-forms or through a paper format approved by the <b>Head of HR Strategy</b> . The names of certifying officers and specimens of their signatures shall be forwarded by <b>Directors and Heads of Service</b> to the <b>Head of HR Shared Services</b> . The certifying officer must be satisfied that all expenses claims are valid and that the allowances should be paid by the Council before authorising the payment.
14.1	<del>All claims for payment of car allowances shall be properly certified and in a format approved by the Chief Finance Officer. The names of certifying officers and specimens of their signatures shall be forwarded to the Chief Finance Officer.</del>	12.10	The <b>Chief Finance Officer</b> shall make payments of allowances to <b>Members of the Council</b> , co-opted members and members of the public who attend other Council bodies who are entitled to make such claims on submission of the approved form.
14.2	<del>The certification of any claim shall mean that the certifying officer is satisfied that the journeys were authorised, expenses were properly and necessarily incurred and that the allowances should be paid by the Council.</del>	12.11	The <b>Director of Corporate Governance</b> is responsible for notifying the <b>Heads of HR</b> of any changes to <b>Members' Allowances</b> .
14.3	<del>The Chief Finance Officer shall make payments of travelling or other allowances to Members of the Council (including co-opted Members), or its Committees or the Executive or its bodies, or members of the public who attend other Council bodies who are entitled to make such claims. All claims shall be made on the approved form.</del>		

<b>14. Travelling, Subsistence and Financial Loss Allowances</b>  Section removed from revised version with material incorporated into Section 12 – see above.	
<b>15. Amenity &amp; Unofficial Funds</b>	<b>13. Amenity &amp; Unofficial Funds</b>
No differences between the current and revised versions (apart from numbering of paragraphs)	
<b>No equivalent section</b>	<b>14. Risk Management</b>
No equivalent paragraphs	<p><b>14.1</b> <i>Sound governance requires effective and efficient management of risk, covering all forms of risk, not just financial.</i></p> <p><b>14.2</b> <i>The process of identifying risks should demonstrate a direct link to the Corporate Objectives.</i></p> <p><b>14.3</b> <i>Risks are assessed using the 3x3 matrix scoring system which rates each risk as having a high, medium or low likelihood of occurring and a high, medium or low impact on the ability to deliver against the Corporate Objectives.</i></p> <p><b>14.4</b> <i>All risks should be monitored and re-assessed based on the actions and activities that either mitigate the risk or have had an impact on the risk objective that has either increased or decreased the likelihood or impact.</i></p> <p><b>14.5</b> <i>The process of re-assessing the risk is conducted by the “lead officer” who is identified in the risk log, and accepted by the Director or Head of Service.</i></p> <p><b>14.6</b> <i>The approach to risk management within Barnet is that Directors and Heads of Service are responsible for ensuring their service has a robust and efficient method of managing risk.</i></p> <p><b>14.7</b> <i>It is the responsibility of Directors and Heads of Service to ensure that risks are identified in their Key Priority Plans and Service Plans and are reviewed on a regular basis.</i></p> <p><b>14.8</b> <i>Directors &amp; Heads of Services are responsible for taking action to mitigate against the risk or to develop contingencies to be introduced should the risk materialise.</i></p>