

# Financial Regulations

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## **1. INTRODUCTION**

- 1.1 The Financial Regulations provide the framework for managing the financial affairs of the Council. These Financial Regulations should apply to all Members, officers, contractors and partners in the work they do for the Council.
- 1.2 The Director of Resources, is the Chief Finance Officer, also known as the s151 Officer, and has statutory duties in relation to the financial administration and stewardship of the Council.
- 1.3 The Financial Regulations govern the way the Council undertakes financial forward planning, annual budget setting, budget monitoring and closing of the accounts.
- 1.4 The Financial Regulations also govern the way day to day financial administration is conducted and financial controls are exercised.
- 1.5 The Scheme for Financing Schools, which follows the requirements of the School Standards and Framework Act 1998, governs School Governors, Headteachers and school staff of Maintained schools with delegated budgets. A local financial guide for schools supplements the Scheme for Financing Schools. In these cases the Financial Regulations do not apply. Each school is required to have a financial management policy and procedures document.
- 1.6 These procedures shall be reviewed regularly by the Chief Finance Officer but at least every three years. The Constitution and General Purposes Committee recommend to Council for approval all amendments and summaries of changes resulting from the review.
- 1.7 The Chief Finance Officer is required to control and be responsible for the accounts and finances of the Council in every respect and ensure, as far as possible, that consistent financial systems operate throughout the entire operation of the Council.

## **2. FINANCIAL PLANNING AND FINANCIAL MANAGEMENT**

### **2.1 BUDGET STRATEGY**

- 2.1.1 The Budget Strategy, sets out the Council's proposed income and expenditure, both revenue and capital, and the level of council tax, for the following financial year, including the way in which corporate service priorities are considered, the level of balances and reserves, and the management of financial risks.
- 2.1.2 The Council's policies for the recovery of debt are separately approved by the Policy and Resources Committee.
- 2.1.3 The Budget Strategy and Medium Term Financial Strategy will normally be recommended by the Policy and Resources Committee to Full Council for approval at the start of each financial year.

## **2.2 MEDIUM TERM FINANCIAL STRATEGY**

- 2.2.1 The Chief Finance Officer, in consultation with the Chairman of the Policy and Resources Committee, will maintain a Medium Term Financial Strategy that covers a period of at least three financial years, including the current financial year.
- 2.2.2 The Medium Term Financial Strategy will be produced and reported in conjunction with the annual budget, council tax and rent proposals to the Policy and Resources Committee and Full Council before 11 March of the preceding financial year. Further updates on the Medium Term Financial Strategy may be reported during the year.
- 2.2.3 The Financial Forward Plan will cover revenue and capital ~~budgets, and budgets~~ and will highlight how resources are being re-directed to address Corporate Plan priorities.
- 2.2.4 In that the Medium Term Financial Strategy spans a number of years, 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.

## **2.3 ANNUAL BUDGET SETTING**

- 2.3.1 The Council will publish a draft budget for consultation. Arrangements for budget consultation will be determined by the Council.
- 2.3.2 The Chief Finance Officer will set the council tax base for tax-setting purposes before 31 January of the preceding financial ~~year, and year and~~ notify precepting and levying bodies of this figure by this date. The Chief Finance Officer will notify all Council Members via the Policy and Resources Committee and Full Council.
- 2.3.3 The Policy and Resources Committee 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. Theme Committees will work up proposals for consideration by the Policy and Resources Committee.
- 2.3.4 Policy and Resources Committee'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.
- 2.3.5 The Chief Finance Officer shall advise the Council whether s/he is able to certify that the draft Budget contains robust estimates and reserves for the purpose of meeting the requirements of Section 25 of the Local Government Act 2003.

### ~~2.3.6~~ Fees and Charges

- 2.3.67 Changes to fees and charges should be included in the budget proposals

submitted by theme Committees or the relevant committee as part of the budget setting process. Theme Committees refer all fees and charges to the Policy and Resources Committee. The Policy and Resources Committee reviews all fees and charges which then form part of the budget that is subject to public consultation. Subject to public consultation outcomes, the Policy and Resources Committee recommends all fees and charges to Full Council for approval as part of the council's overall budget.

~~Changes to fees and charges should be included in the budget proposals submitted by theme Committees or the relevant committee to the Policy & Resources Committee.~~

Changes to annual tenant rents and service charges for the HRA and GF must be referred from Housing & Growth Committee to Policy and Resources Committee before tenants and leaseholders are issued with formal notices and bills ahead of the upcoming financial year.

The budget recommended by Policy and Resources Committee to Full Council will incorporate the latest projection of income from fees and charges. Full Council will approve all fees and charges as part of the budget report.

#### Capital Programme and Budget

2.3.79 The Capital Programme has been developed following these principles;

- To maintain an affordable five-year rolling capital programme.
- To ensure capital resources are aligned with the Council's strategic vision and corporate priorities.
- To undertake prudential borrowing only where there are sufficient monies to meet, in full, the implications of capital expenditure, both borrowing and running costs.
- To maximise available resources by actively seeking appropriate external funding and disposal of surplus assets.

#### Alternative Budget Motions

~~2.3.83~~2.3.10—Any Member proposing to put forward to Council any amendment to the draft Budget or any alternative Budget should provide a copy of initial amendments thereof to the Chief Finance Officer and Monitoring Officer as soon as possible and at least ~~105~~ clear working days before the Council meeting. These initial amendments should be validated and clearly laid out including all supporting assumptions. Final completed budget amendments in a format that can be presented to Council should be submitted to the Chief Finance Officer and Monitoring Officer at least 5 clear working days in advance of the Council meeting so that s/he may advise Council whether the resulting amended or alternative budget would provide robust estimates and reserves for the purpose of section 25 of the Local Government Act 2003.

## 2.4 BUDGET MANAGEMENT & MONITORING

2.4.1 Making changes to the budget

A virement is the transfer of budget from one specific area to another. This can either be a transfer within revenue budgets or capital budgets but not between revenue and capital.

2.4.2 The Virement Scheme is intended to enable the Directors and their officers to manage budgets with a degree of flexibility within the overall framework determined by the Council, and therefore optimise the use of resources.

2.4.3 Amendments to the revenue budget can only be made with approval as per the scheme of virement table below:

Virements for allocation from contingency for amounts up to and including £250,000 must be approved by the Chief Finance Officer
Virements for allocation from contingency for amounts over £250,000 must be approved by Policy and Resources Committee
Virements within a service <u>in a Directorate</u> that do not alter the approved bottom line are approved by the Service Director <u>of that Directorate</u> .
Virements between services <u>within the same Directorate</u> (excluding contingency allocations) <del>up to and including a value of £50,000</del> must be approved by the relevant Chief Officers <u>of that Directorate</u> .
<u>Virements between different Directorates (excluding contingency allocations) up to £50,000 must be approved by the relevant Chief Officers of both Directorates.</u>
Virements between <del>services different Directorates</del> (excluding contingency allocations) over £50,000 and up to and including £250,000 must be approved by the relevant Chief Officer(s) and Chief Finance Officer in consultation with the Chairman of the Policy and Resources Committee and reported to the next meeting of the Policy and Resources Committee
Virements <del>between services</del> <u>between different Directorates</u> (excluding contingency allocations) over £250,000 must be approved by Policy and Resources Committee.

2.4.4 Article 9 – Revised table of Chief Officers of the council’s constitution details which posts within the council are designated as Chief Officer.

2.4.54 No revenue virement is allowed between the following budgets without approval of the Policy and Resource Committee;

- Financing charges,
- Rates and other taxes,
- Recharges and Insurances.

2.4.65 Amendments to the capital budget can only be made with approval as per the table below:

<b>Capital Virements</b>
Policy & Resources Committee approval is required for all capital budget and funding virements and yearly profile changes (slippage or accelerated spend) between approved capital programmes i.e. as per the budget book. The report must show the proposed: i) Budget transfers between projects and by year; ii) Funding transfers between projects and by year; and iii) A summary based on a template approved by the Chief Finance Officer

Policy and Resources Committee approval is required for all capital additions to the capital programme. All Capital additions are reviewed at Capital Strategy Board prior to being recommended for approval to Policy and Resources Committee

Capital additions should also be included in the quarterly budget monitoring report to Finance, Performance, and Contracts Committee~~Performance and Contract Management Committee~~ for noting.

Funding substitutions in order to maximise funding are the responsibility of the Chief Finance Officer.

### Budget Monitoring

- 2.4.76 Chief Officers 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 transferred to the contingency budget unless regulations specify restrictions on their use which make this inappropriate or the under spend, additional income or other financial benefits are to be used to offset uncontrollable overspends elsewhere within the service. The chief officer is responsible for notifying the Chief Finance Officer that this is to occur. Approval to these budget variations will be in line with the scheme of virement.

### Budget Monitoring – Revenue

- 2.4.87 Chief Officers should ensure that their revenue cost centre managers do not enter into commitments before satisfying themselves there is sufficient approved budget provision. Chief Officers have no authority to overspend revenue budgets, or under-recover income budgets under their control, and are responsible for monitoring their budgets to ensure this situation does not arise.
- 2.4.98 It is the responsibility of Chief Officers to notify the Chief Finance Officer of forecast revenue budget or capital project overspends regardless of whether offsetting savings or additional income have been identified.

### Budget Monitoring – Capital

- 2.4.109 Forecast overspends on approved capital projects must be communicated through the Chief Finance Officer to the Chairman of the Policy & Resources Committee as soon as possible with options for offsetting the forecast overspend.
- 2.4.110 ~~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, capital 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 £1m.~~

### Central Contingency

- 2.4.11 The Chief Finance Officer will determine which budget risks and uncertainties are to be held within the central contingency.

- 2.4.12 Allocations from the central contingency relating to planned developments will be approved by the Chief Finance Officer, following the receipt from a Chief Officer 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 (over £250,000), the contingency allocation must be approved by the Policy and Resources Committee.
- 2.4.13 Allocations from the central contingency for unplanned expenditure, including proposals to utilise underspends previously generated within the service and returned to central contingency, will be approved by the Chief Finance Officer. Where there are competing bids for use of under spends, additional income or windfalls previously returned to central contingency, priority will be given to the service(s) that generated that return. Allocations for unplanned expenditure over £250,000 must be approved by Policy and Resources Committee.

#### Balances and Reserves

- 2.4.14 Allocation to and from the balances and reserves will be the responsibility of the Chief Finance Officer in line with the principles that Full Council have agreed.
- 2.4.15 Any significant change in the planned use of a reserve must be approved by the Policy and Resources Committee.

#### Budget Monitoring – reporting

- 2.4.16 The Chief Finance Officer will report in detail to Performance and Contract Management Committee at the end of each quarter as a minimum, on the revenue and capital budgets and wider financial standing and will make recommendations for varying the approved budget (revenue and capital) where necessary.

#### 2.4.17 Full Year Effects

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

#### 2.4.18 Annual Governance Statement

Chief Officers must support the work on corporate risk management contributing to the production of the Annual Governance Statement that has to be published alongside the Statement of Accounts.

#### 2.4.19 Partnership Working

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

#### 2.4.20 Authorisation of Non-Budgeted Expenditure (Emergency Payments)

Emergency payments may arise as a consequence of unforeseen circumstances (e.g. as a consequence of a natural disaster, a civil emergency or a court order etc.) where budget provision has not been made and the payment cannot be covered within the relevant service's existing budget.

2.4.21 Emergency payments can only be made by decision of Urgency Committee or by Chief Officers up to their delegated financial limit of £180k. All such emergency payments should be reported to the next meeting of the Performance & Contract Management Committee.

### 2.5 CLOSING OF ACCOUNTS & STATEMENT OF ACCOUNTS

2.5.1 The Chief Finance Officer is responsible for making arrangements for closing the Council's and the Pension Fund accounts and producing the annual Statement of Accounts, as well as all matters relating to their audit and public inspection.

2.5.2 Chief Officers are responsible for ensuring that staff adhere to the timetable and requirements set out by the Chief Finance Officer for the closing of accounts, and provide any information and evidence required in relation to this.

2.5.3 In accordance with International Standard on Auditing (ISA) 260, the external auditor is required to issue detailed reports to those charged with governance on matters arising from the audit of the Council's accounts and Pension Fund accounts. There is also an Annual Audit Letter which includes the external auditor's report and opinion on the audit of the accounts, as well as comments and recommendations on whether the Council provides Value for Money. These reports will be considered by the Audit Committee.

### 2.6 TREASURY MANAGEMENT FRAMEWORK

2.6.1 Policy and Resources Committee will create and maintain a Treasury Management Policy Statement, stating the policies and objectives of its treasury management activities and based upon the relevant CIPFA Codes.

2.6.2 The Performance and Contract Management Committee will receive reports on its treasury management policies, practices and activities. These reports will incorporate the prudential borrowing limits and performance indicators. Policy and Resources Committee will receive an annual strategy and plan in advance of the year, and an annual report after its close in the form prescribed in the Treasury Management Practices.

2.6.3 The Chief Finance Officer has the delegated authority to undertake all long term ~~long-term~~ borrowing on behalf of the Council in line with the Treasury Management Strategy Statement Authority agreed by Council each year and will issue a Delegated Powers Report immediately after this power is exercised to inform Members in consultation with the Chair~~man~~ of the Policy and Resources

Committee and reported to the next meeting of the Policy and Resources Committee.

### **3. FINANCIAL ADMINISTRATION, SYSTEMS AND PROCEDURES**

#### **3.1 ACCOUNTING**

3.1.1 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 national guidance.

3.1.2 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.

3.1.3 All accounting should occur on the Council's Accounting System and any exceptions must be specifically authorised by the Chief Finance Officer.

#### **3.2 BANKING ARRANGEMENTS**

3.2.1 The Chief Finance Officer must approve all banking and card acquiring arrangements across the ~~Council, and Council and~~ must be satisfied with the safe keeping of all controlled banking stationery.

3.2.2 The Chief Finance Officer will maintain a register of all bank and card acquiring contracts.

3.2.3 ~~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.~~

3.2.4 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.

3.2.5 Chief Officers are responsible for ensuring that the any staff in their areas that use the Procurement Cards adhere to the requirements of the LBB Purchasing Card (PCard) Guide and Terms and Conditions.

#### **3.3 ASSETS**

3.3.1 Chief Officers 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.

3.3.2 Maximum limits for cash holdings (imprest accounts) 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.

3.3.3 Chief Officers 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-reported to the Chief Finance Officer on a quarterly basis via Capital Strategy Board. -

3.3.4 Chief Officers are responsible for implementing a system for the maintenance of stocks and stores including regular stock checks and write offs when required.

### **3.4 IMPREST ACCOUNTS**

3.4.1 The Chief Finance Officer must authorise all imprest accounts and the Imprest Account Holder must comply with the rules set by the Chief Finance Officer.

### **3.5 INCOME**

3.5.1 The Council will usually charge for all services, where allowable, and have charging policies in place.

3.5.2 Officers should encourage payment in advance or at point of service delivery wherever possible as per the Debt Management Policy, and minimise the amount of credit given to customers.

3.5.3 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.

3.5.4 Officers responsible for controlled stationery must keep it secure. Methods of payment must be agreed by the Chief Finance Officer.

3.5.5 The Chief Finance Officer, or officer nominated by the Chief Finance Officer, may authorise payment by instalments if full payment cannot be obtained immediately, in accordance with the Debt Management Policy.

3.5.6 Officers receiving monies shall keep an accurate and chronological account of all receipts and bankings.

3.5.7 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.

3.5.8 No deductions may be made from monies received.

3.5.9 Chief Officers 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.

3.5.10 Invoicing & Debt Recovery  
Officers responsible for raising invoices must ensure that VAT has been properly accounted for.

3.5.11 The Council's Debt Management Policy, approved annually in February by Policy and Resources Committee, sets out the Council's policy and procedures in relation to the billing, collection and recovery of monies owed to the Council and is to be adopted across all services within the London Borough of Barnet.

### **3.6 INSURANCE**

3.6.1 The Chief Finance Officer is responsible for maintaining the Insurance Strategy arranging adequate insurance cover for the Council and keeping comprehensive records of all risks ~~covered, and~~ covered and will report any changes to Policy & Resources Committee.

3.6.2 Chief Officers 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.

3.6.3 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.

3.6.4 The Chief Finance Officer will handle all insurance claims, in conjunction with the Monitoring Officer and/or the insurance company if proceedings are issued.

3.6.5 Officers must consult the Chief Finance Officer and Monitoring Officer in all cases where the Council is requested to give an indemnity.

3.6.6 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.

3.6.7 Schools: 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 may be funded from the school budget share.

3.6.8 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 be charged to the school's budget share.

### **3.7 INVESTMENTS, BORROWING, CAPITAL FINANCING & TRUST ACCOUNTS**

3.7.1 The Chief Finance Officer shall ensure that the Council's money is properly managed and controlled in a way which balances risk with return but with the

overriding consideration being given to the security and liquidity of the Council's investment.

- 3.7.2 All investments, except bearer securities, controlled by the Council shall be registered in the Council's name or the Council's Pension Fund or in the name of nominees approved at a Policy and Resources Committee.
- 3.7.3 All securities shall be held securely by the Council's bankers, or custodians approved at the Policy and Resources Committee.
- 3.7.4 The Chief Finance Officer shall ensure that all borrowing and, whenever applicable trust funds, are registered in the name of the Council.
- 3.7.5 The Chief Finance Officer will also provide regular monitoring reports to Performance and Contract Management Committee and report any breaches or amendments of the Prudential Code to Council.

### **3.8 ORDERING OF SUPPLIES, WORKS & SERVICES**

- 3.8.1 All contracts are subject to the Contract Procedure Rules and Chief Officers 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.
- 3.8.2 **Creation of a purchase Order (PO):** Once the purchase has been agreed, a purchase order must be raised on the council's accounting system.  
**Payment of an invoice:** Authorised officers must ensure that a purchase order has been raised on the accounting system and successfully communicated to the supplier. Invoices in respect to works, supplies and services will be paid by the Central Accounts Payable Team, but only after the authorising officer has, where necessary, first receipted the supply on the accounting system.
- 3.8.3 All invoices must reference a valid purchase order number, otherwise the Central Accounts Payable Team reserves the right to refuse payment of an invoice.
- 3.8.4 To enable the Council to comply with the Late Payment of Commercial Debts Regulations, no amended invoices will be accepted and a new invoice with a revised date will be required.
- 3.8.5 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 from trusted suppliers, (as advised by the Strategic Procurement Team) will only require a two-way match. Invoices that do not pass this criteria will be returned to the service for amendment.
- 3.8.6 **Payments in advance :** Chief Officers 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.

### **3.9 TAXATION**

3.9.1 The Chief Finance Officer is responsible for ensuring compliance with all relevant taxation regulations and guidance that affect the Council either directly, as a consequence its own activities, or indirectly, as a consequence of service delivery through external partners.

### **3.10 AMENITY & UNOFFICIAL FUNDS**

3.10.1 Amenity or Unofficial Fund relates to all sums of money other than those which are required to be paid into the Council's General Bank Account (or such other account so authorised by the Chief Finance Officer) or Trust Fund monies outside the authority of the Council.

3.10.2 All accounts shall be opened by the Chief Finance Officer and their names shall include the name of the London Borough of Barnet and the establishment concerned.

3.10.3 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.

## **4 RISK MANAGEMENT AND CONTROL OF RESOURCES**

### **4.1 RISK MANAGEMENT**

4.1.1 The Performance and Contract Monitoring Committee is responsible for approving the Council's risk management framework and for reviewing the effectiveness of risk management. Individual services are responsible for ensuring the proper management of risk.

### **4.2 INTERNAL CONTROL**

4.2.1 Internal control refers to the systems of control devised by management to help ensure the Council's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Council's assets and interests are safeguarded.

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

4.2.3 It is the responsibility of Chief Officers to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

### **4.3 INTERNAL AUDIT**

- 4.3.1 Under the Accounts and Audit Regulations 2015 the Council has a statutory obligation to have an adequate and effective system of internal audit. The Assurance Director has the delegated authority for providing and maintaining this service.
- 4.3.2 The Chief Internal Auditor is responsible for providing an internal audit function which meets the requirements of the Public Sector Internal Audit Standards (PSIAS). He / she is also responsible for providing an opinion, in support of the Annual Governance Statement, on how the Council's risk management processes identify, evaluate, monitor and report that controls are operating effectively within the Council.
- 4.3.3 Internal Audit is an assurance function that provides 'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 4.3.4 Internal Audit has unrestricted access to all information (including records, computer files, databases, systems, property and personnel) across any service and/or activities undertaken by the Council, or partners on the behalf of the Council where council information is held in order to review, appraise and report as may be necessary.
- 4.3.5 The Chief Internal Auditor shall be able to meet the Chair~~man~~ of the Audit Committee alone outside of the normal Audit Committee meetings.
- 4.3.6 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.
- 4.3.7 The Chief Internal Auditor shall report to the Chair~~man~~ of the Audit Committee all significant concerns that he/she may have over the adequacy and effectiveness of internal controls and risk management activities within the organisation.

### **4.4 CORPORATE ANTI-FRAUD TEAM (CAFT)**

- 4.4.1 Under Section 151 of the Local Government Act 1972 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 Assurance Director has the delegated authority for providing and maintaining this service.
- 4.4.2 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 Council has a zero tolerance approach to fraud and other irregularity.

4.4.3 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.

4.4.4 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.

#### 4.4.5 Responsibility & Authority

The primary responsibility for the awareness, prevention, detection and deterrence of fraud, corruption, bribery or money laundering activity lies with the Chief Officers. This responsibility includes ensuring that staff and partners are aware of both the implications of fraud and money laundering and the risks of fraud and money laundering across their service area. The primary responsibility for the investigation of any suspected fraud, corruption, bribery or money laundering activity 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.

4.4.6 CAFT have unrestricted access to all council held information and records (including computer files, databases, systems, property and personnel) across any service and/or activities undertaken by the Council, or partners on the behalf of the Council, in order to effectively carry out their duties:

4.4.7 CAFT 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 unrestricted access to, access, view, search, and remove any and all records, documents and correspondence, including electronically held correspondence, documents and records, and property and assets of the Council;
- where requested by CAFT view only access to specific databases/systems which hold council data;
- receive such explanations as are necessary concerning any matter under examination, and / or fraud investigation;
- in conjunction with the relevant Chief Officer, suspend any employee of the Council under CAFT investigation from duty: acting in accordance with the Council's disciplinary procedures; and, in cases concerning illegal working, employees may be exited from the organisation and/or may be suspended without pay pending 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 employees and individuals in connection with investigations including where necessary interviews in accordance with the Police & Criminal Evidence Act (on tape).

## **4.5 EXTERNAL AUDIT**

- 4.5.1 Public Sector Audit Appointments Limited (replaced the Audit Commission with effect from 1 April 2015) is responsible for appointing external auditors to each local authority. The duties of the external auditor are governed by section 5 of the Audit Commission Act 1998.
- 4.5.2 External auditors have a responsibility to satisfy themselves that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. This judgement is based on criteria specified by the National Audit Office. The Chief Finance Officer, in conjunction with Chief Officers, must ensure that the Council makes best use of resources and taxpayers and / or service users receive value for money.
- 4.5.3 The Council may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs, who have statutory rights of access.

## **5. TRADING ACCOUNTS**

- 5.1 It is the responsibility of the Chief Finance Officer to advise on the establishment and operation of trading accounts and business units, where appropriate.
- 5.2 The Chief Officer must observe all statutory requirements in relation to trading accounts, including the maintenance of a separate revenue account to include all relevant income and expenditure, including overhead charged and an annual report in support of the final accounts.
- 5.3 The Chief Officer must ensure that the same accounting principles are applied in relation to trading accounts as for other service units.

## **6. EXTERNAL ARRANGEMENTS**

### **6.1 PARTNERSHIPS**

- 6.1.1 Partnerships include any arrangements where the Council agrees to undertake, part fund or participate in a project with other bodies; either as a beneficiary of the project, or because the nature or status of the project gives the Council a

right or obligation to support it. Where the Council is simply providing funding without assuming any obligation or risk relating to delivery of the project, this is not a partnership.

- 6.1.2 It is important to understand and distinguish between a partnership in this context and a supplier who the Council may refer to as a 'partner' due to the status that the Council has contractually awarded to it. Irrespective of the title applied to it, this latter type of partnership is a supplier relationship, which will be entered into in accordance with, and governed by, the Council's Procurement Policy and Procedures.
- 6.1.3 Chief Officers are responsible for ensuring that appropriate work is undertaken and committee approvals are obtained before any negotiations are concluded in relation to work with external bodies.
- 6.1.4 The approval of both the Chief Finance Officer and the Monitoring Officer must be obtained prior to the Council entering into any formal partnership agreement. The approval of the Chief Finance Officer must also be obtained where it is proposed that the Council adopts the role of 'Accountable Body' for a partnership.
- 6.1.5 A written partnership agreement must be produced that clearly establishes the responsibilities of the respective partners for managing the arrangement and the resources made available to the partnership. The document must also set out the arrangements in respect of unspent funding at each year end, unless this is to be returned to the Council as unspent money, and for addressing any overspend.

#### Delegation of budget to a partnership

- 6.1.6 The delegation of budget to a partnership (whether or not the arrangement is binding on the parties), where money is normally spent in accordance with the wishes of a group of individuals or organisations, is subject to approval as follows:
  - Up to £1m Assistant Director (or named equivalent) following consultation with the Chief Finance Officer.
  - Over £1m and up to £5m Chief Executive Officer or Chief Finance Officer following consultation with the Leader of the Council.
  - More than £5m Policy and Resources Committee following consultation with all of the above.
- 6.1.7 Where the Council is the 'accountable body' for a partnership, these Financial Regulations apply to decisions relating to the expending of that money. All

expenditure must be authorised by an appropriate London Borough of Barnet officer, or by someone else who has a statutory power to authorise expenditure.

## **6.2 EXTERNAL FUNDING**

- 6.2.1 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, from either public or private sources.
- 6.2.2 The Chief Finance Officer is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Council's accounts.
- 6.2.3 Chief Officers must provide the Chief Finance Officer with details of all bids for external funding. Bids will follow the requirements of the Council's investment appraisal process.
- 6.2.4 Chief Officers must not commit expenditure on projects requiring matched funding contributions until the external funding has been confirmed
- 6.2.5 Chief Officers 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.

## **6.3 WORK FOR THIRD PARTIES**

- 6.3.1 Work can only be undertaken for third parties where the Council has the legal powers to undertake the work.
- 6.3.2 With regard to the financial aspects of third party contracts, Chief Officers will:
- (i) Comply with any guidance issued by the Chief Finance Officer and will ensure that the appropriate insurance arrangements are made.
  - (ii) Ensure that all costs arising from the provision of services to a third party are recovered and hence that there is no subsidy included within the contract.
  - (iii) Ensure that the Council is not unnecessarily exposed to the risk of bad debts.
- 6.3.3 A written agreement must be put in place between the Council and the third party, which details the services to be provided, over what period and at what price; this will be signed by both parties to the agreement. Chief Officers will provide information on the contractual arrangements to the Chief Finance Officer

in order that the appropriate disclosures can be made within the Council's annual statement of accounts.

- 6.3.4 Performance and Contract Management (PCM) Committee is responsible for monitoring the contractual arrangements for any significant work for third parties or external bodies. For this purpose, significant is deemed to be contracted annual income from a body that is greater than £100,000.

## **6.4 ALTERNATIVE DELIVERY MODELS**

- 6.4.1 Services may be commissioned from retained services within the Council or via alternative delivery models. There are various types of alternative delivery model, including, but not limited to:

- (i) Local Authority Trading Company (LATC)
- (ii) Joint Ventures - set up as separate corporate entities joining two or more parties for the purpose of executing a business undertaking.
- (iii) Charitable incorporated organisation - a corporate entity which is regulated by the Charities Commission
- (iv) Social Enterprises - businesses trading for social and environmental purposes.
- (v) Outsourcing – a contractual arrangement between the Council and a private provider for the delivery of an agreed service.
- (vi) Social Impact Bonds – contract to achieve agreed social outcomes through a programme of interventions delivered by a number of service providers.
- (vii) Joint Committee – joint bodies set up, by agreement, to discharge or carry out activities in conjunction with others.
- (viii) Unincorporated association

- 6.4.2 Any proposal to commission services via an alternative delivery vehicle must be developed through the Council's business case governance framework and using the business case template, to ensure that there is a robust planning and decision-making process in place.

- 6.4.3 Chief Officers are responsible for ensuring that committee approval is obtained before any contract negotiations and/or financial transactions are entered into, and that all agreements and arrangements are properly documented.

## **7. TRANSPARENCY**

- 7.1.1 To provide transparency in its stewardship of public funds the Council makes information available to the public in relation to its spending, regardless of value. Monthly payment transactions made via purchase card, employee expenses and accounts payable are available to download via the Council's Open Barnet data portal. This brings together all our published datasets and other information of interest on one searchable database for anyone, anywhere to access. <http://open.barnet.gov.uk/>