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SOUTH HAMS AUDIT COMMITTEE - THURSDAY, 10TH JANUARY, 2013

Agenda, Reports and Minutes for the meeting

Agenda No Item

1. **Agenda Letter** (Pages 1 - 2)

2. **Reports**

Reports to Audit:

a) Item 5 - Grant Thornton Certification Work Report 2011/12 (Pages 3 - 14)

b) Item 6 - Annual Audit Fee 2012-13 (Pages 15 - 18)

c) Item 7 - Financial Procedure Rules 2012 (Pages 19 - 116)

d) Item 8 - Progress Against the 2012/13 Internal Audit Plan (Pages 117 - 138)

3. **Minutes** (Pages 139 - 142)

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Agenda Item 1

Please reply to: Jo Doney
Service: Corporate Services
Direct Telephone: 01803 861466
E-Mail: Jo.Doney@southhams.gov.uk

To: Chairman & Members of the Audit Committee
(Cllrs Bramble, Bruce-Spencer, Gorman, Jones and Pennington);

Our Ref: CS/JD

cc: Cllr Hicks (Lead Executive Member)
Remainder of the Council;
Usual press and officer circulation.

21December 2012

Dear Councillor

A meeting of the **Audit Committee** will be held in the **Cary Room**, Follaton House, Plymouth Road, Totnes on **10 January 2013 at 2.00 p.m.** when your attendance is requested.

Yours sincerely

Jo Doney
Member Services Officer

**FOR ANY QUERIES ON THIS AGENDA PLEASE CONTACT JO DONEY
MEMBER SUPPORT OFFICER ON DIRECT LINE 01803 861466**

A G E N D A

1. **Minutes** – to approve as a correct record and authorise the Chairman to sign the minutes of the Audit Committee held on 27 September 2012 (pages 1 to 6);
2. **Urgent Business** - brought forward at the discretion of the Chairman;
3. **Division of Agenda** - to consider whether the discussion of any item of business is likely to lead to the disclosure of exempt information;
4. **Declarations of Interest** - Members are invited to declare any personal or disclosable pecuniary interests, including the nature and extent of such interests, they may have in any items to be considered at this meeting;

5. **Grant Thornton Certification Work Report 2011/12** – to consider a report that summarises the external audit assessment of the Council's management arrangements in respect of the certification process (pages 7 to 17);
6. **Annual Audit Fee 2012-13** – to consider a report which sets out the audit work that Grant Thornton proposed to undertake for the 2012/13 financial year and the associated fee (pages 18 to 20);
7. **Financial Procedure Rules 2012** – to consider a report which allows the Audit Committee to carry out an overview of the updated and aligned Financial Procedure Rules 2012 document (pages 21 to 118);
8. **Progress Against the 2012/13 Internal Audit Plan** - to consider a report which informs Members of the principle activities and findings of the Council's Internal Audit Team for 2012/13 to 30 November 2012 (with **EXEMPT** appendices) (pages 119 to 139).

N.B. Legal and financial officers will not, as a general rule, be present throughout all meetings, but will be on standby if required. Members are requested to advise Member Services in advance of the meeting if they require any information of a legal or financial nature.

* * * * *

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

THIS AGENDA HAS BEEN PRINTED ON ENVIRONMENTALLY FRIENDLY PAPER

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Members of the public may wish to note that the Council's meeting rooms are accessible by wheelchairs and have a loop induction hearing system

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South Hams District Council

Certification work report 2011/12

December 2012

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1 Executive Summary

Introduction

- 1.1 Grant Thornton, as the Council's auditors and acting as an agent of the Audit Commission, is required to certify the claims submitted by the Council. This certification typically takes place some six to 12 months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.
- 1.2 The Council's auditor for 2011/12 was the Audit Commission's in house Audit Practice. Prior to its closure on 31 October 2012, the Audit Practice certified two claims and returns for the financial year 2011/12 relating to expenditure of £53 million.
- 1.3 Grant Thornton present this report as the Council's new auditors, summarising the work of the previous auditor. This report summarises the external audit assessment of the Council's management arrangements in respect of the certification process.

Approach and context to certification

- 1.4 The external auditor provides a certificate on the accuracy of grant claims and returns to various government departments and other agencies. Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.
- 1.5 Appendix A sets out an overview of the approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform.

Key messages

- 1.6 It should be noted that all work reported in this certification report was completed by the Audit Commission prior to our appointment as the Council's auditors. The findings set out in this report therefore represent the results of your previous auditor's work.
- 1.7 A summary of all claims and returns subject to certification and details of our certification fee is provided at Appendix B. The key messages from our review are summarised in Exhibit One, and set out in detail in the next section of the report.

Arrangements for certification for claims and returns:

- below £125,000 - no certification
- above £125,000 and below £500,000 - agreement to underlying records
- over £500,000 - agreement to underlying records and assessment of control environment. Where full reliance cannot be placed, detailed testing.

Exhibit One: Summary of Council performance

Aspect of certification arrangements	Key Messages
Submission and certification	All claims were submitted on time to audit and all claims were certified within the required deadline.
Accuracy of claim forms submitted to the auditor Amendments and qualifications	Overall the Council is performing well. However, the housing and council tax benefit subsidy claim was subject to amendment and qualification.
Supporting working papers	Supporting working papers for the certified claims and returns were good, which enabled certification within the deadlines.

The way forward

- 1.8 We have made a recommendation to address the significant matter which is detailed at Appendix C.
- 1.9 Implementation of the agreed recommendation will assist the council in compiling an accurate and timely housing benefit subsidy claim for certification. This will reduce the risk of penalties for late submission, potential repayment of grant and additional fees.

Acknowledgements

- 1.9 We would like to take this opportunity to thank the Council officers for their assistance and co-operation during the course of the certification process.

Grant Thornton UK LLP

December 2012

2 Results of our certification work

Key messages

- 2.1 We have certified two claims and returns for the financial year 2011/12 relating to expenditure of £53 million.
- 2.2 The Council's performance in preparing claims and returns is summarised in Exhibit Two.

Exhibit Two: Performance against key certification targets

Performance measure	Target	Achievement in 2011-12		Achievement in 2010-11		Direction of travel
		No.	%	No.	%	
Total claims/returns		2		3		
Number of claims submitted on time	100%	2	100	3	100	→
Number of claims certified on time	100%	2	100	3	100	→
Number of claims certified with amendment	0%	1	50	1	50	→
Number of claims certified with qualification	0%	1	50	1	50	→

- 2.3 This analysis shows that performance is consistent year on year. The housing and council tax benefit subsidy claim was certified with amendment in both years and associated qualification letters were issued. In addition, a significant housing benefit subsidy cut-off issue was identified in 2011/12 which is discussed further at paragraph 2.7.
- 2.4 Details on the certification of both claims and returns are included at Appendix B.
- 2.5 Your previous auditor, the Audit Commission, charged a total fee of £18,797 against an indicative budget of £21,000 for the certification of claims and returns in 2011/12. Details of fees charged for specific claims and returns are included at Appendix B.

Significant findings

- 2.6 The following significant finding was identified in relation to the management arrangements and certification of the housing benefit subsidy claim:

Certification of housing and council tax benefits claim

- 2.7 The housing benefit subsidy claim presented for certification took account of benefit payments made in the 2011/12 financial year based on the Subsidy Order with the exception that the final payment run of the financial year was completely excluded from the 2011/12 claim. This payment run included payments for periods that spanned 2011/12 and the 2012/13 financial year. As these should be claimed in the year in which the payment is made, payments totalling £1,105,393 were incorrectly excluded from the 2011/12 claim. Due to the same issue at the end of the 2010/11 financial year, payments of £1,033,355 that were made in 2010/11 were incorrectly included in the 2011/12 claim. This matter was reported in the qualification letter submitted to the Department.

A Approach and context to certification

Introduction

In addition to our responsibilities under the Code of Audit Practice, we also act as agents for the Audit Commission in reviewing and providing a certificate on the accuracy of grant claims and returns to various government departments and other agencies.

The Audit Commission agrees with the relevant grant paying body the work and level of testing which should be completed for each grant claim and return, and set this out in a grant Certification Instruction (CI). Each programme of work is split into two parts, firstly an assessment of the control environment relating to the claim or return and secondly, a series of detailed tests.

In summary the arrangements are:

- for amounts claimed below £125,000 - no certification required
- for amounts claimed above £125,000 but below £500,000 - work is limited to certifying that the claim agrees to underlying records of the Council
- for amounts claimed over £500,000 - an assessment of the control environment and certifying that the claim agrees to underlying records of the Council. Where reliance is not placed on the control environment, detailed testing is performed.

Our certificate

Following our work on each claim or return, we issue our certificate. The wording of this depends on the level of work performed as set out above, stating either the claim or return is in accordance with the underlying records, or the claim or return is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

- without qualification;
- without qualification but with agreed amendments incorporated by the authority; or
- with a qualification letter (with or without agreed amendments incorporated by the authority).

Where a claim is qualified because the authority has not complied with the strict requirements set out in the certification instruction, there is a risk that grant-paying bodies will retain funding claimed by the authority or, claw back funding which has already been provided or has not been returned. In addition, where claims or returns require amendment or are qualified, this increases the time taken to undertake this work, which impacts on the certification fee.

Certification fees

Each year the Audit Commission sets a schedule of hourly rates for different levels of staff, for work relating to the certification of grant claims and returns. When billing the Council for this work, we are required to use these rates. They are shown in the table below.

Role	2011/12	2010/11
Engagement lead	£325	£325
Manager	£180	£180
Senior auditor	£115	£115
Other staff	£85	£85

B Details of claims and returns certified for 2011-12

Claim or return	Value (£)	Amended?	Amendment Amount (£)	Qualified?	Fee 2010/11 (£)	Fee 2011/12 (£)	Comments
Housing and council tax benefit scheme	27,805,871	Yes	1	Yes	16,093	16,824	Increased time required to address the cut-off related issue in 11/12.
National non-domestic rates return	24,870,903	No	Not applicable	No	3,122	1,028	Part A & B testing required in 2010/11 (Part A only in 2011/12).
Disabled facilities grant	Not applicable	Not applicable	Not applicable	Not applicable	799	0	No requirement to certify this claim for 2011/12.
Reporting to those charged with Governance	Not applicable	Not applicable	Not applicable	Not applicable	1,620	945	Less schemes subject to certification in 2011-12.
Total	52,676,774				21,634	18,797	

C Action plan

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
Housing and council tax benefit scheme	The Authority must ensure that housing benefits payments for periods which bridge two financial years are claimed in the year in which the payment is made.	H	The sequence of payment run jobs in late March will be changed to ensure that subsidy is claimed in the correct year.

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Our Ref BM/JD - SHDC1213

Mr Richard Sheard
Chief Executive
South Hams District Council,
Follaton House,
Plymouth Road,
Totnes,
Devon
TQ9 5NE

Grant Thornton UK LLP
Hartwell House
55-61 Victoria Street
Bristol BS1 6FT

T +44 (0)117 305 7600
F +44 (0)117 305 7784
DX 78112 Bristol
www.grant-thornton.co.uk

3 October 2012

Dear Richard

ANNUAL AUDIT FEE 2012-13

I am writing to confirm the audit work that we propose to undertake for the 2012-13 financial year at South Hams District Council (the Council) and the associated fee. This is based on the Audit Commission's work programme and scale of fees for 2012-13 published in April 2012.

Following the conclusion of the Audit Commission's procurement exercise to outsource the work of its audit practice, the Audit Commission has been able to secure significant reductions in the cost of audit services and are passing on reductions of 40 per cent in audit fees for local government bodies. As in previous years, the Audit Commission publishes its work programme and scale of fees on a national basis, and it has published the scale fee for each local government organisation. The fee for the Council has been determined as £56,972 (exclusive of VAT) and will be fixed at this level for five years.

The Audit Commission has announced the replacement of the previous arrangements for certification fees based on hourly rates with a composite indicative fee. The published indicative fee for the Council is £12,300. This is based on certification fees for 2010-11 adjusted to reflect the fact that a number of schemes will no longer require certification, and incorporating a 40 per cent reduction.

Audit fee

Audit area	Proposed fee 2012-13	Actual fee 2011-12
Financial statements and value for money conclusion	£56,972	£94,953
Certification of claims and returns	£12,300	£21,000 (estimate)

Our value for money work will be based upon the two reporting criteria specified by the Audit Commission:

- whether the Council has proper arrangements in place for securing financial resilience; and
- whether the Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

This work will be underpinned by a robust risk assessment to ensure that we focus on those areas where we need specific assurance in order to give our value for money conclusion or where arrangements at the Council need to be strengthened.

We will issue a number of reports relating to our work over the course of the audit. These are listed at Appendix 1.

The proposed fee excludes any work that may be requested by you that we agree to undertake using our advice and assistance powers. Each piece of work will be separately negotiated and a detailed project specification agreed with you.

The contact details for key members of the audit team for 2012-13 are:

Engagement Lead	Barrie Morris	0117 305 7708
Audit Manager	Jenny Dwyer	0117 305 7647

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively, you may wish to contact the Head of Government Audit, Sarah Howard at sarah.howard@uk.gt.com.

Yours sincerely

BARRIE MORRIS
Director and Engagement Lead
For Grant Thornton UK LLP

T 0117 305 7708
F 0117 305 7784
E barrie.morris@uk.gt.com

Appendix 1: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Table 1

Planned output	Indicative date
Audit plan	January 2013
ISA260 report to those charged with governance	September 2013
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2013
Value for money conclusion report	September 2013
Annual audit letter	November 2013
Certification work report	December 2013

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AGENDA
ITEM

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SOUTH HAMS DISTRICT COUNCIL

AGENDA
ITEM

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NAME OF COMMITTEE	AUDIT COMMITTEE
DATE	10 JANUARY 2013
REPORT TITLE	FINANCIAL PROCEDURE RULES 2012 (JOINT)
Report of	S.151 Officer (Head of Finance & Audit) Monitoring Officer Chief Internal Auditor
WARDS AFFECTED	Corporate Document

Summary of report:

The purpose of this report is to allow the Audit Committee to carry out an overview of the updated and aligned Financial Procedure Rules 2012 document for South Hams District Council to enable them to recommend adoption of the document and related financial limits to the Council.

Financial implications:

None: within existing budgets.

RECOMMENDATIONS:

That the Audit Committee review the updated version of the Council’s ‘Financial Procedure Rules’ at Appendix A and recommend approval to the Council of the document, and its inclusion in the Council’s Constitution.

Officer contact:

For further information concerning this report, please contact:

Lisa Buckle, S.151 Officer (01803) 861413 or email lbuckle@westdevon.gov.uk

Allan Goodman, Chief Internal Auditor (01803 861375)

allan.goodman@southhams.gov.uk

1. BACKGROUND

- 1.1 As part of South Hams District and West Devon Borough Councils' 2015 Transformation, Finance Controls and Governance Arrangements for Shared Services project, the main financial documents have been reviewed and aligned as far as is possible and presented to the Audit Committees for recommendation of approval to the Councils.
- 1.2 The final document for alignment and update are the Financial Procedure Rules, which form a part of the Constitution (Part 4 Rules of Procedure). A draft version of a new document for both Councils is attached at Appendix A.

Approach to Alignment and Update

- 1.3 The South Hams Financial Procedure Rules were last revised in December 2010. They were originally based on a CIPFA model but the format has subsequently been amended, to present the contents in groups for the officers and Members to which they applied. The format changes were carried out with the Monitoring Officers in post at the time to ensure that they fitted with the remainder of the Constitution.
- 1.4 The West Devon Financial Procedure Rules were written and presented in line with the CIPFA model and are overviewed by the Monitoring Officer and reconfirmed annually by the Council with the approval of the Council's Constitution.
- 1.5 The updated and aligned document therefore has a sound basis with the CIPFA model, but is newly presented for both Councils in alphabetical order of the area to which the rules apply. This is to enable easy access to the relevant rule that officers or Members wish to consider, as few people will have the need to read the full document from cover to cover.

2. ISSUES FOR CONSIDERATION

- 2.1 The updated draft version of the Financial Procedure Rules is attached at Appendix A and the key changes are listed below.

Key Changes

- 2.2 The proposed key changes to the document (Appendix A) appear at:

Both Councils

Stock Disposals – Section 24	Minor updates to limits and the inclusion of Middle Managers in the authorisation of stock disposals.
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Both Councils (continued)

Virements: Salary Budgets – Section 6	The transfer of non salary budgets for use on salary expenditure will be permitted up to a total of £10,000 per Head of Service per annum (not per service).
Use of Section 106 Agreement Receipts – Section 6	Formally setting the rules to control the use of S.106 Agreement receipts, including consultation with members.
Shared Services – Sections 6 and 17	New rules relating to the management and recharging of shared services, not previously included.
Assets Disposals – Section 2	Relatively minor updates for delegated decision making over the acquisition of assets.
Assets Disposals – Section 3	Relatively minor updates for delegated decision making over the disposal of assets.
Taxation – Section 17	Strengthened rules in relation to the checking of the employment status of self employed individuals to ensure HMRC rules are adhered to.

South Hams

Use of Reserves – Section 6	For the use of reserves above £30,000, the approval of the Executive to replace the Executive recommending approval to full Council. This is to shorten the approval process, full Council having given the approval to place monies into reserves in the first place as part of the budget setting process.
Capital Programme – Section 6	No equivalent in previous version of the Financial Procedure Rules.
Authorisation of Payments – Section 9	Removal of requirement for the specific approval of the Head of Service or Head of Finance & Audit for amounts over £200,000. Enhanced requirements for authorisation of amounts over £30,000 are built into the electronic ordering system
Intellectual Property – Section 15	No equivalent in previous version of the Financial Procedure Rules.

West Devon

Petty Cash – Section 20	Minor change to limit.
Payment of Housing and Council Tax Benefits – Section 19	No equivalent in previous version of Financial Procedure Rules.
Acquiring Assets – Section 2	Para 2.12 – Delegated approval for officer/member combinations to purchase freehold land up to £50k.
Inventories – Section 16	No specific section in previous version of the Financial Procedure Rules.

3. LEGAL IMPLICATIONS

- 3.1 The legal implications of this document have been considered by the Council's Monitoring Officer, who has responsibility for the Constitution and works closely with the S.151 Officer and Chief Internal Auditor in considering arrangements of a governance nature including the Council's System of Internal Control.

4. FINANCIAL IMPLICATIONS

- 4.1 The cost to the Council in bureaucracy is likely to be reduced by some of the changes although in practical terms this cannot be readily measured. However it is important that a balance is struck between the additional flexibility introduced and retaining financial control.

5. RISK MANAGEMENT

- 5.1 The risk management implications follow this table:

Corporate priorities engaged:	All
Statutory powers:	Section 111 Local Government Act 1972; and Accounts and Audit Regulations 2003 & 2006 etc.
Considerations of equality and human rights:	No specific equality and human rights issues arising from this report.
Biodiversity considerations:	No specific biodiversity issues arising from this report.
Sustainability considerations:	No specific sustainability issues arising from this report.
Crime and disorder implications:	No specific crime and disorder issues arising from this report.
Background papers:	West Devon and South Hams Councils – Constitutions Part 4 Rules of Procedure
Appendices attached:	Appendix A: Draft: Joint Financial Procedure Rules 2012

STRATEGIC RISKS TEMPLATE

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
1	Opportunity	Greater flexibility, within a sound control environment, may reduce some administrative costs while providing the similar results in value for money terms. The Council has built a good reputation for budgetary control, and has an enviable performance record in this area.	-	-	-	↔	External and internal pressures require that this continues, and it is the responsibility of the S.151 Officer (Head of Finance & Audit), in association with the Heads of Service to ensure that approved budgetary targets are met.	Chief Internal Auditor
2	Need for aligned rules	Shared officers may be less efficient if they have to operate to different sets of financial rules.	2	2	4	↔	Presentation for approval of an updated Joint Financial Procedure Rules document, aligned between the Councils as far as is practical.	S.151 Officer Chief Internal Auditor
3	Control environment	There is a risk that allowing greater flexibility may in some circumstances undermine the control environment and impact upon the budgetary performance.	2	2	4	↔	Mitigated through improving compensating controls such as budget monitoring at a higher level. The System of Internal Control and the responsibility placed upon Heads of Service to self access their controls and report any significant weaknesses in an assurance certificate, plus, continuing risk based internal audits.	Chief Internal Auditor

Direction of travel symbols ↓ ↑ ↔



**South Hams
District Council**



**West Devon
Borough
Council**

DRAFT

CONSTITUTION PART 4

FINANCIAL PROCEDURE RULES (JOINT)

2012

FINANCIAL PROCEDURE RULES – INTRODUCTION

A. Status of the Financial Procedure Rules

- A.1 Financial Procedure Rules provide the framework for managing the Council's financial affairs. They apply to every Member and officer of the Council and anyone acting on its behalf.
- A.2 The Financial Procedure Rules identify the financial responsibilities of the Council, all member bodies, the Head of Paid Service (the Chief Executive), the Section 151 Officer (the Head of Finance & Audit) and the Monitoring Officer. A written record should be maintained where decision making has been delegated to other Members of staff, including seconded staff. Where decisions have been delegated to other responsible officers references to the Heads of Service in the Financial Procedure Rules should be read as referring to them.
- A.3 The Financial Procedure rules are part of a wider set of operational and managerial arrangements. If followed they protect the Council and hence the public, from poor decision making, theft, fraud and material error. They also offer significant protection to staff and Members from undue criticism and accusations of impropriety.
- All Members and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, is properly authorised, provides value for money and achieves best value.
- A.4 The Council's detailed financial procedures, setting out how the Financial Procedure Rules will be implemented, are contained in the appendices to these Financial Procedure Rules (Sections 1 to 28).
- A.5 Heads of Service are responsible for ensuring that all staff in their departments are aware of the existence and content of the Council's Financial Procedure Rules, Contract Procedure Rules and other internal regulatory documents and that they comply with them.
- A.6 Each Senior Officer shall consult the Head of Finance & Audit with respect to any matter which is liable to materially affect the finances of the Council before any provisional or other commitment is incurred or before reporting the matter to a Committee.
- A.7 The Head of Finance & Audit is responsible for issuing advice and guidance to underpin the Financial Procedure Rules that Members, officers and others acting on behalf of the Council are required to follow.

B. Financial Management Responsibilities

- B.1 Financial management covers all financial accountabilities in relation to the running of the Council, including the policy framework and budget.

FINANCIAL PROCEDURE RULES – INTRODUCTION

- B.2 The Council is responsible for approving the Policy Framework and budget. It is also responsible for approving and monitoring compliance with the Council's overall framework of accountability and control which includes these Financial Procedure Rules.
- B.2 Supporting this, many of the Council's member bodies have devolved financial responsibilities to a varying degree, the details of which are set out within their 'Functions within the Constitution

Duties of the Statutory Officers

Head of Finance & Audit (Section 151 Officer)

- B.3 The Head of Finance & Audit¹ has statutory duties in relation to the financial administration and stewardship of the Council. This statutory responsibility cannot be overridden. The statutory duties arise from:

- Section 151 of the Local Government Act 1972
- The Local Government Finance Act 1988
- The Local Government and Housing Act 1989
- Local Government Act 2003
- The Accounts and Audit Regulations 1996, 2003, 2006, 2009

- B.3 The Head of Finance & Audit is responsible for:

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

- B.4 Under Section 114 of the Local Government Finance Act 1988, the Head of Finance & Audit, having consulted the Head of Paid Service and the Monitoring Officer, will report to the Council and the Council's external auditor if the Council or one of its officers:

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

¹ See 'A Statement on the Role of the Chief Finance Officer in Local Government' (CIPFA)

FINANCIAL PROCEDURE RULES – INTRODUCTION

B.5 Section 114 of the 1988 Act also requires:

- The Head of Finance & Audit to nominate a properly qualified member of staff to deputise should he/she be unable to perform the duties under section 114 personally;
- The Council to provide the Head of Finance & Audit with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under section 114.

Monitoring Officer

B.6 The Monitoring Officer is responsible for promoting and maintaining high standards of ethical conduct. The Monitoring Officer is also responsible for reporting any actual or potential breaches of the law or maladministration to the Council, and for ensuring that procedures for recording and reporting decisions are operating effectively.

B.7 The Monitoring Officer (together with the Head of Finance & Audit) is responsible for advising the Council about whether a decision is likely to be considered contrary or not wholly in accordance with the budget. Actions that may be 'contrary to the budget' include:

- Initiating a new policy
- Committing expenditure in future years to above the budget level
- Incurring inter-departmental transfers above virement limits
- Causing the total expenditure financed from council tax, grants and corporately held reserves to increase, or to increase by more than a specified amount.

B.8 The Monitoring Officer shall be provided by the Council with such offices, accommodation and other resources sufficient to allow her duties to be performed.

Senior Officers

B.9 Senior Officers- are responsible for:

- Ensuring that relevant member bodies are advised of the financial implications of all proposals and that the financial implications have been agreed by the Head of Finance & Audit.
- Consulting with the Head of Finance & Audit to seek approval on any matter likely to materially affect the Council's finances, before any commitments are incurred.

B.10 The Index and Summary at the rear of this Introduction link to detailed Rules relating to this category.

FINANCIAL PROCEDURE RULES – INTRODUCTION

C. Financial Planning

- C.1 The Council is responsible for agreeing the Council's budget, which will be proposed by the Resources Committee for West Devon and Executive for South Hams. In terms of financial planning, the key elements are:
- Financial Strategy and the Capital Strategy
 - Asset Management Plan
 - The Budget
 - The Capital Programme

Policy Framework

- C.2 Council is responsible for approving the Policy Framework and Budget. The Policy Framework comprises all statutory plans and strategies as detailed in the Council's Constitution. Council is responsible for making any decisions which would be contrary to the Policy Framework or not keeping within the Budget.
- C.3 The Resources Committee/Executive is responsible for proposing the Policy Framework to Council, approving procedures for agreeing variations to approved budgets, and for determining the circumstances in which a decision will be deemed to be contrary to the budget.
- C.4 The Resources Committee/Executive is responsible for taking in-year decisions on resources and priorities in order to deliver the budget policy framework within the financial limits set by Council.
- C.5 The Index and Summary at the rear of this Introduction link to detailed Rules relating to this category.

D. Risk Management and Control of Resources

Introduction

- D.1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational risks to the Council. This should include the proactive participation of all those associated with planning and delivering services.

Risk Management

- D.2 The Audit Committee is responsible for recommending approval of the Council's Risk Management policy statement and for reviewing the effectiveness of Risk Management.
- D.3 A Director is responsible for preparing the Council's Risk Management policy statement, for promoting it throughout the Council

FINANCIAL PROCEDURE RULES – INTRODUCTION

Internal control

- D.4 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.
- D.5 The Head of Finance & Audit 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.
- D.6 It is the responsibility of Heads of Service 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.

Audit Requirements

- D.7 The Accounts and Audit Regulations 1996 issued by the Secretary of State for the Environment require every local authority to maintain an adequate and effective internal audit. Regulation 4 of the Accounts and Audit Regulations 2003 requires audited bodies to conduct a review at least once a year on the effectiveness of its system of internal control and publish a statement of internal control (SIC) each year with the Council's financial statements.
- D.8 The Audit Commission is currently responsible for appointing external auditors to each local authority, although this is likely to be subject to change. These Rules will be updated when the details of the new requirements are known. The basic duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by section 5 of the Audit Commission Act 1998.
- D.9 The Council may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Customs and Excise and the Inland Revenue, who have statutory rights of access.
- D.10 The Index and Summary at the rear of this Introduction link to detailed Rules relating to this category.

E Financial Systems and Procedures

- E.1 Sound systems and procedures are essential to an effective framework of accountability and control.

FINANCIAL PROCEDURE RULES – INTRODUCTION

General

- E.2 The Head of Finance & Audit is responsible for the operation of the Council's accounting systems, the form of accounts and the supporting financial records. Any changes made by Heads of Service to the existing financial systems or the establishment of new systems must be approved by the Head of Finance & Audit. However, Heads of Service are responsible for the proper operation of financial processes in their own departments.
- E.3 Any changes to agreed procedures by Heads of Service to meet their own specific service needs should be agreed with the Head of Finance & Audit.
- E.4 Heads of Service should ensure that their staff receive relevant financial training that has been approved by the Head of Finance & Audit.
- E.5 Heads of Service must ensure that, where appropriate, computer and other systems are registered in accordance with Data Protection legislation. Heads of Service must ensure that staff are aware of their responsibilities under freedom of information legislation.

Income and expenditure

- E.6 It is the responsibility of Heads of Service to ensure that a proper scheme of delegation for financial management has been established within their area and is operating effectively. The scheme of delegation for financial management should identify staff authorised to act on their Head of Service's behalf, in respect of payments, income collection and placing orders, together with the limits of their authority and ensure that no staff are able to both order and authorise payments for goods and services. The Resources Committee/Executive is responsible for approving procedures for writing off debts as part of the overall control framework of accountability and control.
- E.7 The Index and Summary at the rear of this Introduction link to detailed Rules relating to this category.

F. External Arrangements

- F.1 The local authority provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders. It must also act to achieve the promotion or improvement of the economic, social or environmental well-being of its area.
- F.2 The Index and Summary at the rear of this Introduction link to detailed Rules relating to this category.

Financial Procedure Rules – Index and Summary of Limits

Appendix	Contents	Category
Accounting (Section 1)	<ul style="list-style-type: none"> • Financial Management Standards • Separation of Duties • Other Information - Costing • Reports to Members • Reports to Member Bodies • Accounting Records • Trading Accounts • Annual Accounts and Treatment of Year End Balances 	Financial Management
Assets (Section 2)	<ul style="list-style-type: none"> • Asset Management • Land and Buildings • Vehicles, Plant and Equipmet • Acquisition • Capital Programme 	Risk Management and Control of Resources
Assets - Disposal (Section 3)	<ul style="list-style-type: none"> • Land and Buildings • Vehicles • Plant and Equipmet • Computer and Computer Related Equipment • General - Recycling 	Risk Management and Control of Resources
Audit (Section 4)	<ul style="list-style-type: none"> • Internal audit • External audit 	Risk Management and Control of Resources
Banking Arrangements (Section 5)	<ul style="list-style-type: none"> • Bank Accounts • Separation of Duties • Bank Reconciliations • General - Cheques 	Financial Systems and Procedures
Budgets and Budgetary Control (Section 6)	<ul style="list-style-type: none"> • Format of the Budget • Budget Preparation • Resource Allocation • Budget Management • Virement (Budget Changes) • Supplemetary Estimate Request • Reserves and Funds for S.106 Agreement • Shared Services • Capital Programme 	Financial Planning

Financial Procedure Rules – Index and Summary of Limits

Appendix	Contents	Category
Car Loans (Section 7)	<ul style="list-style-type: none"> • Application and Payment • Responsibilities of the Borrower • Repayment 	Financial Systems and Procedures
Expenditure - Ordering of Goods and Services (Section 8)	<ul style="list-style-type: none"> • Orders • Ordering • Quotations • Open/Regular Supply Order • ICT Equipment and Software • Orders, Delivery Notes and Invoices • Orders to Individuals (Self Employed) 	Financial Systems and Procedures
Expenditure - Payment of Accounts (Section 9)	<ul style="list-style-type: none"> • Invoices • Invoices - Self Employed Status • Payment Request Forms • Receiving/Certification • Authorisation • Separation of Duties • Payment • Returned Cheques • VAT • Credit/Purchase Cards • Financial Year End • Loans Leases and Rental Agreements 	Financial Systems and Procedures
External Funding (Section 10)	Responsibilities for: <ul style="list-style-type: none"> • Heads of Service • Head of Finance & Audit 	External Arrangements
Fraud, Corruption & Bribery - Prevention (Section 11)	Responsibilities for: <ul style="list-style-type: none"> • Head of Finance & Audit, Monitoring Officer, • Chief Internal Auditor • Heads of Service 	Risk Management and Control of Resources
Grants, Subsidies, Claim Forms & Statistical Returns (Section 12)	<ul style="list-style-type: none"> • Grant Conditions • Receipts and Payments • Audit Requirements of the Grant Paying Body 	Financial Systems and Procedures

Financial Procedure Rules – Index and Summary of Limits

Appendix	Contents	Category
Income (Section 13)	<ul style="list-style-type: none"> • Charges for Services • Cash Collection and Banking • Personal Cheques • Change Floats • Security • Raising Invoices (Sundry Debtors) • Recovery • Bad and Doubtful Debtors • Cancellations • Financial Year End 	Financial Systems and Procedures
Insurance (Section 14)	<ul style="list-style-type: none"> • Cover • Inspections • Claims 	Risk Management and Control of Resources
Intellectual Property (Section 15)	Responsibilities for: <ul style="list-style-type: none"> • Heads of Service • Head of Finance & Audit 	Risk Management and Control of Resources
Inventories (Section 16)	<ul style="list-style-type: none"> • Inventories • Council Property 	Risk Management and Control of Resources
Partnerships including Shared Services (Section 17)	Responsibilities for: <ul style="list-style-type: none"> • Members • Heads of Service • Head of Finance & Audit • Partners • Shared Services 	Risk Management and Control of Resources
Payments to Employees and Members (Payroll) (Section 18)	<ul style="list-style-type: none"> • Appointment • Appointment – Self Employed Status • Time and Other Amendment Records • Payment Absence • Leavers • Pay Awards • Verification • Staffing 	Financial Systems and Procedures
Payment of Housing and Council Tax Benefits (Section 19)	<ul style="list-style-type: none"> • Personal Data/Declaration of Interest • Payment – BACs • Payment – Cheques 	Financial Systems and Procedures

Financial Procedure Rules – Index and Summary of Limits

Appendix	Contents	Category
Petty Cash (Section 20)	<ul style="list-style-type: none"> • Expenditure • Reimbursement • General • Centralised Imprest – Petty Cash Advances 	Financial Systems and Procedures
Retention of Documents (Section 21)	Responsibilities for: <ul style="list-style-type: none"> • Head of Finance & Audit, • Monitoring Officer, • Heads of Service 	Risk Management and Control of Resources
Risk Management and Internal Control (Section 22)	<ul style="list-style-type: none"> • Risk Management • Internal Control (System of) • System Changes • Corporate Governance • Performance Management/Data Quality • Business Continuity 	Risk Management and Control of Resources
Security (Section 23)	<ul style="list-style-type: none"> • Security; • Safes • Postal Franking Machines • ICT – Software and Hardware • Data – Electronic/Paper 	Risk Management and Control of Resources
Stocks and Stores (Section 24)	<ul style="list-style-type: none"> • Stock Control and Issues • Stock Takes • Stock Certificates • Surpluses, Deficiencies and Write Offs 	Risk Management and Control of Resources
Taxation (Section 25)	<ul style="list-style-type: none"> • Pay as You Earn (PAYE) • Value Added Tax (VAT) 	Financial Systems and Procedures
Travel and Subsistence (Section 26)	<ul style="list-style-type: none"> • Claim Completion and Certification • Receipts • Timeliness of Claim • Motor Insurance, Driving Licences and Vehicle Roadworthiness • Council Members 	Financial Systems and Procedures

Financial Procedure Rules – Index and Summary of Limits

Appendix	Contents	Category
Treasury Management (Section 27)	<ul style="list-style-type: none"> • Cash Position; • Investments • Borrowing • General including Monitoring • Trust Funds 	Risk Management and Control of Resources
Work for Third Parties (Section 28)	<ul style="list-style-type: none"> • Approval • Legality • Financial Matters • Contracts • Service Provision 	External Arrangements

The following tables summarise the limits quoted in these Rules:

Item Value ex VAT	Petty Cash – Section 20
Up to £30	Petty cash items shall be limited to minor items of expenditure. This amount may only be exceeded with the prior agreement of the Head of Finance & Audit .
Above £30	Variations in reconciliation must be reported to Corporate Finance.

Item Value ex VAT	Quotations/Tendering for Goods and Services – Section 8	Requirement
Below £5,000	Most favourable prices and terms, having regard to the principles set out in the Council's Procurement Strategy.	Good Practice
£5,000 to £30,000	3 quotations appropriately evidenced.	Yes
Above £30,000	Tendering in line with Contract Procedure Rules.	Yes
ICT	All system developments and purchases of computer equipment or software must be approved by the Head of ICT & Customer Services , or her/his nominated deputy.	Yes

Item Value ex VAT	Inventories – Section 16
Individual items above £100	Inventories of all property (furniture, fittings and equipment) belonging to or in the care of the Council, other than stores, shall be prepared and maintained by the Head of Service concerned or a designated officer.

Item Value ex VAT	Income: Banking – Sections 5 and 13
Daily/Weekly according to Insurance Limit	All monies received on behalf of the Council shall be banked without delay.

Item Value ex VAT	Income: Unders and Overs – Section 13
Over £30	"Unders and overs" and discrepancies must be reported immediately to Corporate Finance.

Item Value ex VAT	Write Off: Bad and Doubtful Debts – Section 12
Finance Up to £5,000	The Head of Finance & Audit is empowered to write off bad and doubtful debts, after satisfying her/himself that it would be uneconomic or inappropriate for the Council to pursue them, and where appropriate a Legal representative has considered the Council's position.

Financial Procedure Rules – Index and Summary of Limits

Item Value ex VAT	Write Off: Bad and Doubtful Debts – Section 12 (continued)
Other Services Up to £5,000	In the case of debts due to other service groups, the Head of Finance & Audit will consider write off in accordance with the above upon the written authorisation of the Head of Service involved or her/his deputy.
All Debts Up to £5,000	The total amounts of debt written off by the Head of Finance & Audit under delegated powers will be reported to the Executive at South Hams and Resources Committee for West Devon .
All Debts Above £5,000	No debts in excess of £5,000 may be written off without the prior approval of the Head of Finance & Audit and the Executive at South Hams and Resources Committee for West Devon .

Item Value ex VAT	Write Off: Stock Deficiencies and Obsolete Stocks – Section 24
Up to £500	Stocks or stores of less than £500 in value at date of disposal may be disposed of or exchanged at the relevant Middle Manager's written discretion, but a second officer shall formally witness the disposal at a local level and the appropriate financial records retained.
£500 to £1,500	Stocks or stores with a value at date of disposal between £500 and £1500 may be disposed of or exchanged at the Head of Service's written discretion, but a second officer shall formally witness the disposal at a local level and the appropriate financial records retained.
£1,500 to £5,000	Where stocks or stores are valued at date of disposal above £1500 but less than £5,000 sealed bids are to be sought and it shall be the responsibility of the Head of Finance & Audit and the relevant Head of Service or their nominated deputy, to obtain the best possible price.
Above £5,000	The disposal or write off of any stock or stores item/s valued at more than £5,000 at date of disposal shall require the prior approval of the Executive/Relevant Committee .

Item Value ex VAT	Use of Reserves – Section 6
Up to £30,000	The Head of Finance & Audit may approve the use of Earmarked Reserves and Unearmarked General Fund Reserves up to a limit of £30,000, and may also approve increasing or creating Earmarked Reserves up to a limit of £30,000.
Greater than £30,000	The use of Reserves over £30,000 requires the prior approval of the Executive for South Hams or Resources Committee for West Devon upon receipt of a report from the Head of Service and Head of Finance & Audit .

Item Value ex VAT	Use of S.106 Monies – Section 6
Up to £30,000	Authorisation of expenditure using funds received from S.106 Agreements must be sought from the Head of Finance & Audit for amounts up to £30,000 by the appropriate Head of Service , following consultation with the relevant Ward Member as a minimum.
Greater than £30,000	The use of funds received from S.106 Agreements for projects over £30,000 requires the prior approval of the Executive for South Hams or Resources Committee for West Devon upon receipt of a report from the Head of Service and Head of Finance & Audit .

Budget Changes (Virement) – Section 6	South Hams - Authorisation Required
Where the sum involved is up to £5,000	The appropriate responsible budget holder may approve the virement in consultation with the appropriate accountant. No form is required;
Where the sum involved is greater than £5,000 but is less than £30,000	A virement form is required which is to be authorised by the relevant Head of Service and Head of Finance & Audit or nominated deputy;

Financial Procedure Rules – Index and Summary of Limits

Budget Changes (Virement) – Section 6	South Hams - Authorisation Required (continued)
Where the sum involved is between £30,000 and £100,000	The appropriate Head of Service and the Head of Finance & Audit shall sign a virement form in consultation with the appropriate accountant and submit it to the Executive for approval;
Where the amount exceeds £100,000 per individual virement	The appropriate Head of Service and the Head of Finance & Audit shall sign a virement form in consultation with the appropriate accountant and submit it to full Council for approval.

Budget Changes (Virement) – Section 6	West Devon - Authorisation Required
Between an RBO's own cost centres	Responsible budget holder
Between cost centres within the same Committee but with different RBOs	The relevant Heads of Service
Between cost centres in different Committees	Approval of both relevant Committees

Item Value ex VAT	Disposals: Land and Buildings – Section 3
Below £25,000	In conjunction with the Head of Finance & Audit , the Corporate Property Officer may effect minor freehold disposals of land not required for operational purposes up to £25,000 in value.
£25,000 to £50,000	The Corporate Property Officer in consultation with the Head of Finance & Audit and the Leader, may agree to the disposal, by sale or lease, of small areas of land whose market value does not exceed £50,000 in value.
Above £50,000	The disposal of any land and buildings over £50,000 in value requires the prior approval of the Executive for South Hams and Resources Committee for West Devon and shall be made within the context of the Council's asset management plan.

Item Value ex VAT	Disposals: Plant and Equipment – Section 3
Up to £500	Any items of plant or equipment of up to £500 in value that are surplus to the Council's requirements may be disposed of with the written authorisation of the relevant Middle Manager . A second officer shall formally witness the disposal at a local level and the appropriate records retained.
£500 to £1,500	Any items of plant or equipment of in value that are surplus to the Council's requirements may be disposed of between £500 and £1500 with the written authorisation of the Head of Service . A second officer shall formally witness the disposal at a local level and the appropriate records retained.
£1,500 to £5,000	Sealed bids are to be sought in respect of any items of plant and equipment that are surplus to the Council's requirements valued between £1500 and £5,000 on the prior written authority of the relevant Head of Service or his/her nominated deputy. It shall be the responsibility of the Head of Finance & Audit and the relevant Head of Service or their nominated deputy, to obtain the best possible price.
Above £5,000	The disposal of any item of plant and equipment valued at more than £5,000, shall be by advertised as a competitive tender unless the relevant Head of Service , after consulting the Head of Finance & Audit , decides that disposal shall be by public auction or other appropriate method e.g. part exchange.

Item Value ex VAT	Acquisitions: Land and Buildings – Section 2
Below £25,000	In conjunction with the Head of Finance & Audit , the Head of Assets may effect minor freehold acquisitions of land required for operational purposes up to £25,000 in money or money's worth from or to the owners of adjacent or nearby property or Statutory Undertakers where there are no future ongoing liabilities.
£25,000 to £50,000	The Corporate Property Officer in consultation with the Head of Finance and Audit and Leader , may agree to the acquisition, by sale or lease, of small areas of land whose market value does not exceed £50,000.

Financial Procedure Rules – Index and Summary of Limits

Item Value ex VAT	Acquisitions: Land and Buildings – Section 2
Above £50,000	The acquisition of any land and buildings of a value in excess of £50,000 requires the approval of Executive for South Hams and the Resources Committee for West Devon and shall be made within the context of the Council's asset management plan.

Why is this important?

Maintaining proper accounting records is one of the ways in which the Council discharges its responsibility for stewardship of public resources.

The Council has a statutory responsibility to prepare its annual accounts to present fairly its operations during the year, which are subject to external audit. This audit provides assurance that the accounts are prepared properly, that proper accounting practices have been followed and that quality arrangements have been made for securing economy, efficiency and effectiveness in the use of the Council's resources.

Risks:

The Council may not account for all income received and expenditure made;

Financial systems could provide inaccurate or misleading information leading to poor decision making;

Insecure accounting or financial systems could give rise to opportunities for fraud or loss; and Statutory requirements for reporting on the Council's financial affairs may not be met.

Responsibilities**Financial Management Standards**

- 1.1 All staff and Members have a duty to abide by the highest standards of probity in dealing with financial issues. This is facilitated by ensuring everyone is clear about the standards to which they are working and the controls that are in place to ensure that these standards are met.
- 1.2 The **Head of Finance & Audit** shall:
 - Ensure the proper administration of the financial affairs of the Council.
 - Set the financial management standards and to monitor compliance with them.
 - Ensure proper professional practices are adhered to and to act as head of profession in relation to the standards, performance and development of finance staff throughout the Council.
 - Advise on the key strategic controls necessary to secure sound financial management.
 - Ensure that financial information is available to enable accurate and timely monitoring and reporting of comparisons of national and local financial performance indicators.
 - Determine the accounting procedures and keep the accounting records of the Council including cost and stores accounts for all service groups of the Council, and to select suitable accounting policies and ensure that they are applied consistently
 - Administer the Council's arrangements for underspendings to be carried forward to the following financial year.
- 1.3 Where she/he is satisfied that it is in the interest of administrative efficiency for any such records to be maintained in other service groups, the **Head of Service** of that service group shall have a duty to maintain a standard of financial control which is to the satisfaction of the **Head of Finance & Audit**.

- 1.4 In all cases the **Head of Finance & Audit** shall be consulted and shall approve the form of new accounting records, financial stationery and systems or changes to them following consultation with the **Head of Service** of the service group concerned.
- 1.5 This will include adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements. Financial and accounting systems shall incorporate appropriate controls to ensure that, where relevant:
- All input is genuine, complete, accurate, timely and not previously processed;
 - All processing is carried out in an accurate, complete and timely manner; and
 - Output from the system is complete, accurate and timely.
- 1.6 The **Heads of Service** shall:
- Promote the financial management standards set by the **Head of Finance & Audit** to their departments and to monitor adherence to the standards and practices, liaising as necessary with the **Head of Finance & Audit**.
 - Promote sound financial practices in relation to the standards, performance and development of staff in their departments.

Separation of Duties

- 1.7 The following principles should be applied when allocating accounting duties, unless good reason disallows and the prior approval of the **Head of Finance & Audit** has been obtained normally through Internal Audit:
- The duties of providing information about sums due to or from the Authority and calculating, checking and recording these sums should be separate from the duty of collecting or disbursing them; and
 - Employees with the duty of examining or checking the accounts of cash transactions shall not themselves be engaged in these transactions.

Other Information

- 1.8 **Heads of Service** shall supply requisite information to the **Head of Finance & Audit** for financial costing and accounting purposes.
- 1.9 The **Head of Finance & Audit** shall by arrangement with a **Head of Service** provide such costing or other financial information required to facilitate the efficient conduct of their functions by officers responsible for incurring expenditure.
- 1.10 The **Head of Service** will be the responsible for advising the **Head of Finance & Audit** of any likely overspending of their authorised budget provision.

Reports to Member Bodies

1.11 Copies of all reports having financial implications shall be submitted to the **Head of Finance & Audit** in sufficient time prior to the meeting of the member body at which such reports are to be considered to enable the **Head of Finance & Audit** to make her/his observations on the financial implications to the **Head of Service** concerned. Where the **Head of Finance & Audit** is not a signatory to the report, her/his observations and submissions must be reflected in the report by the author.

Accounting Records

1.12 The **Head of Finance & Audit** is to ensure that accounting and financial records are held securely and procedures are in place to enable accounting records to be reconstituted in the event of a system failure. A documented and tested disaster recovery plan to allow information processing to resume quickly in the event of an interruption shall be in place.

1.13 Working papers leading to the preparation of Final Accounts are to be kept by the officer responsible for the year of audit and for preceding years in accordance with the Document Retention Policy. Adequate records to provide a management trail leading from the source of income/expenditure through to accounting statements is to be maintained.

1.14 All financial systems shall be documented and users trained in their operation prior to the system being used in a live environment.

Trading Accounts

1.15 The **Head of Finance & Audit** shall advise on the establishment and operation of Trading Accounts. With **Heads of Service**, he/she will ensure that the same accounting principles are applied in relation to trading accounts as for other services.

1.16 **Heads of Service** shall observe all statutory requirements in relation to business units, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure and overheads are charged. An annual report shall be prepared in support of the final accounts.

Annual Accounts and Treatment of Year End balances

1.17 The **Head of Finance & Audit** shall:

- Prepare annual accounts are to be prepared, which present fairly the financial position of the Council, in accordance with statutory and professional requirements, CIPFA best practice and in liaison with the External Auditors.
- Make proper arrangements for the audit of the accounts;
- A timetable for their preparation shall be drawn up and staff and the external auditors advised accordingly.

- Prepare and sign the statutory annual statement of accounts, and produce an annual report. There is a statutory requirement for the **S.151 Officer** to sign the accounts and the Council to approve the accounts by the required date and this must be adhered to
- Select suitable accounting policies and to ensure that they are applied consistently. The accounting policies are set out in the statement of accounts, which is prepared at 31 March each year;

1.18 For specific trading accounts, the year end balance will be taken to an earmarked reserve in line with current legislation.

1.19 **Heads of Service** must:

- Comply with accounting guidance provided by the **Head of Finance & Audit** to supply the information required. This includes notification of any outstanding income and/or expenditure relating to the previous financial year as soon as possible after the 31st March in accordance with the year end timetable
- Maintain adequate records to provide a trail leading from the source of income/expenditure to the accounts
- Consult and obtain the approval of the **Head of Finance & Audit** before making any changes to accounting records and procedures.

1.20 The **Head of Finance & Audit** is to administer the Council's arrangements for under and overspendings at year end to be carried forward to the following financial year. This will include advising the **Resources Committee** for **West Devon** and the **Executive** for **South Hams** comparisons of actual income and expenditure with that budgeted and advice on the appropriate treatment of the year end balances, having considered the reasons behind the nature of their origins.

1.21 For **West Devon** Responsible Budget Officers should seek to match overspends with underspending within the same costs centres within the same **Committees**.

For **West Devon** Any overspending on a **Committee's** budget may be carried forward to the following year. If this course of action is taken the overspend will constitute the first call on that **Committee's** budget in the following year.

Net underspendings on a **Committee's** budgets may be carried forward subject to the approval of the **Resources Committee** following advice from the **Head of Finance & Audit** who shall consider the implications of the Council's overall financial position.

Why is this important?

The Council holds assets in the form of property, vehicles, equipment, furniture and other items worth many millions of pounds. It is important that assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations. An up-to-date asset register and inventory is a prerequisite for sound asset management.

Risks:

Assets may be acquired without prior approval, for which there is no use and/or on financially unacceptable terms;

Assets could be lost, stolen or used for non-Council business; and

Assets are not available when required in the provision of a service.

Responsibilities**Asset Management**

2.1. The Head of Assets shall be the the Corporate Property Officer

~~2.2.~~ The Corporate Property Officer shall be the Chair of , and be responsible for the operation of the Asset Management Group whose role is set out in the Council's Asset Management Plan and includes:

- Providing advice to Members and SMT on strategic management of the Council's assets and the performance of the Council's portfolio;
- Contributing to plans dealing with maintenance, acquisitions and disposals of land and property, health and safety and risk assessment, so far as the Council's portfolio is concerned; and
- Recommending projects to be included in the Council's Capital Programme and monitoring of these projects.

2.3. The Corporate Property Officer (**Head of Assets**) shall be empowered to:

- Give consent to the assignment, sub-letting or surrender of existing leases (authority also to be exercised by a nominated deputy).
- Subject to authorisation by the Monitoring Officer, to authorise and take necessary legal proceedings towards the termination and renewal of leases, agreements and licences.
- Subject to authority from the Monitoring Officer to take legal and court action to enforce payment of rent and charges due
- To approve the revision of rents and licence fees
- To approve amendments to the terms of an existing lease, agreement or licence.
- To grant or obtain easements and wayleaves (
- To grant licences, periodic tenancies and leases (not exceeding 15 years) at a fee / rental calculated.
- To approve the conveyancing of land to public utility services in connection with Council development.

- Day to day management of Council land and buildings where not delegated to other **Heads of Service**.
- Imposition or release of covenants in respect of land where the Council has an interest.
- Ensure that lessees and other prospective occupiers of Council owned land are not allowed to take possession or enter the land until a lease or agreement (in a form approved by the Council's Solicitor) has been completed. The Corporate Property Officer (**Head of Assets**) shall maintain an asset register (terrier) of all properties owned by the Council (except dwellings provided under the Housing Acts) recording amongst other things service user, purpose for which held, location, nature of the Council's interest and rents payable, extent and plan references, purchase details, particulars and terms of tenancies granted together with other information as may be required by law.

2.4. The **Head of Finance & Audit** shall:

- Ensure that an asset register is maintained by Corporate Finance in accordance with good practice for all fixed assets with a value in excess of £10,000 and all land/buildings regardless of value. This register should be compared with other registers (e.g. the property terrier) on a regular basis. An up to date asset register is a prerequisite for proper fixed asset accounting and sound asset management.
- To receive the information required for accounting, costing and financial records from each **Head of Service**.
- To ensure that arrangements are made for the assets to be valued in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC).

2.5. **Heads of Service** shall

- Ensure that the department informs the **Head of Finance & Audit** of the purchase/disposal of moveable assets in accordance with arrangements defined by the **Head of Finance & Audit**.
- Assist the Corporate Property Officer to provide a report on property performance and asset management to the Council.

Land and Buildings

2.6. The Council's Solicitor will have custody of all title deeds or Land Registry confirmation documents under security arrangements agreed with the **Head of Finance & Audit**.

Vehicles, Plant and Equipment

2.7. The **Head of Service** shall ensure that up to date records exist for all vehicles and items of plant and equipment under her/his control. The records are to include:-

- Registration or serial numbers;

- Council identification numbers;
- Description; and
- Usual storage location.

2.8. All Council vehicles and items of plant and equipment are to be kept under secure arrangements at all times. Each **Head of Service** shall nominate the employees who are responsible for the security arrangements.

2.9. No private use is permitted of any vehicle (except cars leased to officers for this purpose) or item of plant or equipment in the ownership of or leased to the Council.

Acquisition

2.10. All purchases or the leasing of land, buildings, vehicles or items of plant and equipment shall be on the best financial terms that can be obtained for the Council. The purchasing or leasing arrangements are to be in accordance with the purchasing arrangements laid down elsewhere in these Rules and the Contract Procedure Rules.

2.11. All purchases or the leasing of land, buildings, vehicles or items of plant or equipment shall be within the budget provision and the **Head of Finance & Audit** must be consulted on the method of financing. This includes any simple rental agreements because of the potential implication for the accounts.

Item Value ex VAT	Acquisitions – Land and Buildings
Below £25,000	In conjunction with the Head of Finance & Audit , the Head of Assets may effect minor freehold acquisitions of land required for operational purposes up to £25,000 in money or money’s worth from or to the owners of adjacent or nearby property or Statutory Undertakers where there are no future ongoing liabilities.
£25,000 to £50,000	The Corporate Property Officer in consultation with the Head of Finance and Audit and Leader, may agree to the acquisition, by sale or lease, of small areas of land whose market value does not exceed £50,000.
Above £50,000	The acquisition of any land and buildings of a value in excess of £50,000 requires the approval of Executive for South Hams and the Resources Committee for West Devon and shall be made within the context of the Council’s asset management plan.

Insurance

2.12. All buildings, vehicles or plant or equipment shall be appropriately insured, see also FPR Insurance. The circumstances of losses of or damage to any vehicle or item of plant and equipment must be reported immediately to the relevant **Head of Service** and the **Head of Finance & Audit**. Losses are to be recorded in the appropriate inventory or asset register.

Capital Programme (Links to the Contract Procedure Rules)

2.13. The **Head of Finance & Audit** shall:

- Issue guidance concerning capital schemes and controls, for example, on project appraisal techniques. The definition of 'capital' will be determined by, having regard to government regulations and accounting requirements.
- Determine the most appropriate method of funding of items approved in the capital programme in subsequent financial years.

2.14. The **Head of Finance & Audit** and **Head of Assets**, in association with other relevant **Heads of Service** shall:

- Ensure that specific approval has been obtained from the Council, or as delegated, for capital expenditure prior to any costs being incurred;
- Prepare capital estimates and jointly report them to Council for approval. Council approval is required where a **Head of Service** proposes to bid for or exercise additional borrowing not anticipated in the capital programme. This is because the extra borrowing may create future commitments to financing costs.
- Procurement for approved capital projects must be made in line with the Contract Procedure Rules.
- Where any tender for projects under the Capital Programme exceeds the available budget by 10% or £50,000 approval to proceed may be made by the **Head of Assets** and **S.151 Officer (Head of Finance & Audit)** with retrospective reporting through the monitoring process. Above these amounts the specific approval of the **Resources Committee** should be sought prior to acceptance.
- Have monitoring responsibilities to receive regular reports from Project Managers on the performance of their project; and report quarterly to the **Executive for South Hams** and the **Resources Committee for West Devon** on the overall progress of the Capital Programme. The monitoring report will outline the budget position as a whole and include, as a minimum, the financial position of each approved project.

Project Overspends

2.15. In monitoring expenditure on a project, the officer/Project Manager should seek the formal approval of the **S.151 Officer, Head of Assets** or Member body at the earliest opportunity where the approved expenditure appearing in the capital programme is likely to be exceeded.

2.16. The following table sets out the authorisation required:

Project Total Value	Overspend excl. VAT	Authorised By
Up to £500,000 excl. VAT	£25,000 to £50,000	S.151 Officer Head of Assets With retrospective reporting to the Executive (SH) or Resources Committee (WD) within the quarterly monitoring report.

Project Total Value	Overspend excl. VAT	Authorised By
Up to £500,000	Exceeds £50,000	West Devon Resources Committee South Hams Executive
Over £500,000	10%	West Devon Resources Committee South Hams Executive

2.17. **Heads of Service** shall:

- Comply with guidance concerning capital schemes and controls issued by the **Head of Finance & Audit**.
- Ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of **Head of Finance & Audit** and, if applicable, approval of the scheme through the capital programme.
- Ensure that all capital proposals have undergone a project appraisal in accordance with guidance issued by the **Head of Finance & Audit**.
- A scheme and estimate, including project plan, progress targets and associated revenue expenditure is prepared for each capital project, for approval by the appropriate **Committee** and by Council; accountability for each proposal is accepted by a named project leader.
- To ensure that adequate records are maintained for all capital contracts.
- To consult with the **Head of Finance & Audit** where the **Head of Service** proposes to bid for capital expenditure supported by an external capital grant to support expenditure that has not been included in the current year's capital programme. The capital expenditure and external capital grant should then be reported to the **Resources Committee** as part of the capital programme monitoring report.

Why is this important?

It would be uneconomic and inefficient for the cost of assets to outweigh their benefits. Obsolete, non-repairable or unnecessary resources should be disposed of in accordance with the law and the regulations of the Council with the objective of securing maximum residual value.

Risks:

Assets could be sold when there remains an operational use for them;
 Assets could be sold for far less than the market or expected residual value;
 Assets could be disposed of to officers, Members or others at no or very little cost, which could be construed as tantamount to fraud; and compliance with Government directives such as for electronic equipment.

Responsibilities

- 3.1. Assets no longer required may be disposed of, but only in accordance with the law and the rules of the Council as to maximise the benefit.
- 3.2. The relevant **Head of Service** will ensure that income received from the sale of surplus assets is properly banked and coded to the Council’s accounts, and the **Head of Finance & Audit** informed promptly.
- 3.3. The **Head of Finance & Audit** will ensure that the appropriate accounting entries are made to remove the value of disposed assets from the Council’s records and to include the sale proceeds in the accounts as appropriate
- 3.4. The proceeds for the sale of any asset will be held corporately and may not be attributed to the service that used or disposed of the asset.

Land and Buildings

- 3.5. The Corporate Property Officer, in association with **Heads of Service**, will draft the Council’s Disposal Strategy and ensure that the procedures in the Strategy are complied with. .
- 3.6. The following limits apply to the disposal of land and buildings:

Item Value ex VAT	Disposals – Land and Buildings
Below £25,000	In conjunction with the Head of Finance & Audit , the Corporate Property Officer may effect minor freehold disposals of land not required for operational purposes up to £25,000 in value.
£25,000 to £50,000	The Corporate Property Officer in consultation with the Head of Finance & Audit and the Leader may agree to the disposal, by sale or lease, of small areas of land whose market value does not exceed £50,000 in value.
Above £50,000	The disposal of any land and buildings over £50,000 in value requires the prior approval of the Executive for South Hams and Resources Committee for West Devon and shall be made within the context of the Council’s asset management plan.

Vehicles

- 3.7. Any vehicles that are surplus to the Council's requirements shall only be disposed of on the prior written authority of the Head of Environment Services. She/he is empowered to dispose of vehicles by way of trade-in or, following advertisement, to the highest tenderer and to hire additional vehicles where necessary. Where a vehicle has little or no sale value parts should be re-used where appropriate. The disposal of any vehicle shall either be by part-exchange or by public auction in normal circumstances. The decision on the method of disposal is the responsibility of the relevant **Head of Service**, in consultation with the **Head of Finance & Audit**, who may also in exceptional circumstances use alternative methods where it is beneficial to the Council with the approval of the Section 151 Officer.
- 3.8. All documentation relating to the sale of any vehicle is to be retained in safe custody for a period of six years and is to be available for inspection by Internal Audit, if requested.
- 3.9. Any inventory or similar record relating to the vehicle disposed of is to be endorsed with the date of disposal and the receipt number for the income received.

Plant and Equipment

- 3.10. The term equipment in this section includes all equipment of the Council including engineering, building and office equipment or machinery, but excluding computer equipment.
- 3.11. Proposed disposals of plant and equipment that are surplus to the Council's requirements shall not be separated to avoid the following approval and reporting limits:

Item Value ex VAT	Disposals – Plant and Equipment
Up to £500	Any items of plant or equipment of up to £500 in value that are surplus to the Council's requirements may be disposed of with the written authorisation of the relevant Middle Manager . A second officer shall formally witness the disposal at a local level and the appropriate records retained.
£500 to £1,500	Any items of plant or equipment of in value that are surplus to the Council's requirements may be disposed of between £500 and £1500 with the written authorisation of the Head of Service . A second officer shall formally witness the disposal at a local level and the appropriate records retained.
£1,500 to £5,000	Sealed bids are to be sought in respect of any items of plant and equipment that are surplus to the Council's requirements valued between £1500 and £5,000 on the prior written authority of the relevant Head of Service or his/her nominated deputy. It shall be the responsibility of the Head of Finance & Audit and the relevant Head of Service or their nominated deputy, to obtain the best possible price.

Item Value ex VAT	Disposals – Plant and Equipment (continued)
Above £5,000	The disposal of any item of plant and equipment valued at more than £5,000, shall be by advertised as a competitive tender unless the relevant Head of Service , after consulting the Head of Finance & Audit , decides that disposal shall be by public auction or other appropriate method e.g. part exchange.

- 3.12. The notice offering an item of plant and equipment for sale, regardless of value, is to state that any offer or tender is to be sent to Corporate Finance in a plain sealed envelope endorsed only with the name of the goods to which the offer or tender relates. The name of the person or firm must not be stated on the envelope. (In the case of amounts estimated £30,000 the tendering process described in the Contract Procedure Rules involving Member Services shall apply).
- 3.13. Up to an estimated value of £30,000, all offers or tenders received are to be held unopened in safe custody by the Corporate Finance team until the submission date and time has expired. Tenders must be opened and recorded in the presence of two officers.
- 3.14. No offers or tenders are to be considered after the date and time for the submission of offers or tenders has expired.
- 3.15. On acceptance of the highest offer, the purchaser must pay the Council before the item is released.
- 3.16. All documentation relating to the sale of any item of plant and equipment is to be retained in safe custody for a period of six years and is to be available for inspection by Internal Audit, if requested.
- 3.17. Any inventory or similar record relating to the item of plant and equipment disposed of is to be endorsed with the date of disposal and the receipt number for the income received.

Computer and Computer Related Equipment

- 3.18. The disposal of computers and computer related equipment on behalf of the Council is the responsibility of the **Head of ICT & Customer Services**, although the above principles will apply.
- 3.19. In certain circumstances, where the cost of preparing an item for disposal exceeds the estimate of likely income, obsolete equipment may be destroyed on obtaining the prior written authority of the **Head of Finance & Audit** or her/his authorised representative.
- 3.20. Disposal of electrical and electronic equipment including household appliances, IT/ telecommunications equipment, electrical and electronic tools, leisure and sports equipment etc. should comply with any relevant government/health and safety directives. Wherever possible, items should be offered for re-use or recycling where there is little or no residual value.

Why is this important?**Internal Audit**

The Chartered Institute of Public Finance and Accountancy (CIPFA) states that 'Internal audit is an assurance function that primarily provides an independent and objective opinion to the Council on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the Council's objectives. Internal audit objectively examines, evaluates and reports on the adequacy and effectiveness of the control environment as a contribution to the proper, economic, efficient and effective use of resources'.

External Audit

External auditors are appointed by the Audit Commission, pending a move to the Council, at the end of the current contract, appointing its own external auditor using an Independent Audit Appointment Panel. External auditors are required to be satisfied that proper arrangements have been made by the Council for governance and securing value for money in its use of resources. This work includes providing a certificate on the Council's published accounts and an annual letter to Members outlining the auditor's key findings and recommendations.

Risks:

Changes in the delivery of services could lead to internal control systems failing thereby increasing the possibility of fraud, loss, extravagance, waste or embarrassment to the Council; and The Council could face legal action for failing to maintain an adequate and effective internal audit service.

Responsibilities**Internal Audit**

- 4.1. The Accounts and Audit Regulations state that a relevant body must 'maintain an adequate and effective system of internal audit of the Council's accounting records and of its system of control in accordance with the proper internal audit practices'.
- 4.2. The Council, through the **Head of Finance & Audit**, shall therefore make provision for an independent internal audit in accordance with the professional standards set out in the CIPFA Code of Practice for Internal Auditors in Local Government in the United Kingdom.
- 4.3. The **Chief Internal Auditor** or her/his authorised representative shall have authority to:-
 - Enter at all reasonable times on to any Council premises or land;
 - Have access to all assets, records documents and correspondence relating to any transaction of the Council;
 - Require and receive such information and explanations as are necessary concerning any matter under examination;
 - Require any employee or agent of the Council to account for cash, stores or any other Council property under her/his control; and

- Access records belonging to third parties, such as contractors, partners etc. when required. Such a requirement shall be written into all contracts and partnership agreements.
- 4.4. The **Head of Finance & Audit** and **Heads of Service** must ensure that the above requirements are not compromised, and that all records and systems are up to date and available for inspection.
- 4.5. The **Chief Internal Auditor** will follow professional standards and guidelines issued by CIPFA, specifically the Code of Practice for Internal Audit in Local Government in the United Kingdom and prepare risk based strategic and annual audit plans as a basis of their work.
- 4.6. At the beginning of each financial year, the **Chief Internal Auditor** will present to the **Audit Committee** a risk based audit plan which over a period of time will cover all aspects of the Council's control environment and be accompanied by Terms of Reference and a Strategy setting out how the plan will be achieved.
- 4.7. Internal audit will report on its activities to the **Audit Committee** quarterly. Such reports are to include details of action agreed on recommendations of a significant nature and the **Chief Internal Auditor** shall deliver an annual opinion as to the adequacy of internal control within the authority.
- 4.8. **Heads of Service, Monitoring Officer** and/or **Middle Managers** are to consider and promptly respond to recommendations set out in Internal Audit reports and to ensure that any agreed actions arising from the recommendations are carried out in a timely and efficient fashion.

Systems Changes - Direct or Indirect Financial Nature

- 4.9. The **Head of Finance & Audit** shall advise the **Chief Internal Auditor** of any changes to systems that she/he has been informed of, to allow Internal Audit to influence the controls in the new system at an early stage.

Irregularities (Anti-Fraud and Corruption)

- 4.10. The **S.151 Officer (Head of Finance & Audit)**, in conjunction with the **Monitoring Officer**, must ensure that effective procedures are in place to promptly investigate any fraud, corruption or other irregularity.
- 4.11. The Council's 'Anti-Fraud, Corruption and Bribery Policy and Strategy' is the responsibility of the **S.151 Officer, Monitoring Officer** and **Chief Internal Auditor** and sets out the Council's anti-fraud position. A published 'Response Plan' sets out the procedures to be followed for investigations.
- 4.12. Internal Audit officers will be the normal independent investigators particularly where suspicions involve assets. The **Chief Internal Auditor** must set aside a contingency

budget within the audit plan to cover such eventualities, having regard to other pressures on the team.

Direct Access to the Chief Executive, the Audit Committee and Executive or Resources Committee

4.13. In the event of the necessity arising, the facility exists for Internal Audit to have direct access to the **Chief Executive** (as Head of Paid Service), **S.151 Officer** and the Chairman the **Audit Committee** and/or of the **Executive** or **Resources Committee**.

External Audit

4.14. The **Head of Finance & Audit** shall ensure that there is effective liaison between external and internal audit.

4.15. The **Head of Finance & Audit** will work with the external auditor and advise the Council, **Executive** or **Resources Committee**, and the **Audit Committee** on their responsibilities in relation to external audit.

4.16. **Heads of Service** shall ensure that external audit are given access at reasonable times to premises, personnel, documents and assets which the external auditors consider necessary for the purposes of their work.

Why is this important?

Banking arrangements determine who has access to the funds of the Council. All the Council's income and expenditure is managed through its bank accounts. Each day many transactions take place between the Council, its customers and the Council's bankers. Bank accounts are, therefore, exposed to risk in the form of fraud or error. As a result tight control over setting them up, maintaining them and dealing with the transactions that flow through them is required.

Risks:

Bank accounts could be opened in the name of the Council with the aim of perpetrating a fraud; Unauthorised persons could gain access to the Council's bank account and carry out fraudulent transactions; and Banking instruments, e.g. cheques, money orders etc. could be stolen and used to steal money from the Council's bank account.

Responsibilities**Head of Finance & Audit**

- 5.1. All arrangements with the Council's bankers regarding the Council's bank accounts and the terms on which they are conducted shall be made by the **Head of Finance & Audit**, who will advise on the establishment of suitable controls over access to the bank account including approval of signatories.
- 5.2. No account shall be opened, closed or altered with any bank or other such institution without the prior approval of the **Head of Finance & Audit**.
- 5.3. All the Council's bank accounts must be in the full name of the Council.
- 5.4. Cheques and related stationery shall be ordered only on the authority of the **Head of Finance & Audit** or nominated Deputy who shall make proper and secure arrangements for safe custody.
- 5.5. All cheques drawn on the Council's bank accounts shall be signed by the **S.151 Officer** or an officer designated in the Bank's mandate or bears the facsimile signature of the **S.151 Officer**.

Separation of Duties

- 5.6. The **Head of Finance & Audit** shall arrange such safeguards as she/he deems necessary and practicable including separation of staff duties so that as far as possible the following. The
:
 - Receipt and banking of cash and cheques;
 - Checking of creditors'; benefits; salaries and wages;
 - Control of cheques;
 - Preparation of cheques;
 - Despatch of cheques; and

- Reconciliation of bank balances

Reconciliation of Bank Accounts

- 5.7. The **Head of Finance & Audit** shall nominate an officer to be responsible for reconciling all bank accounts in the name of the Council with the accounting records on a regular basis, and not less frequently than monthly. The reconciliation statement is to be signed jointly by the officer responsible for its preparation and the **Head of Finance & Audit** or his/her nominated deputy.
- 5.8. Any discrepancy arising at the time of reconciling the accounts and records will be made known to the **Head of Finance & Audit** and any such discrepancy clearly stated on the reconciliation statement.

General

- 5.9. Crossed cheques issued by the Council shall only be opened with the express approval and countersignature of the **Head of Finance & Audit** or designated authorised officer.

Why is this important?

Budget management ensures that once the budget has been approved by the full Council, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the Council to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.

Risks:

There may be inefficient use of public money and a failure to comply with the Council's objectives; The viability of the Council as a business could be undermined; and The Council's resources may be vulnerable to fraud or misuse.

Responsibilities**Format of the Budget**

- 6.1. The format of the budget determines the level of detail to which financial control and management will be exercised.
- 6.2. The **Head of Finance & Audit** will advise the Council through the **Resources Committee at West Devon**, and the **Executive at South Hams**, on the format of the budget that must be approved by Council ensuring that the format complies with all legal requirements; reflects the accountabilities of service delivery.

Budget Preparation

- 6.3. The **S.151 Officer (Head of Finance & Audit)** is responsible for ensuring that a revenue and capital budget is prepared on an annual basis and a medium term financial strategy on a five-yearly basis for consideration by the **Executive at South Hams** and **Resources Committee at West Devon**, and in accordance with professional and statutory requirements.
- 6.4. The Council's proposed budgets must reflect service plans and identify areas of cost pressure and budget holders applications for growth in the budget. The draft budget should include allocation to different services and projects, proposed taxation levels and contingency funds in accordance with corporate priorities.
- 6.5. The full Council may amend the budget or ask the **Executive** or **Resources Committee** as appropriate to reconsider before approving it.
- 6.6. Responsible Budget Officers (RBOs) are consulted in the preparation of the budget as they are accountable for the budgets which arise from the planning process,

- 6.7. The **Head of Finance & Audit** will encourage the best use of resources and value for money by working with **Heads of Service** to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.
- 6.8. **Heads of Service** must prepare estimates of future anticipated incomes and expenditures including areas of cost pressures and growth for inclusion in the five-year financial plan with a careful consideration of corporate and service priorities.

Resource Allocation

6.9. The **Head of Finance & Audit** shall:

- Advise on methods available for the funding of resources, such as grants from central government and borrowing requirements.
- Assist in the allocation of resources to Responsible Budget Officers.
- For **West Devon**, bids to the Contingency Fund must be approved by the **Resources Committee** and bids to the Emergency Fund must be approved by the **Head of Finance & Audit** in consultation with the Chair and Vice Chair of the **Resources Committee**.

6.10. **Heads of Service** shall:

- Work within budget limits and to utilise resources allocated, and further allocate resources, in the most efficient, effective and economic way.
- Identify opportunities to minimise resource requirements without having a detrimental effect on service delivery.

Budget Management

6.11. After approval by the Council budget management must be exercised within the annual budget limits; there must be no increase in the overall budget (see Supplementary Estimate Request below). Expenditure is to be committed only against an approved budget head.

6.12. The **Head of Finance & Audit**:

- Is responsible for establishing an appropriate framework and providing appropriate financial information to enable budgets to be monitored effectively on an individual basis and as a whole;
- Must monitor and control expenditure against budget allocations and report to the **Executive** or **Resources Committee** as appropriate on the overall position and projected income and expenditure on a regular basis;
- To submit reports to the **Resources Committee** or **Executive** as appropriate, in consultation with the relevant **Head of Service**, where a **Head of Service** is unable

to balance expenditure and resources within existing approved budgets under his/her control.

- Must ensure that:
 - expenditure is committed only against an approved budget codes;
 - each budget has a single named RBO, determined by the relevant **Head of Service**. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making process that commits expenditure;
 - each RBO has available timely information on receipts and payments on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities;
 - all officers responsible for budgets comply with relevant guidance, and the Financial Procedure Rules;
 - significant variances from approved budgets are investigated and reported by RBOs regularly.
- Will administer the Council's scheme of virement.

Heads of Service must:

- Ensure prior approval by Council or the **Resources Committee** or **Executive** (as appropriate) for new proposals, of whatever amount, that:
 - create financial commitments in future years
 - materially extend or reduce the Council's services.
 - involve expenditure for which budget provision is not made or is exceeded
- Maintain budgetary control within their service;
- Control income and expenditure within their area and to monitor performance, taking account of financial information provided by the **Head of Finance & Audit**. They should report on variances within their own areas.
- Ensure that an RBO is identified for each item of income and expenditure under the control of the **Head of Service** (grouped together in a series of cost centres). As a general principle, budget responsibility should be aligned as closely as possible to the decision-making process that commits expenditure.
- Responsible Officers are to be accountable for the income and expenditure for the budgets that they control. Responsible Officers are to understand their financial responsibilities and comply with accounting guidance provided by the Head of Finance & Audit and the Council's Financial Procedure Rules
- Take any action necessary to avoid exceeding their budget allocation and alert the **Head of Finance & Audit** to any problems.

General

6.13. No officer should code expenditure to a cost centre without the approval of the RBO for that cost centre.

Virement (Budget Changes)

6.14. The full Council is responsible for agreeing the procedures for virement between budget headings, through these Financial Procedure Rules.

6.15. Virement does not create additional budget liability.

6.16. The scheme of virement is to be administered by the **Head of Finance & Audit**:

- Properly approved virement request forms and requests not requiring approval must be processed by the appropriate Accountant who will amend the financial management system (general ledger) budget files. Approved forms must be retained for audit purposes.
- The transfer of non salary budgets for use on salary expenditure will be permitted up to a total of £10,000 per **Head of Service** per annum (not per service);
- In addition, the **Head of Finance & Audit** shall have the discretion whether or not to report a virement to the **Executive at South Hams**.
- For **West Devon**, to prepare jointly with the **Head of Service** a report to the affected Committees where virements between different Committees are proposed

6.17. Responsible Budget Officers' are responsible for initiating the virement procedure if an overspend is likely to occur within the departmental budget.

6.18. A 'Virement Request' form may need to be completed where approval is required as set out in the tables below.

*The following table summarises the authorities required for virements at **West Devon**:*

Virement	Authorisation required
Between an RBO's own cost centres	Responsible budget holder
Between cost centres within the same Committee but with different RBOs	The relevant Heads of Service
Between cost centres in different Committees	Approval of both relevant Committees

*The following table summarises the authorities required for virements at **South Hams**:*

Virement	Authorisation required
Where the sum involved is up to £5,000	The appropriate responsible budget holder may approve the virement in consultation with the appropriate accountant. No form is required;
Where the sum involved is greater than £5,000 but is less than £30,000	A virement form is required which is to be authorised by the relevant Head of Service and Head of Finance & Audit or nominated deputy;
Where the sum involved is between £30,000 and £100,000	The appropriate Head of Service and the Head of Finance & Audit shall sign a virement form in consultation with the appropriate accountant and submit it to the Executive for approval;

Virement (continued)	Authorisation required
Where the amount exceeds £100,000 per individual virement	The appropriate Head of Service and the Head of Finance & Audit shall sign a virement form in consultation with the appropriate accountant and submit it to full Council for approval.

No virement relating to a specific financial year can be made after 31 March in that year.

Supplementary Estimate Request

6.19. If virement is not possible, for example if there is no existing budget to vire or use of reserves is inappropriate, the **Head of Service** concerned, in consultation with the **Head of Finance & Audit**, shall submit a Supplementary Estimate Request to the **Executive/Resources Committee**. No such expenditure may be incurred except on resolution of the Council after considering the proposals of the **Executive/Resources** .

Reserves

6.20. The **Head of Finance & Audit** will advise Council on prudent levels of reserves for the Council, and to take account of the advice of the external auditor in this matter.

6.21. For each reserve established, the purpose, usage and basis of transactions should be clearly identified. Reserves should only be used for the purposes for which they were intended.

6.22. Authorisation of expenditure from reserves must be sought by the appropriate **Head of Service** in consultation with the **Head of Finance & Audit**.

6.23. The **Head of Finance & Audit** may approve the use of Earmarked Reserves and Unearmarked General Fund Reserves up to a limit of £30,000, and may also approve increasing or creating Earmarked Reserves up to a limit of £30,000.

6.24. The use of Reserves over £30,000 requires the prior approval of the **Executive** for **South Hams** or **Resources Committee** for **West Devon** upon receipt of a report from the **Head of Service** and **Head of Finance & Audit**.

Using Funds Held Under S.106 Agreements

6.25. Projects to be funded, in whole or in part, from S.106 Agreements must meet the requirements of the agreement.

6.26. Authorisation of expenditure using funds received from S.106 Agreements must be sought from the **Head of Finance & Audit** for amounts up to £30,000 by the appropriate **Head of Service**, following consultation with the relevant **Ward Member** as a minimum.

6.27. The use of funds received from S.106 Agreements for projects over £30,000 requires the prior approval of the **Executive** for **South Hams** or **Resources Committee** for **West Devon** upon receipt of a report from the **Head of Service** and **Head of Finance & Audit**.

Shared Services

6.28. The **Head of Finance & Audit (S.151 Officer)** will ensure that a framework exists for the recharging of costs incurred by one partner Council on behalf of the other, having regard to the:

- Moral and legal requirement that one Council's tax payers are not subsidising the costs of the others:
- Principle accepted by Members that partner Council's do not incur excessive costs in establishing the value of recharge due, although the recharge must be transparent and supportable to ensure its acceptability to the Councils' external auditors.

6.29. The **Heads of Service** and **Middle Managers** must ensure that:

- Their managers are aware that they are responsible for the recharging of costs incurred and must consider budget implications of using employees of the shared Council before deciding where a shared resource is deployed. In each case focus needs to be on who will benefit from the expenditure (and therefore who should bear the cost of the work).
- Budgets must not be used to fund another authority's costs even where they have a budget shortfall.
- All recharges must be transparent and robust with a clear audit trail and a clear basis for recharge
- Should tasks be undertaken by an officer in one Authority on behalf of both, clear parameters need to be set to ensure that there is no duplication

6.30. The lead officer must check the VAT and insurance implications of any proposed new shared services working arrangements with Corporate Finance well before they are due to start.

6.31. Officers must always be thinking about shared services and whether any of their work needs to be recharged (on a regular or ad hoc basis).

Capital Programme (Links to the Contract Procedure Rules)

6.32. See Section 2 - Assets

Why is this important?

Any loan to an individual carries with it an element of risk on the part of the lender. The lender has to be sure that the person receiving the money can afford to repay it within an agreed timescale. In the case of car loans this is restricted to use for just that, the purchase of a new or approved second hand car. The Council wishes to ensure that its 'interest' in the vehicle being purchased is protected.

Risks:

The member of staff may be unable to repay the loan;
The vehicle may not be worth the sale price and hence the Council's interest in it would be reduced;
and
If not comprehensively insured the Council's interest in the vehicle is no longer tangible.

Responsibilities

- 7.1. The **Head of Corporate Services** shall be empowered to make loans in accordance with the Council's scheme to employees who are in receipt of an essential user car allowance and in all other cases where it is essential for the proper conduct of the Council's business that the employee should provide a car.
- 7.2. A register of car loans shall be maintained by the **Head of Corporate Services**.

Application and Payment

- 7.3. Every applicant for a car loan shall submit an application form giving the details required and indicating the approval of the **Head of Service**.
- 7.4. Payment of a loan shall be made by the **Head of Corporate Services** against a signed agreement to comply with the conditions of the scheme including authority to deduct amounts due from salary payment, and will require the support of the **S.151 Officer (Head of Finance & Audit)**.
- 7.5. Cheques or BACS payments for vehicles will be made payable to the seller of the car (normally a garage). A receipt from the seller of the car must be produced and handed to the Council within 14 days of the payment of the loan and a copy taken and held on file.

Responsibilities of the Borrower

- 7.6. Cars must be comprehensively insured for business use (see also FPR Travel and Subsistence) and the **Head of Corporate Services** or her/his nominated officer is authorised to inspect policies or certificates of insurance for confirmation at any time.
- 7.7. Borrowers must hold a full valid driving licence and this will be checked at the discretion of the **Head of Corporate Services**.

Repayment

- 7.8. Repayment of a car loan must be completed within the agreed period to a maximum of 5 years. Deductions of the appropriate amount will be made from salary by the **Head of Corporate Services**.
- 7.9. In circumstances where an employee with an outstanding car loan leaves the employment of the Council, arrangements for full repayment will be required before the employee has left the Council's service.

Why is this important?

Public money should be spent with demonstrable probity and in accordance with the Council's policies. Authorities have a statutory duty to achieve best value in part through economy and efficiency. The Council's procedures should help to ensure that services obtain value for money from their purchasing arrangements..

Risks:

The incorrect volume, number or quality of goods, works and services may be received; Goods, works or services received may not be fit for purpose;

The Council may be committed to spending on goods, works or services for which no budgetary provision has been determined;

Officers failing to follow contract and tendering procedures may leave both themselves and the Council open to accusations of favouritism and unfair contract terms;

Goods, works or services ordered may fail to meet the Council's environmental, health and safety and other strategies and policies; and

Short-term expenditure may commit the Council to longer-term maintenance costs.

Responsibilities

- 8.1. These procedures should be read in conjunction with the Council's Contract Procedure Rules and the Procurement Strategy.
- 8.2. Every officer and Member of the Authority has a responsibility to declare to the **Monitoring Officer** any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the authority, in accordance with appropriate codes of conduct.
- 8.3. Each **Head of Service** is authorised to incur normal recurring expenditure provided that:-
 - Provision has been made by way of revenue budget or supplementary estimate, virement or the work is rechargeable. Officers must not use an incorrect expenditure code to avoid overspending;
 - The quotation or tendering procedure required by the Contract Procedure Rules has been observed unless the Council has given authority for Exemption to Contract Procedure Rules;
 - In cases not covered by Contract Procedure Rules, **Heads of Service** shall obtain competitive quotations; and
 - Each order shall conform to the directions of the Council with respect to central purchasing and the standardisation of supplies and materials.

Orders

- 8.4. Official orders shall be in a form agreed by the **Head of Finance & Audit** with the responsible **Head of Service**, which in normal circumstances will be the Council's electronic ordering system.

- 8.5. The **Head of Finance & Audit** may approve alternative arrangements for the ordering of goods etc. where circumstances or trading necessity make this in her/his opinion desirable. Such approval must be given in writing.
- 8.6. Official orders shall be serially numbered and directions shall be specified on all orders that invoices shall be sent to the service group or establishment issuing the orders as soon as possible after the despatch of goods.
- 8.7. The **Head of Service** of a service group shall be responsible for all orders issued from that service group. She/he shall maintain a list of all persons authorised to raise orders on her/his behalf and a copy of the list shall be supplied to the **Head of Finance & Audit**.
- 8.8. Blank orders should be held securely at all times.

Ordering

- 8.9. **Heads of Service** should ensure that:

- All goods and services are ordered only by appropriately authorised persons;
- Officers are aware that official orders, either in whole or in part, are not to be used to obtain goods works or services for private use.
- Official orders are issued for all work, goods and services to be supplied to the Council. They are a simple form of contract between the Council and a supplier.

- 8.10. Orders are not required for:-

- Rates;
- Supply of utility services (e.g. gas, water, electricity, telephone);
- Supply of professional services where it would be inappropriate to use an official order;
- Cases where a formal contract is made; and
- Small cash purchases properly paid out of petty cash (see FPR Petty Cash).

- 8.11. Other exceptions must be agreed by the **Head of Service** concerned, in consultation with the **Head of Finance & Audit**.

- 8.12. Oral orders shall only be given in the case of urgency by an officer authorised to sign the relevant order. Such oral orders shall be confirmed as soon as practicable within 48 hours by the issue of an official order unless exempt by the paragraph above.

- 8.13. No order shall be issued for goods, work, or services unless the cost is covered by the approved annual budgets, supplementary estimate or by virement approved under these Financial Procedure Rules. The electronic ordering system will alert the authorising officer if there is a shortfall in the cost code being used, and this should only be overridden if the officer is certain that funds are available in related cost codes.

- 8.14. All official orders shall show the relevant expenditure code and the actual or estimated cost of the goods, materials or services taking into account discounts, carriage etc. at the time of the order. The commitment against the budget will be shown when the electronic ordering system is used.
- 8.15. No supplies are to be obtained on behalf of the Council without an order number being quoted and an order despatched.
- 8.16. Orders placed internally for central purchasing contract purchases e.g. stationery, office equipment may only be signed by those authorised to sign orders by the **Head of Service** of the relevant service group.
- 8.17. In cases where orders are lost in the post or by suppliers, confirmation of the order shall be given by letter quoting the original order number, except where duplicate orders issued marked as such (e.g. using the electronic ordering system).
- 8.18. Standard Terms and Conditions must not be varied without the prior approval of the Council's Procurement Officer and the Council's Solicitor dealing with contracts.

Quotations

- 8.19. Best endeavours must be made by ordering officers to ensure that the most favourable prices and terms are obtained for the supply of goods, works and services in accordance with the Council's Contract Procedure Rules and Procurement Strategy.
- 8.20. The following table is a summary of the quotation/tendering requirements, which also apply to any sub-contractors working on behalf of the Council and to the appointment of any specialist contractors/consultants:

Limits for Quotations and Tendering (from Contract Procedure Rules)

Item Value ex VAT	Quotations/Tendering	Requirement
Below £5,000	One quotation, but good practice to seek most favourable prices and terms, having regard to the Council's Procurement Strategy.	Good Practice
£5,000 to £30,000	3 quotations appropriately evidenced.	Yes
Above £30,000	Tendering in line with Contract Procedure Rules – Part 4 of the Constitution	Yes
ICT	All system developments and purchases of computer equipment or software must be approved by the Head of ICT, or her/his nominated deputy.	Yes

Orders are not to be split into smaller orders solely to avoid the value limits and procedures laid down in these Rules.

- 8.21. Where an internal supplier exists, such as printing, waste disposal, legal etc., **Heads of Service** are expected to approach these support services for a quotation before placing any external order for the service.
- 8.22. The use of formal corporate contracts is a requirement and individual orders from other suppliers of items within these contracts should not be made. This is because although a lower price may be found elsewhere, quality will have been tested as part of the contract letting, and the additional costs of looking for lower prices, physically placing a separate order, processing and paying the invoice and in some cases retrospective discounts (rebates), are masked.
- 8.23. In exceptional circumstances, where ongoing large orders are placed and individual items can be found substantially cheaper elsewhere, corporate contracts can be ignored with the written approval of both the **Head of Service** and Corporate Procurement Officer.
- 8.24. Certain suppliers e.g. Devon Purchasing, and other formal Procurement Partnerships are deemed to have obtained sufficient quotations etc. to comply with this requirement, as a part of their compliance with the European Union purchasing regime. The Contract Procedure Rules Section 3 refers and the advice of the Corporate Procurement Officer or Internal Audit should be sought.
- 8.25. Reliance upon quotations obtained by formal partners should only be used if they meet the requirements of these rules, and are current and appropriately evidenced.
- 8.26. The best value for money for the Council may not necessarily lie with the lowest quotation. Consideration needs to be given to the whole life costs of goods, works and services. In these circumstances, an order may be placed with a provider other than the cheapest. However, the written approval of the responsible **Head of Service** must be obtained and the reasons appropriately recorded.
- 8.27. To **Head of Service** shall ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the **Head of Finance & Audit**. This is because of the potential impact on the Council's borrowing powers, to protect the Council against entering into unapproved credit arrangements and to ensure that value for money is being obtained.

Open/Regular Supply Orders

- 8.28. Normally orders must not be kept "open" for continuing purchases for more than fourteen working days or until completed, whichever comes first.
- 8.29. Approval will be given by the **Head of Finance & Audit** to keep an order open where it can be shown that specified supplies from one contractor are required on a continuing regular basis, such as rental charges, having regard to the market testing limits above. All such orders are to be closed down immediately following the

approved period to a maximum of the financial year-end, and the expected payments to be recorded on it.

Information Technology (ICT) Equipment and Software

- 8.30. All system developments and purchases of computer equipment or software must be approved by the Head of ICT, or her/his nominated deputy, in accordance with the Council's ICT Strategy and must comply with EC Legislation and Directives. For the purpose of this FPR, equipment will include any device capable of being linked physically or otherwise to the Council's computer or telephone systems (e.g. digital cameras).
- 8.31. Only the Head of ICT & Customer Services is empowered to enter into contracts for information, communication and technology services up to a value set in the Council's Contract Procedure Rules. For contracts above this limit, the Head of ICT & Customer Services must consult with the Council's Solicitor and the **Head of Finance & Audit**.
- 8.32. Orders in respect of ICT hardware and software should be in the form of an ICT hardware/software request. These must be submitted to the Head of ICT & Customer Services, who is authorised to place the official order.

Orders, Delivery Notes and Invoices

- 8.33. All incoming invoices should be matched with the relevant order and the delivery note filed accordingly.

Orders to Individuals (Self-employed)

- 8.34. Special care should be taken when issuing orders or making payments to individuals. The fact that a person considers her/himself to be self-employed does not necessarily mean that they are in the view of the Revenue. Where a service is provided (rather than goods), and payments are calculated by the hour or day, it is probable that payment should be through the Council's payroll.
- 8.35. The matter should be referred to the **Head of Corporate Services** without delay. (It should be noted that failure to treat such payments in the correct manner might result in the Council incurring significant penalties for failing to comply with tax legislation).
- 8.36. See also section 17 Taxation regarding the completion of the HMRC.
- 8.37. Using an existing Council employee, or a relative, as a self employed consultant should be avoided, even if quotations have been obtained in line with these Rules. In exceptional circumstances, the relevant **Head of Service** with the agreement of the **Monitoring Officer** may override this Rule where such action is clearly beneficial to the Council.

Why is this important?

Public money should be spent with demonstrable probity and in accordance with the Council's policies. Authorities have a statutory duty to achieve best value in part through economy and efficiency. The Council's procedures should help to ensure that services obtain value for money from their purchasing arrangements.

Risks:

The Council could pay for goods and services that have not been received;
The Council could pay for goods and services twice or more in error; and
Interest could be charged to the Council by suppliers following late payment.

Responsibilities

- 9.1. These procedures should be read in conjunction with the previous section on ordering, and the Council's Contract Procedure Rules (Part 4 of the Constitution).
- 9.2. Apart from petty cash, the normal method of payment from the Council shall be by cheque or other instrument or approved method, drawn on the Council's bank account by the **Head of Finance & Audit**. The use of direct debit or standing order shall require the prior specific agreement in writing of the **Head of Finance & Audit**, although the most economical method of payment will be encouraged.

Invoices

- 9.3. The payment of all monies due from the Council will be made under the control of the **Head of Finance & Audit** with the exception of payments properly made from petty cash (FPR Petty Cash). This includes making payment specifically required under statute or court order whether or not the budget provision exists.
- 9.4. Each **Head of Service** will arrange for invoices to be sent in the first instance to the service group or establishment issuing the orders in accordance with directions to be specified on the orders, and the supplier will be asked to quote the name of the service group, the number of the order and the place where the work was done or goods delivered.
- 9.5. Invoices for payment by the Council must not be drafted by officers of the Council on behalf of others except in any case or category of cases previously agreed by the **Head of Finance & Audit**.
- 9.6. No amendments, changes or avoidance of the system laid down for the processing of invoices for payment must be undertaken without the approval of the **Head of Finance & Audit**.
- 9.7. Invoices will only be accepted on which details are written in ink, typewritten, printed or generated by computer. No payment is to be made against a faxed

or photocopied invoice unless the prior approval of the **Head of Finance & Audit** or her/his appointed representative has first been sought.

- 9.8. All amendments to an account will be made in ink and signed or initialled in her/his own name by the officer making the amendment and the reasons if not self-evident will be briefly stated on the account. No amendments will be made to the amount of VAT payable.

Invoices – Self Employed Status

- 9.9. To comply with Inland Revenue requirements **Heads of Service** are required to formally consider the employment status of individuals employed on a 'self employed consultant or sub contract' basis. Advice should be sought from the **Head of Corporate Services** in the case of any doubt as payment via the payroll system may be required.

Payment Request Forms

- 9.10. In some circumstances a payment request form is completed to generate a payment e.g. Disabled Facility Grants at South Hams where the payment is made to a contractor from an invoice addressed to the claimant.
- 9.11. The principles of the certification and authorisation paragraphs below will apply to payment requests submitted to Corporate Finance either manually or electronically.

Receiving/Certification

- 9.12. The **Head of Service** issuing an order will be responsible for the examination, verification and certification of the relevant account on the original document. An attachment may be used for coding purposes.
- 9.13. The 'receiving' (GRN in the electronic ordering system) or certification of an invoice on behalf of a **Head of Service**, by an officer authorised by her/him and who is not the 'authorising officer', will imply:-
- That the goods have been received, examined and approved as to quality and quantity, or that services rendered or work done has been performed satisfactorily;
 - That they conform to the order;
 - That the price is in accordance with the quotation, contract or current market rate, whichever is applicable, or is otherwise reasonable;
 - That all trade and cash discounts, other proper allowances and other credits due have been deducted;
 - That the expenditure has been properly incurred, has been duly authorised and is within the estimates;
 - That costing allocations are correct;

- That the account has not been previously passed for payment and has now been recorded as paid on the copy order or other authorisation;
- That appropriate entries have been made in any inventories, goods received or stores records which are required to be kept;
- That the invoice is arithmetically correct and that it complies with VAT regulations; and
- That any commitments pertaining to the original order have been identified and cancelled.

9.14. A list of officers authorised to receive or certify accounts will be sent by each **Head of Service** to the **Head of Finance & Audit**. All amendments to the list will be notified to the **Head of Finance & Audit** in writing. The **Head of Finance & Audit** will be responsible for advising the ICT team of the appropriate access to the electronic ordering system for service officers.

9.15. Every account will be signed in manuscript in the certifying officer's own name, in situations where the electronic ordering system has not been used.

Authorisation

9.16. The authorisation of accounts will be made by the **Head of Service** concerned, or by an officer authorised by her/him, either in writing or electronically using the electronic ordering system, having first notified the **Head of Finance & Audit**.

9.17. The names of officers with the authority to authorise invoices will be sent by each **Head of Service** to the **Head of Finance & Audit**. The **Head of Finance & Audit** will be notified of any changes in writing, the notification being signed by the appropriate **Head of Service**. The **Head of Finance & Audit** will be responsible for advising the ICT team of the appropriate access to the electronic ordering system for service officers.

9.18. Every invoice will be signed in manuscript in the authorising officer's own name, in situations where the electronic ordering system has not been used.

9.19. Depending whether manual or electronic ordering is used, the officer authorising the payment will be confirming the following:-

- That the order or account has been properly checked and raised/certified by an officer authorised to do so;
- That the order or account relates to necessary and valid expenditure, which conform to the needs of the particular service; and
- That the items are coded to the correct financial code. The electronic ordering system will alert the authorising officer if there is a shortfall in the cost code being used, and this should only be overridden if the officer is certain that funds are available in related cost codes.

Separation of Duties

9.20. The duties of ordering and receiving goods, works and services and of certifying or authorising the relevant accounts for payment will not be performed by the same officer, subject to the **Head of Finance & Audit** being informed if such a separation of duties in any individual instance is impracticable.

Payment

9.21. All payments are to be made to the correct person, for the correct amount and properly recorded, with evidence of the transaction and payment stored for a period in accordance with statutory and Council requirements

9.22. Accounts for payment will be submitted, appropriately certified and authorised to the **Head of Finance & Audit** within 14 days of receipt, as they must be paid within 30 days of receipt unless they are formally in dispute. Exceptions are where different terms are agreed with the supplier, and for small and medium businesses to be paid in line with target set by the **Executive (SH)** or **Resources Committee (WD)**.

9.23. The **Head of Finance & Audit** will examine as far as she/he considers necessary all accounts passed to her/him for payment and she/he will be entitled to make all such enquiries and to receive such information and explanations as she/he may require to satisfy her/himself that the accounts are in order.

9.24. Payments are not to be made on copy or faxed invoices except where that invoice has been approved by one of the signatories to the Council's bank account.

9.25. The **Head of Finance & Audit** will be responsible for carrying out such checks of the arithmetic accuracy of accounts submitted for payment, as she/he deems necessary.

9.26. Creditors will be paid by BACS whenever possible with a remittance advice forwarded within 24 hours of payment. All bank details to enable payment will be held on the Creditor's individual file records and amended by Corporate Finance staff only on receipt of official notification in writing from the creditor, duly verified

9.27. Cheques must only be returned to the officer requesting payment in exceptional circumstances, and an appropriate record kept by Corporate Finance of the distribution.

9.28. Each **Head of Service** will as soon as possible after 31st March in each year, and in any case not later than a date to be specified by the **Head of Finance**

& Audit, notify the **Head of Finance & Audit** of all outstanding items of expenditure relating to and incurred in the previous financial year which have not been passed to her/him for payment. When such items of expenditure are subsequently certified for payment they shall be identified accordingly.

- 9.29. Payment for goods and services not yet received should only occur in exceptional circumstances and with the prior approval of an authorising officer. A record of the payment should be made on the order and checks should be carried out to ensure that delivery subsequently takes place.
- 9.30. All paid invoices and certificates will be retained by the **Head of Finance & Audit** for a minimum period of six financial years after the year to which they relate.
- 9.31. Payments must not be raised for internal transactions of the Council, even between departments without the prior approval of the **Head of Finance & Audit**.

Returned Cheques

- 9.32. All creditors cheques returned to the Council, whether by hand or by post, shall be passed immediately to the Cashier's Section and not to the instigating section or Corporate Finance. The cheque must be cancelled and the instigating section informed of the cheque having been returned.
- 9.33. The instigating section and Corporate Finance are to be informed of any cheques returned in order that appropriate action may be taken to update records etc.

Value Added Tax (VAT)

Links to the FPR relating to Taxation

- 9.34. It is the responsibility of all receiving ('GRN') or 'Certifying Officers' to ensure that the relevant VAT invoice is forthcoming, in accordance with the guidance issued by the Council's VAT officer on behalf of the **S.151 Officer**.
- 9.35. All invoices received from VAT registered suppliers, which contain elements of VAT must be valid tax invoices. In cases where payment is required with the order the VAT should be coded to the VAT suspense account.
- 9.36. VAT should not be added to any charge invoiced by a supplier without evidence that the supplier is registered for VAT. No amendments will be made to the amount of VAT payable. If the VAT status of the supplier is thought to be incorrect, the matter should be referred to Internal Audit for further investigation.

Credit/Purchase Cards

- 9.37. Corporate credit/purchase cards are issued for buying work related goods or services and shall only be issued to and used by officers/Members approved by the **Head of Finance & Audit**.
- 9.38. Officers/Members issued with a corporate credit/purchase card shall ensure that it is held securely at all times and shall immediately report its loss or theft to the **Head of Finance & Audit**/Internal Audit whereupon the issuing company shall immediately be notified by telephone with confirmation in writing.
- 9.39. Officers issued with a corporate credit/purchase card shall not lend or disclose the details of the card to other officers unless they have received due authority to do so from the appropriate **Head of Service** and only in emergency cases. Great care should be taken where a purchase is made using the Internet, i.e. only reputable and secure 'https' web sites should be used.
- 9.40. Cardholders must sign the Council's Cardholder Responsibilities and Guideline for Operatives' form to confirm that they have read and understood the guidance.
- 9.41. Where an employee leaves the Council's employment, or is suspended from duty for any reason, the appropriate **Head of Service** shall ensure that the credit card is immediately surrendered. The **Head of Finance & Audit** will take immediate steps to cancel the card and destroy it to prevent further use.
- 9.42. The card issuer's statement must promptly be reconciled to receipts and then be submitted to the **Head of Finance & Audit** before payment is due. Payment to the card issuer must be authorised by the relevant **Head of Service** or the **Head of Finance & Audit**.
- 9.43. Should an unauthorised transaction be noted, the employee shall immediately notify the **Head of Finance & Audit** who will investigate the irregularity.

Financial Year End

- 9.44. **Heads of Service** shall notify the **Head of Finance & Audit** of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the **Head of Finance & Audit**.

Loans, Leases and Rental Agreements

- 9.45. The **Head of Service** shall ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the **Head of Finance & Audit**. All loans, leases and rental agreements must be in a form approved by the Council's Solicitor. This is because of the potential impact on the Council's

borrowing powers, to protect the Council against entering into unapproved credit arrangements and to ensure that value for money is being obtained.

Why is this important?

External funding is potentially a very important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Council. Local authorities are increasingly encouraged to provide 'seamless' service delivery through working closely with other agencies and private service providers. Funds from external agencies such as the National Lottery provide additional resources to enable the authority to deliver services to the local community. However, in some instances although the scope for external funding has increased such funding is linked to tight specifications and may not be flexible enough to link to the authority's overall plan.

Risks:

Statutory requirements are not complied with;
Funds are acquired in respect of policies that have not been approved by the Council;
The Council signs up to long term agreements without securing match funding; and
Unforeseen risks could cause additional expenditure / staff time needed to manage funded projects.

Responsibilities**10.1. The responsible Head of Service must**

- Complete a project mandate including risk assessment and consult all stakeholders before the project commences to ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood.
- Make the **Head of Finance & Audit** aware of any prospective funding arrangements, prior to entering into an agreement and ensure that any match-funding requirements are given due consideration prior to entering into long-term agreements and that future revenue budgets reflect these requirements.
- The relevant **Head of Service** must seek the relevant approvals, including from Members/Member bodies where appropriate, and ensure that reports provide detailed information on future costs to the Council in managing the funding.
- With the officer appointed to manage the project, ensure that the funding bodies grant conditions / requirements are met; that the project progresses in accordance with the agreed project plan; that all expenditure is properly incurred and recorded and that all claims for funds are made by the due date.
- With the **Head of Finance & Audit**, ensure that audit requirements are met.

10.2. The Head of Finance & Audit must

- Review proposals in detail to ensure that they are viable and ensure all funding requirements are considered and future revenue or capital budgets reflect these requirements
- Ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts, and that the audit requirements with regard to the external funding are met.

Why is it this important?

The Council will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Council.

The Council's expectation of propriety and accountability is that Members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices. The Council also expects that individuals and organisations (e.g. suppliers, contractors, service providers) with whom it comes into contact will act towards the Council with integrity and without thought or actions involving fraud and corruption.

Risks

There may be a loss of assets and reputation if the Council allows fraud, corruption or bribery to be perpetrated against it.

Responsibilities

11.1. It is the responsibility of all Members and staff act with integrity and lead by example.

11.2. The **S.151 Officer**, **Monitoring Officer** and **Chief Internal Auditor** shall:

- Develop and maintain an Anti Fraud, Corruption & Bribery Policy and Strategy and supporting Response Plan;
- Develop and maintain an Anti Money Laundering Policy and supporting procedures;
- Regularly update the Anti Fraud, Corruption & Bribery Policy and Strategy Anti Money Laundering and present them to the **Audit Committee** for recommendation of approval
- Promote adequate and effective internal control arrangements (see separate FPR).

11.3. The **Monitoring Officer** shall:

- Ensure whistle blowing procedures are in place, promoted and operate effectively;
- Promote high standards of conduct amongst Members and officers;
- Maintain a register of interests in which any hospitality or gifts accepted must be recorded.

11.4. **Heads of Service** shall ensure that:

- All suspected irregularities are reported to the **Head of Corporate Services**, or **Head of Finance & Audit** or internal auditor in line with the Policy and Response Plan.
- Where financial impropriety is discovered, the **Head of Finance & Audit** and the **Monitoring Officer** are informed and where sufficient evidence exists to believe that a criminal offence may have been committed, the Police are called in to determine with the Crown Prosecution Service whether any prosecution will take place.
- All staff are aware of and contribute, when appropriate, to the corporate register of interests held by the **Monitoring Officer**. Managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the Council or who are corrupt.

Why is this important?

Grants and subsidies are a significant source of finance to the Council. As such it is essential that the Council receives all that is due to it and on time. Statistical returns often have a significant financial impact upon the authority in respect of the allocation of future grant funding streams.

Risks:

Potential income from grants may not be received or received late, the Council thereby having to meet any shortfall in income;

Grant claim forms may be incorrectly completed; and

The Council could be criticised by external audit for failing to claim and/or record grant income correctly.

Responsibilities

12.1. The **Head of Finance & Audit**, in association with other **Heads of Service** where relevant, shall be responsible for ensuring that all forms relating to subsidies, grants and claims submitted to Government Departments or other grant paying bodies are completed on behalf of the Council.

12.2. The **Head of Finance & Audit** or relevant **Head of Service** shall nominate specific officers to complete various subsidy, grant and claim forms and it shall be their duty to deal with the forms expeditiously using the most accurate information available.

Grants Conditions

12.3. The **Head of Finance & Audit** or relevant **Head of Service** shall ensure that the conditions of any subsidy or grant are met, including the submission of claims on a timely basis as required by the terms of the grant paying body. Great care shall be taken in the preparation and submission of grant claims and statistical returns in order to ensure their accuracy.

Receipts and Payments

12.4. Any payment by or income due to the Council arising from a submitted subsidy, grant or claim form shall be made known to the **Head of Finance & Audit** and amounts recorded for accounting purposes to the financial codes set up for the purpose.

Audit Requirements of the Grant Paying Body

12.5. The **Head of Finance & Audit** or relevant **Head of Service** shall give early consideration to the audit requirements of the grant paying body and make the necessary arrangements for auditing to ensure that relevant deadlines are met.

12.6. Copies of subsidy, grant and claim forms, together with adequate supporting working papers shall be prepared and retained and are to be made available for inspection by internal or external auditors.

Why is this important?

Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly, and all VAT correctly accounted for. Receivable income should be collected at the earliest opportunity and in advance of any consequential supply of goods or services, as this improves the Council's cashflow and also avoids the time and cost of administering debts.

Risks

Income collected could be lost or stolen;
Income may not be collected or may be incorrect, i.e. the incorrect rate or tariff is charged;
Money owed to the Council may not be adequately pursued; and
Financial and accounting records may not be correctly updated.

Responsibilities**13.1. The Head of Finance & Audit must:**

- Agree arrangements for the collection of all income due to the Council and to approve the procedures, systems and documentation for its collection.
- Approve the form of all books of accounts, and all official receipt forms or books, licences, tickets and all documents or vouchers representing receipts for money or money's worth. They shall be ordered, controlled and issued by her/him, and all new stock and issues will be properly recorded by the **Head of Finance & Audit** and acknowledged by the recipient (unless by prior arrangement and approval e.g. car parking tickets).
- Ensure officers collecting income shall not also be involved in the reconciliation of that income to the amounts due. An officer who is not involved in the collection process shall ensure that the money reported as collected has indeed been banked.
- Review and update a Money Laundering Avoidance Policy for the Council.

Charges for Services

13.2. **Heads of Service** must establish an appropriately approved charging policy for the supply of goods or services, including the appropriate charging of VAT, with advice from the **Head of Finance & Audit**.

13.3. They must ensure that the **Head of Finance & Audit** is notified promptly of all monies due to the Council under contracts, leases, tenancy agreements, agreements for the sale of property and any other agreements involving the receipt of money by the Council, and the **Head of Finance & Audit** will have the right to inspect any documents or other evidence in this connection as she/he may decide.

13.4. With the exception of those fixed nationally or delegated to officers, no new charges for services, or a revision of charges, will be made except upon a report prepared jointly by the **Head of Service** concerned and the **Head of Finance & Audit** to the appropriate member body.

Cash Collection and Banking

- 13.5. **Heads of Service** must ensure that all monies received on behalf of the Council shall without delay (within one working day unless circumstances prevent) be either paid to the **Head of ICT & Customer Services** , in accordance with regulations agreed by the **S.151 Officer** or, subject to her/his instructions, banked in the Council's name in compliance with the Accounts and Audit Regulations. The responsibility for identifying amounts due and the responsibility for collection, should be separated as far as is practicable.
- 13.6. Where possible income shall be collected in advance of providing goods or services having due regard to accounting and VAT implications as advised by the **Head of Finance & Audit**.
- 13.7. Cash collected or held on behalf of the Council is to be fully accounted for and an official receipt issued. The official receipt number or other appropriate reference number is to be recorded on all cheques and postal orders received on behalf of the Council. Copy receipts, tickets and other records of income for the appropriate period to hold securely.
- 13.8. No deduction may be made from income save to the extent that the **Head of Finance & Audit** may specifically authorise
- 13.9. Every department or establishment which receives cash and cheques through the post must arrange for the post to be opened by at least two officers who will record and witness all remittances received.
- 13.10. Third party cheques will not be accepted in payment of accounts due to the Council. No change shall be given for any cheque payments.
- 13.11. Income shall be recorded and banked daily following reconciliation or at such intervals as the **Head of Finance & Audit** may decide. In any event banking shall be made at least once per week or before the relevant insurance limit is exceeded. This rule also applies to rent and other cash collectors.
- 13.12. All officers paying in must complete a paying in slip in duplicate in a form approved by the **Head of Finance & Audit**.
- 13.13. Where a cheque is accepted, together with cash, in settlement of a debt, the detail must be noted on the copy of the cheque list which accompanies the paying in slip.

13.14. All collecting officers must maintain an "unders and overs" record for any discrepancies and discrepancies over £30 must be reported immediately to Corporate Finance.

Personal Cheques

13.15. Personal cheques shall not be cashed nor money loaned out of cash held on behalf of the Council, including income or change floats.

Change Floats

13.16. The **Head of Finance & Audit** may advance a fixed imprest to an officer of the Council for use as a change float. Each imprest shall be of such amount as the **Head of Finance & Audit** may determine in consultation with the relevant **Head of Service**.

13.17. Following certification of receipt, officers holding change floats take personal responsibility for the custody of cash until such time as another authorised officer certifies take over of responsibility.

13.18. No income is to be used as a change float. Cash income or change floats are not to be used as petty cash in any circumstances (see also FPR Petty Cash (Imprest Accounts)).

13.19. Every officer holding a change float shall certify to Corporate Finance the amount of the float held at 31st March each year.

13.20. Change floats shall be available for inspection by internal audit officers at any time.

Security

13.21. It is the responsibility of the receiving officers and their managers to ensure that all income and floats are locked away to safeguard against loss or theft, and to ensure the security of cash handling, in line with the requirements of the Council's insurers.

13.22. When remittances are passed to a second officer or cashier, a receipt must be obtained from the person to whom they are handed. At least two employees shall be present when post is opened to ensure that money received by post is properly identified recorded and witnessed.

Raising Invoices (Sundry Debtors)

13.23. The control and recovery of debts is the responsibility of the **Head of Finance & Audit**.

- 13.24. The relevant **Head of Service** will furnish such particulars of charges for work done, goods supplied or services rendered on behalf of the Council and of other amounts accruing due, as the **Head of Finance & Audit** may require and so ensure prompt recording of all funds receivable by the Council.
- 13.25. The responsible officer must ensure that invoices are raised in respect of work done, goods supplied or services rendered on behalf of the Council within 10 working days of the work having been done/ goods supplied or services rendered.
- 13.26. It is the responsibility of all officers raising invoices to ensure that the VAT is appropriately accounted for in an invoice, in accordance with the guidance issued by the Council's VAT officer on behalf of the **S.151 Officer**.
- 13.27. Invoices must not be raised for internal transactions of the Council, even between departments.

Recovery

- 13.28. Accounts raised are to be pursued by the **Head of ICT & Customer Services** for Council Tax, Benefit overpayments and Non Domestic Rates, and the **Head of Finance & Audit** for Sundry Debtors within defined timescales including referral to Court or the Council's Solicitor depending on the type of debt.
- 13.29. For sundry debts the Policy for the Collection and Recovery of Sundry Debt must be adhered to, and the service concerned shall be regularly informed of recovery progress so as to ensure that further provision of goods or services is stopped until payment is forthcoming.
- 13.30. **Heads of Service** will ensure that all necessary documentation required by the Council's Solicitor to support legal action in pursuit of debt, will be provided promptly and in the form required.

Bad and Doubtful Debts

- 13.31. The **Head of Finance & Audit** is empowered to write off bad and doubtful debts up to £5,000, after satisfying her/himself that it would be uneconomic or inappropriate for the Council to pursue them, and where appropriate a Legal representative has considered the Council's position and also takes the view that the debt is unlikely to be recovered without expenditure disproportionate to the amount involved.
- 13.32. In the case of debts due to other service groups, the **Head of Finance & Audit** will consider writing off the debt having first consulted with and obtained the written authorisation of the relevant **Head of Service** or her/his deputy.

13.33. No debts in excess of £5,000 may be written off without the approval of the **Executive at South Hams or Resources Committee at West Devon**

13.34. The total amounts of debt written off by the **Head of Finance & Audit** under delegated powers will be reported to these bodies annually or more frequently if appropriate,

13.35. Appropriate accounting entries shall be made only following the receipt of write-off approval, with the charge made to the budget to cost centre.

Cancellations

13.36. Invoices should only be cancelled in circumstances where the income no longer falls due, such as an error or change in circumstances on the original.

13.37. Invoices that have been raised cannot be cancelled without the authorisation of the relevant **Head of Service** or her/his appointed deputy and the **Head of Finance & Audit** or her/his appointed deputy.

Financial Year End

13.38. The **Head of Finance & Audit** is to be informed of any outstanding income relating to the previous financial year as soon as possible after the 31st March, and not later than 30th April.. This includes outstanding income data recorded on independent billing and collection systems (both manual and computerised) held within and outside the finance function.

Why is this important?

Many services and activities of the Council are not without inherent risk of death, injury or financial loss to staff, Members of the public or external organisations. The Council needs to assess and log these risks and then decide how to cover them, i.e. take out insurance with an external provider or cover the risk itself by making payments from Council funds as and when claims are made. These procedures should be read in conjunction with the Council's Risk Management Strategy.

Risks:

The Council may be unable to meet large claims made against it, i.e. death or injury;
 The Council may be over insured, i.e. paying out higher premiums than it needs to; and
 The Council may not be aware of all risks and has not, therefore, taken steps to reduce them or their effect.

Responsibilities**14.1. The Head of Finance & Audit shall**

- Effect all insurance cover and negotiate all claims in consultation with other officers where necessary
- Ensure that all appropriate employees of the Council shall be included in appropriate fidelity guarantee insurance whilst carrying out duties directly connected with their employment as a Council officer.
- **Heads of Service** shall consult the **Head of Finance & Audit** and the **Monitoring Officer** regarding the terms of any indemnity that the Council is requested to give.
- Annually, or at such period as she/he may consider necessary, review all insurances in consultation with other **Heads of Service** as appropriate.

14.2. Heads of Service or their Middle Managers shall:

- Give prompt notification of all new risks, property, equipment or vehicles that require to be insured and of any alterations affecting existing insurances either to the **Head of Finance & Audit** or using a process approved by him/her to inform the Council's insurers;
- Ensure that all conditions of the Council's insurance policies that relate to their area of responsibility are adhered to.
- Immediately notify the **Head of Finance & Audit** in writing of any loss, liability or damage or any event likely to lead to a claim in connection with their service groups together with full supporting details, papers or subsequent explanation as required.
- To ensure that employees, or anyone covered by the Council's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.
- Consult the **Head of Finance & Audit** and the **Monitoring Officer** regarding the terms of any indemnity that the Council is requested to give.

Inspections

- 14.3. Each **Head of Service** shall keep suitable records to ensure that the inspection of engineering plant under her/his control normally carried out by an insurance company is carried out by that company or nominated contractor within the periods prescribed by the Health and Safety at Work or other legislation.
- 14.4. In the event of failure by the Insurance Company or nominated contractor to carry out inspections within the prescribed periods the **Head of Finance & Audit** shall be notified immediately.

Claims

- 14.5. Any claim made against the Council for expenses or damages incurred, which may reasonably be expected to be covered by insurance should immediately be referred to the **Head of Finance & Audit**.
- 14.6. Policy premiums and any excess required to be paid in the claims process will be charged to the relevant service, as such premiums and excesses fall due.
- 14.7. Council employees or anyone covered by the Council's insurances must not admit liability or make any offer to pay compensation which may prejudice the assessment of liability in respect of any insurance claim.
- 14.8. It is the responsibility of the relevant **Head of Service** to ensure that appropriate insurance arrangements are made when undertaking work for third parties, in conjunction with the **Head of Finance & Audit** or her/his nominated representative.

Why is this important?

Intellectual property is a generic term that includes inventions and writing. If these are created by the employee during the course of employment then, as a general rule, they belong to the employer not to the employee. Various Acts of Parliament cover different types of intellectual property.

Risk

The Council may not benefit from activities undertaken within the Council which may give rise to items that may be patentable e.g. software development

Responsibilities

15.1. In the event that the Council decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with the Council's approved intellectual property procedures.

Head of Finance & Audit

15.2. To develop and disseminate good practice and work with **Heads of Service** to ensure that maximum benefit for the Council is derived from development of intellectual property.

Heads of Service

15.3. To ensure that controls are in place to ensure that staff do not carry out private work in Council time and that staff are aware of an employer's rights with regard to intellectual property.

Why is this important?

The Council holds assets in the form of property, vehicles, equipment, furniture and other items worth many millions of pounds. It is important that assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations. An inventory is a prerequisite for sound asset management.

Risks:

Holders of equipment and furniture may be unaware that items have been lost or stolen without a record of all such items being on hand; and

The Council's insurers may reject claims to replace lost or stolen items if the Council cannot demonstrate that it maintains adequate inventory records.

Responsibilities

- 16.1. Inventories shall be kept in a form approved by the **Head of Finance & Audit**. These rules do not override any other statutory or regulatory reasons for maintaining an inventory.
- 16.2. Inventories of all property with a replacement value of greater than £100 (furniture, fittings, equipment, vehicles and plant) belonging to or in the care of the Council, other than stores, shall be prepared and maintained by the **Head of Service** concerned or an officer designated by her/him.
- 16.3. An inventory of all ICT equipment will be held by the ICT Section.
- 16.4. Each **Head of Service** shall:
- Nominate the officers who are responsible for compiling and maintaining the inventories of assets.
 - Arrange for the inventory to be checked at least annually with the physical assets and shall certify the inventory to that effect. The **Head of Finance & Audit** shall be advised of deficiencies revealed by these checks.
- 16.5. The original copy of an inventory that is to be re-written, for whatever reason, is to be retained until Internal Audit advise otherwise. Similarly, any input documents used for amending entries held in a computerised inventory system are to be held for inspection by Internal Audit, if requested.

Council Property

- 16.6. The **Head of Finance & Audit** or her/his representatives may at all reasonable times have access to the property of the Council and may make such checks and tests as she/he deems reasonable and necessary.
- 16.7. The Council's property shall not be removed unless in accordance with the ordinary course of the Council's business or as directed by the **Head of Service** concerned. All property belonging to the Council and recorded on an inventory shall be marked as Council property.

Why is this important?

Partnerships will play a key role in delivering services and community strategies and in helping to promote and improve the well-being of the area.

The Council is working in partnership with other Councils, public agencies, private companies, community groups and voluntary organisations, to bring together the contributions of the various stakeholders to deliver a shared vision of services based on user wishes.

The Council will mobilise investment, bid for funds, champion the needs of their areas and harness the energies of local people and community organisations.

Risks:

The objective of a proposed partnership may not be achieved;

A partnership arrangement may cost the Council more than an existing or singularly administered equivalent, or the quality of service may decline, or both; and

Important issues and problems are not addressed as roles and responsibilities were not clearly defined at the outset.

Responsibilities

17.1. The main reasons for entering into a partnership are:

- The desire to find new ways to share risk;
- The ability to access new resources;
- To provide new and better ways of delivering services;
- To forge new relationships.

17.2. A partner is defined as either:

- An organisation (private or public) undertaking, part funding or participating as a beneficiary in a project, or
- A body whose nature or status gives it a right or obligation to support the project.

Members:

17.3. The Articles of the Council's Constitution confirm that the Council may enter into any joint arrangements including with one or more other local authority.

17.4. The **Resources Committee** for **West Devon** and the **Executive** for **South Hams** is responsible for approving frameworks for partnerships within the scope of their functions.

17.5. For **West Devon**, the **Overview & Scrutiny Committee** shall be responsible for the monitoring of partnership arrangements in accordance with the Council's Partnership Policy.

17.6. The **Head of Finance & Audit (S.151 Officer)** shall

- Give advice on effective controls and ensure that accounting arrangements are satisfactory.

- With the relevant **Head of Service** be guided by the checklist in the Council's approved Partnership Policy and Guidance, and the key elements of funding a project. This will include:
 - A scheme appraisal for financial viability in both the current and future years;
 - Risk appraisal and management;
 - Resourcing, including taxation issues;
 - Audit, security and control requirements; and
 - Carry-forward arrangements.
- With the **Monitoring Officer** must seek to ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. The overall corporate governance arrangements and legal issues must also be considered when arranging contracts with external bodies. All the risks should have been fully appraised before agreements are entered into with external bodies.

17.7. The **Head of Service** shall:-

- Ensure that any partnership that the Council enters into represents value for money i.e. the benefits outweigh the costs including officer time. The value for money should be continuously monitored on an ongoing basis.
- Ensure that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies;
- Adhere to the Council's approved Partnership Policy and Guidance, having regard to governance, risk management, information sharing, the Council's partnership register, and an annual evaluation of achievements and value for money.
- Maintain a register of all contracts entered into with external bodies in accordance with procedures specified by the **Head of Finance & Audit**;
- Ensure that such agreements and arrangements do not impact adversely upon the services provided by the authority;
- Ensure that an agreement exists in respect of each partnership and arrangements are properly documented and reviewed by the Council's Solicitor; and
- Provide appropriate information to the **Head of Finance & Audit** to enable a note to be entered into the Council's statement of accounts concerning material items.

17.8. **Partners** must:-

- If appropriate, and especially where this Council takes the lead, be aware of their responsibilities under the authority's Financial Procedure Rules, Contract Procedure Rules, and Partnership Policy unless separate governance arrangements, including the administration of financial matters, are adopted by each partner;
- Ensure that risk management processes are in place to identify, assess and monitor all known risks;
- Ensure that project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise;

- Agree and accept formally the roles and responsibilities of each of the partners involved in the project before the project commences; and
- Communicate regularly with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution.

Shared Services

17.9. The **Head of Finance & Audit (S.151 Officer)** will ensure that a framework exists for the recharging of costs incurred by one partner Council on behalf of the other, having regard to the:

- Moral and legal requirement that one Council's tax payers are not subsidising the costs of the others:
- Principle accepted by Members that partner Council's do not incur excessive costs in establishing the value of recharge due, although the recharge must be transparent and supportable to ensure its acceptability to the Councils' external auditors.

17.10. The **Heads of Service** and **Middle Managers** must ensure that:

- Their managers are aware that they are responsible for the recharging of costs incurred and must consider budget implications of using employees of the shared Council before deciding where a shared resource is deployed. In each case focus needs to be on who will benefit from the expenditure (and therefore who should bear the cost of the work).
- Budgets must not be used to fund another authority's costs even where they have a budget shortfall.
- All recharges must be transparent and robust with a clear audit trail and a clear basis for recharge
- Should tasks be undertaken by an officer in one Authority on behalf of both, clear parameters need to be set to ensure that there is no duplication

17.11. The lead officer must check the VAT and insurance implications of any proposed new shared services working arrangements with Corporate Finance well before they are due to start.

17.12. Officers must always be thinking about shared services and whether any of their work needs to be recharged (on a regular or ad hoc basis).

Why is this important?

Staff costs are the largest item of expenditure for most Council services. It is therefore important that payments are accurate, timely, made only where they are due for services to the Council and that payments accord with individuals' conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for and that Members' allowances are authorised in accordance with the scheme adopted by the full Council.

Risks:

Employees may be paid incorrectly;
Payments may be made to fictitious employees; and
Action could be taken against the Council by external agencies for failing to abide by statutory requirements in the employment and remuneration of employees.

Responsibilities

18.1. The payment of all salaries, wages, gratuities, compensation and other emoluments to employees or to former employees shall be made by the **Chief Executive through the Head of Corporate Services**, including those powers set out in the Scheme of Delegation. These officers are responsible for advising on areas such as income tax, national insurance and pension contributions.

18.2. The **Head of Corporate Services** will:

- Ensure that adequate and effective systems and procedures are operated, so that:
 - payments are only authorised to bona fide employees;
 - payments are only made where there is a valid entitlement;
 - conditions and contracts of employment are correctly applied;
 - employees' names listed on the payroll are checked at regular intervals;
 - to verify accuracy and completeness with **Heads of Service**.
- Control, make accurate and timely payment and account for national insurance, income tax and pension and the maintenance of related records;
- With the **Head of Finance & Audit**, frequently reconcile payroll expenditure against approved budgets.
- Ensure that checks are undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced and trustworthy
- Notify the **Chief Executive** and the **Head of Finance & Audit** as soon as possible of changes in remuneration, other than normal increments and pay awards and agreements of general application

Heads of Service

18.3. Each **Head of Service** shall:

- Ensure appointments are made in accordance with the rules of the Council and approved establishments, grades and scale of pay and that adequate budget provision is available.
- Notify the **Head of Corporate Services** as soon as possible and in such form as the **Head of Corporate Services** may prescribe of:-

- appointments, resignations, dismissals, suspensions from duties and transfers;
- absences from duty for sickness or other reasons apart from approved leave;
- changes in rate of remuneration (other than normal increments); and
- information necessary to maintain records of service for superannuation, income tax, national insurance and the like.
- such other information as may be required by the **Head of Corporate Services** in connection with the calculation and payment of salaries, wages, compensation and other emoluments to the employee.
- Ensure the payment of salaries and wages at the proper time such documents as are required for data processing are to be submitted in accordance with a timetable.
- To ensure that the **Head of Corporate Services** and the Finance & Audit is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.

Appointment

- 18.4. Appointment of employees will be made in accordance with the establishment and rates of remuneration approved by the Council.
- 18.5. The **Head of Corporate Services** (and any officer who may be appointed to carry out duties in connection with remuneration or establishment) will be consulted in connection with any proposal to seek approval from the Senior Management Team for any appointment outside the approved establishment and rates of remuneration. .
- 18.6. In applying scales of salaries and wages, and in relation to other remunerations the **Head of Service** will consult with the **Head of Corporate Services**.
- 18.7. Upon the appointment of any member of staff, each **Head of Service** will provide the **Head of Corporate Services** with the relevant payroll starter letters and forms, plus information necessary to maintain records of service, pensions, income tax and national insurance liability etc may prescribe on a timely basis.
- 18.8. The **Head of Corporate Services** will maintain personal files for all new and existing employees and will complete pension documentation as required, in accordance with the Local Government Pension Scheme.

Appointment – Self Employed Status

- 18.9. To ensure that payroll transactions are processed only through the payroll system, **Heads of Service** should give formal consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis by completing the HMRC employment status checklist.
- 18.10. The Inland Revenue applies a tight definition for employee status, and the Head of Finance & Audit and the **Head of Corporate Services must be advised of all appointments.**

Time and Other Amendment Records

- 18.11. All time records and other amendments to payroll data shall be in a form approved by the **Head of Corporate Services**.
- 18.12. All time records and other amendments will be certified by or on behalf of the **Head of Service** concerned. A list of officers authorised to sign such documents will be sent to the **Head of Corporate Services** together with specimen signatures.
- 18.13. All amendments to the authorised signatory list will be notified to the **Head of Corporate Services** in writing. Documents will be signed in manuscript in the authorised officer's own name.
- 18.14. All time records and other amendment pay sheets will be signed by the employee making the claim.
- 18.15. Electronic mailing or facsimiles are not a suitable media to notify the Head of Corporate Services of time or other amendments that result in payment or deductions from pay, other than in urgent cases when followed up with a signed original document.
- 18.16. Retention of documents must comply with statutory Inland Revenue, DwP and Pension requirements.
- 18.17. Each **Head of Service** will be responsible for keeping adequate records of annual leave, sickness or other absences of employees within her/his service group.

Payment

- 18.18. Payments will be calculated by the **Head of Corporate Services** in accordance with the information provided, the relevant Conditions of Service, and statutory payroll legislation.
- 18.19. Payment will be by BACS for all employees. Bank details must be provided by employees in writing.
- 18.20. Pay advices will be despatched to the relevant department where a designated officer will be responsible for their distribution. Any undelivered pay advices must be returned to the **Head of Corporate Services** not payroll officers (contributes to separation of duties in a small team).
- 18.21. Payment of salaries and wages in advance will not be made except in the case of persons leaving the service of the Council before the day on which their salary or wage would normally be paid or at the discretion of the **Head of Corporate Services**.

Absence

18.22. Managers or their authorised officers are responsible for ensuring records of all absences including holidays, sickness, unpaid and other leave are maintained and monitored, and for notifying the Head of Corporate Services of the same.

In addition, for periods of unpaid and unauthorised leave, immediate written notification to the **Head of Corporate Services** is required.

Leavers

18.23. The relevant **Head of Service** will notify the **Head of Corporate Services** immediately by completion of a Leaver's Form, of all resignations, dismissals, redundancies or retirements. On receipt of the Leaver's Form the **Head of Corporate Services** will calculate and initiate the final payment, and where applicable, forward the necessary pension documentation, to the administering Authority.

Pay Awards

18.24. The **Head of Corporate Services** will be authorised to implement any nationally agreed salary or wage award and will report to the appropriate member body on the financial implications of any pay award affecting employees of the Council.

Verification

18.25. The names and grades of all employees listed on the payroll shall be annually checked and signed as correct by the appropriate **Head of Service** to verify the accuracy of the payroll records.

Members Allowances

18.26. The **Monitoring Officer** will advise the **Heads of Corporate Services and Finance & Audit** promptly of the Members' allowances agreed by the Council in the Scheme of Member Allowances. Payments made to Members will be through the payroll and will be subject to the same financial control requirements as those made to officers.

Staffing

18.27. The **Chief Executive as Head of Paid Service** is responsible for providing overall management to staff. He/she is also responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job.

18.28. The **Head of Corporate Services**, with the **Head of Finance & Audit**, shall ensure:

- That the budget provision exists for all existing and new employees.
- The staffing budget is an accurate forecast of staffing levels and is equated to an appropriate revenue budget provision (including on-costs and overheads).

18.29. **Heads of Service** shall:

- Monitor staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff.
- Ensure that the staffing budget is not exceeded without due authority and that it is managed to enable the agreed level of service to be provided.
- Ensure that the **Head of Finance & Audit** is immediately informed if the staffing budget is likely to be materially over- or under-spent.

Why is this important?

The Council grants thousands of people millions of pounds in benefits to assist them in paying their rent and/or Council Tax bills. The Housing Benefit scheme is complex, requires people to declare both personal and financial details and is, as a result, open to error and abuse. This being the case the assessment, calculation and payment of claimants needs to be carefully controlled.

Risks:

Benefit could be paid to fraudulent claimants;

Personal domestic and financial details relating to a claimant could be disclosed without authority to do so; and

Benefit entitlement could be incorrectly calculated.

Responsibilities

19.1. The **Head of ICT & Customer Services** shall be responsible for the procedures, assessment and payment of benefit. He/she shall ensure that periodic checks on the calculations and the entitlement for benefit in selected cases are carried out.

Personal Data/Declaration of Interest

19.2. All records and files of personal information relating to claims and the calculation of entitlement to benefit are to be held under arrangements that will prevent access by unauthorised persons.

19.3. Any information gained in the assessment and payment of benefit shall not be divulged by any member of staff to persons not authorised to receive that information. Any person seeking information on behalf of another must provide satisfactory evidence that they are authorised to do so within the confines of the Data Protection Act.

19.4. Any members of staff with a personal interest in a benefit claim shall notify their manager in writing and have no part in the assessment or payment of that claim.

Payment – BACs

19.5. Benefit payment will be made by BACS whenever possible. All bank details to enable payment will be amended by benefits staff only on receipt of official notification in writing from the claimant. For landlord payment to companies, written details of bank account changes will be subsequently verified direct with the company.

Payment - Cheques

19.6. All cheques in payment of benefit shall be crossed and opening of those cheques will not be permitted. Alternative arrangements will be made by the Head of Customer Services to allow claimants to cash cheques with the appropriate identification. All benefit cheques returned to the Council, whether by hand or by post, shall be passed immediately to the Cashier and cancelled. The Benefits team and accountants are, however, to be promptly notified that any such cheques have been returned.

Why is this important?

Public money should be spent with demonstrable probity and in accordance with the Council's policies, even in respect of low value purchases. Authorities have a statutory duty to achieve best value in part through economy and efficiency. The Council's procedures should help to ensure that services obtain value for money from their purchasing arrangements.

Risks:

Cash may be stolen, lost or borrowed without due authority; and
Expenditure may be poorly controlled with little comparison of costs.

Responsibilities

- 20.1. The **Head of Finance & Audit** may advance a fixed imprest to an officer of the Council for petty cash expenditure. Each imprest shall be of such amount as the **Head of Finance & Audit** may determine in consultation with the **Head of Service**. A centralised imprest should be used wherever this is practical, and the principles of these rules apply equally to it.
- 20.2. Following certification of receipt, officers holding petty cash take personal responsibility for the custody of cash until such time as another authorised officer formally takes over responsibility for the money.

Expenditure

- 20.3. Petty cash items shall be limited to minor non-recurring items of expenditure and shall not exceed in the case of each individual item, the sum prescribed by the **Head of Finance & Audit** of £30. This amount may only be exceeded with the prior agreement of the **Head of Finance & Audit** or his/her nominated Deputy.
- 20.4. None of the following items of expenditure shall be paid out of petty cash:-
- Travelling and subsistence expenses of officers, including car park and ferry/bridge crossings;
 - Postages, except where a small supply of stamps is held for a specific purpose agreed by the **Head of Finance & Audit**; and
 - Stationery.
- 20.5. No personal cheques are to be encashed via petty cash, nor personal loans made.
- 20.6. Where petty cash disbursements are made for goods that include VAT, a VAT invoice or receipt must be obtained.
- 20.7. Any claim for petty cash shall be recorded on an official petty cash voucher. The voucher is to be signed by the officer making the claim and attached to a suppliers payment receipt.

20.8. The holder of the petty cash imprest shall check the claim to ensure that the item is for work use, the amount claimed matches the receipt and that it is correctly coded for both financial management and VAT purposes.

Reimbursement

20.9. Petty cash imprests shall be reconciled and balanced (vouchers to cash balances) on a regular basis (monthly is recommended) or when handed to another officer to administer. Every officer holding a petty cash imprest shall certify to Corporate Finance the amount of the imprest as at 31 March each year.

20.10. Receipts and vouchers for petty cash disbursements shall be forwarded to Corporate Finance with the claim for reimbursement. A claim for reimbursement must also be made as close to the 31st March annually as is practical.

20.11. The claim shall be certified as correct by the **Head of Service** or such person nominated by her/him for that purpose.

General

20.12. No income is to be paid into petty cash.

20.13. Cash income or change floats are not to be used as petty cash in any circumstances.

20.14. Floats and vouchers shall be held securely and access restricted to authorised officers.

20.15. The Finance team must be advised of any significant variances, above £30, identified by the reconciliation of the petty cash float.

20.16. On leaving the Council's employment or otherwise ceasing to hold an imprest advance, an employee shall account to Corporate Finance for the amount advanced to her/him. Under no circumstances should the petty cash be banked as income, instead it should be coded to the relevant petty cash code supplied by Corporate Finance. On change of custody of the float it should be counted by both officers and a signed record of the balance held.

20.17. Cash balances and vouchers shall be available for inspection by internal audit officers at any time.

20.18. The officer responsible will provide the **Head of Finance & Audit** with a certificate of the value of the account held at 31st March each year.

Centralised Imprest - Petty Cash Advances

- 20.19. Advances of cash up to £30 from the Customers Services may be made with the prior authorisation of an authorised signatory upon completion of a 'Cash Advances' form. The name of the person to whom the advance is to be issued and that of the issuing officer together with the date of issue and the amount shall be recorded on the form.
- 20.20. Receipts shall be kept in respect of purchases made using the cash advance. These, together with any residual balance shall be paid back into the Customers Services within 2 working days of the original advance being issued. The balance of any residual cash plus the value of the receipts shall agree to the amount originally issued.
- 20.21. The Cashier shall check the receipts and ensure that a coding slip is completed to ensure that the FMS system is updated with the expenditure incurred.

Why is this important?

Maintaining proper accounting records is one of the ways in which the authority discharges its responsibility for stewardship of public resources.

A complete and accurate audit trail is the key mechanism underpinning the control environment.

Risks:

The External Auditor may not be able to provide an adequate assurance that the Councils accounts present a true and fair view;

Statutory obligations concerning the retention of key documents may not be met, e.g. VAT, PAYE;

Court action could fail due to the loss of prime documents; and

Performance statistics cannot be verified.

Responsibilities

- 21.1. In conjunction with the **S.151 Officer (Head of Finance & Audit)**, the **Monitoring Officer** shall create, maintain and make available a Records Management Policy and Records Retention Policy to all staff.
- 21.2. **Heads of Service** shall ensure that their staff retain adequate records in line with statutory requirements and internal policies to provide a management and audit trail. This shall include making staff aware of and follow guidance set out in the Records Management Policy and Records Retention Policy.
- 21.3. It is the responsibility of all officers and Members to ensure the security of any retained documents in line with the Data Protection Act and these Rules

Why is this important?

All organisations, whether private or public sector, face risks to people, property and continued operations. Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk management is the planned and systematic approach to the identification, evaluation and control of risk. Its objectives are to secure the assets of the organisation and to ensure the continued financial and organisational well-being of the organisation. In essence it is, therefore, an integral part of good business practice. Risk management is concerned with evaluating the measures an organisation already has in place to manage identified risks and then recommending the action the organisation needs to take to control these risks effectively.

Risks:

The Council may be unable to meet large claims made against it, i.e. death or injury;
The Council may be over insured, i.e. paying out higher premiums than it needs to; and
The Council may not be aware of all risks.

Responsibilities**Risk Management**

- 22.1. It is the overall responsibility of the Council to oversee the Council's Risk Management Policy, and to promote a culture of risk management awareness throughout the Council.
- 22.2. The Council will be assisted in this by the **Audit Committee** who will monitor the effectiveness of the Council's risk management process on a regular basis.
- 22.3. On a six monthly basis a **Corporate Director** will provide update reports to the **Audit Committee**.
- 22.4. The Senior Management Team will comprehensively review the Corporate Risks on a quarterly basis.
- 22.5. As part of the System of Internal Control **Heads of Service** will set the operational objectives for their service each year linked to corporate objectives; identify the risks to achieving those objectives and the controls to mitigate these risks. In addition, the risks deriving from the 'Blueprint' objectives must also be established and recorded in the Council's risk registers.
- 22.6. **Heads of Service** shall:
- Identify and quantify risks and potential liabilities;
 - Ensure awareness among all levels of staff with regards to the control of risk;
 - Ensure that all significant risks and potential liabilities are addressed;
 - Ensure that the appropriate decisions are taken on the acceptable level of retained risk; and

RISK MANAGEMENT, INTERNAL CONTROL, GOVERNANCE Section 22

- Regularly review the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis.

22.7. Managers are responsible for managing the day to day risks.

Corporate Risk Management Group

22.8. A **Corporate Director** will co-ordinate a quarterly meeting of a Corporate Risk Management Group. The Group will include the **Chief Internal Auditor**, the Risk and Health & Safety Adviser, Insurance Officer and Legal Officer and where necessary **Heads of Service** and **Middle Managers**..

22.9. The Corporate Risk Management Group will ensure that the Council's risk register reflects the risks identified by **Heads of Service**.

22.10. **Heads of Service** are also responsible for identifying significant changes in risk for their service and must ensure that the Risk Management Group is advised on a timely basis.

22.11. The Risk Management Group will drive the implementation and embedding of risk management, and contribute to the maintaining of the Council's risk registers.

22.12. Internal Audit will review the risk management process on an annual basis and report the results to the Risk Management Group in addition to normal reporting lines.

22.13. The risk management framework links with the Council's System of Internal Control and Code of Corporate Governance, all of which form part of the assurance streams that enable the Council to publish an annual governance statement as required by the Accounts and Audit Regulations (backed by Statutory Instrument)

Internal Control (System of)

22.14. The Council is responsible for maintaining a System of Internal Control – setting of objectives, identification of risk and controls to mitigate the risks.

22.15. The Council will also be responsible for conducting a review at least once a year of the effectiveness of internal control and shall prepare a statement (the Annual Governance Statement), in accordance with proper practices, for publication with the Council's published annual accounts.

22.16. The **Audit Committee** will act as the nominated member body to examine the draft statement and supporting evidence and recommend approval.

22.17. **Heads of Service** are to manage system processes to ensure that established controls are being adhered to and to evaluate their effectiveness in order to be confident in the proper use of resources, achievement of objectives and management of risks.

22.18. The **S.151 Officer** will advise on the systems of control devised by managers and co-ordinate the management group with responsibility for drafting the statement, evaluating assurances and supporting evidence in respect of:

- Performance Management;
- Internal Audit;
- External Audit;
- Heads of Service;
- Monitoring Officer;
- Risk Management Group; and
- (vii)Corporate Governance.

Systems Changes - Direct or Indirect Financial Nature

22.19. The **Head of Finance & Audit** shall be informed of the creation, amendment or removal of systems of a financial nature or where decisions arising from the use any system have a financial consequence.

22.20. The requirements set out in the Council's Data Quality Strategy shall also be adhered

Corporate Governance

22.21. The Council is responsible for approving the Council's Code of Corporate Governance.

22.22. The principle of the Code will be openness, integrity and accountability and will cover the areas required by CIPFA/Solace, which at the date of these Financial Procedure Rules include:

- Purpose of the Council and outcomes for the community;
- Members and officers with clearly defined functions and roles;
- Upholding high standards of conduct and behaviour;
- Informed decision making, effective scrutiny, & risk management;
- Developing the capability of Members and officers; and
- Engaging with local people and other stakeholders.

22.23. Direct responsibility for the monitoring of compliance with the principles and elements of corporate governance and the requirements of the Code are placed with the Council's **S.151 Officer, Monitoring Officer and Chief Internal Auditor.**

22.24. These officers, through Internal Audit, will therefore:

- Test the code annually and the results of the monitoring and testing will be reported to both the **Audit Committee** as required by the Constitution.
- Prepare a statement, in accordance with proper practices, for publication with the Council's published annual accounts.

Performance Management/Data Quality

22.25. The **Head of Finance & Audit** shall:

- Advise and supply the financial information that needs to be included in performance plans in accordance with statutory requirements and agreed timetables.
- Contribute to the development of corporate and service targets and objectives and performance information.
- Ensure that systems are in place to measure activity and collect accurate financial information for use in performance indicators.

22.26. **Heads of Service** shall:

- Contribute to the development of performance plans and the Financial Strategy in line with statutory requirements.
- Contribute to the development of corporate and service targets and objectives and performance information.
- Ensure that robust systems exist for the collection and monitoring of performance information.

Business Continuity

22.27. The Civil Contingencies Act 2004 requires the Council as a Category 1 responder to put in place business continuity arrangements to ensure that in the event of an emergency it can continue to exercise both its civil protection functions and perform its ordinary functions.

22.28. The Council has identified business continuity as a strategic risk.

22.29. In addition business continuity will require a separate but similar risk management strategy and process. A separate Business Continuity Planning Group must meet with operational links between it and the Corporate Risk Management Group.

Why is this important?

The Council holds assets in the form of property, vehicles, equipment, furniture and other items worth many millions of pounds. It is important that assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations.

Risks:

Cash and other assets could be lost, stolen or misused; and
Claims against the Council's insurers may be invalidated.

Responsibilities**23.1. Each Head of Service:**

- Is responsible for maintaining proper security at all times for all buildings, stocks, stores, furniture, equipment, cash, etc. under her/his control;
- Shall consult the **Head of Finance & Audit** in any case where security is thought to be defective or where it is considered that special security arrangements may be needed;
- Must ensure that attractive and portable items are to be identified with security markings as belonging to the Council and recorded.
- Must ensure that cash holdings shall be kept to a minimum and at a level agreed with the **Head of Finance & Audit**. They shall not exceed insurance cover.
- To ensure that no Council asset is subject to personal use by an employee without proper authority;
- Or the designated deputies shall ensure that staff leaving the authority hand back any keys or assets held by them prior to their departure. Door entry systems combinations and safe combinations etc. shall be changed on the day of departure.

23.2. All staff are to ensure that all windows, cabinets, safes and drawers are locked in any location wherever cash or keys are held out of hours.

23.3. Employees of the Council responsible for collecting, holding and the paying-in of official cash are to ensure that it is held under secure arrangements at all times.

Safes

23.4. Members of staff who are authorised to gain access to any Council safe must not allow the keys or combination access codes to pass from their control or to be available to unauthorised persons at any time.

23.5. The loss of any such keys must be reported to the **Head of Finance & Audit** immediately. The combination of any Council safe must not be disclosed to another person without the express authorisation of the **Head of Service** or relevant manager. The combination of a safe must be changed immediately when a member of staff, who is authorised to open that safe, leaves the employment of the Council.

23.6. All keys held for any official purpose by an authorised member of staff shall be held under proper and secure arrangements and not passed or be available to any unauthorised person. (This regulation includes card keys and door entry codes issued to members of staff).

Postal Franking Machines

23.7. Postal franking machines must also be securely held, and officers responsible will keep proper records of usage and certify the balance of impressions held in the machine at the 31st March each year. The certificate is to be forwarded to the **Head of Finance & Audit** promptly. Stocks of postage stamps shall also be held securely.

ICT Software and Hardware

23.8. Security of computer software, hardware and related vulnerable equipment are covered by a separate Council ICT Security Policy which is the responsibility of the **Head of ICT and Customer Services**, and all staff should make themselves aware of the requirements on them with regard to safeguarding the Council's computer systems.

Data – Electronic/Paper Based

23.9. All **Heads of Service** shall ensure that their employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, including the requirements of the Data Protection Act, whether held in manual or computerised records.

Why is this important?

The Council holds assets in the form of property, vehicles, equipment, furniture and other items worth many millions of pounds. It is important that assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations. An up-to-date stock record, assets register and inventory is a prerequisite for sound asset management.

Risks:

Stocks and stores could be lost or stolen; and
Stocks and stores may be held at unreasonably high and uneconomic levels.

Responsibilities

- 24.1. Each **Head of Service** shall make arrangements for the care and custody of stocks and stores in their service. She/he shall ensure that stocks are maintained at reasonable levels and are subject to a regular independent physical check (being a minimum of once a year). All discrepancies should be investigated and pursued to a satisfactory conclusion.
- 24.2. Designated officers are to maintain accurate records of all receipts and issues in a form agreed by the **Head of Finance & Audit**. All requests for stores and materials must be made to the officer responsible for the control and issuing of those stores and materials.
- 24.3. The relevant **Head of Service** will arrange to investigate and remove from the Council's records (i.e. write-off) discrepancies as necessary, and to obtain the relevant approvals for write off and disposal of redundant stocks and equipment in line with the limits below

Stock Control and Issues

- 24.4. All stocks will be recorded in a stock control record in a format agreed by the **Head of Service** in association with the **Head of Finance & Audit**.
- 24.5. Stock items are only to be issued to persons authorised to receive those materials. Requisition notes or equivalent documents approved by the **Head of Finance & Audit** are to be used bearing the signature of the appropriate authorised receiving officer.

Stock Takes

- 24.6. **Heads of Service** shall arrange for stock takes to be carried out at a frequency agreed with the **Head of Finance & Audit** but at least once in every financial year, at financial year end. Where continuous stocktaking arrangements are operating, this will not apply.
- 24.7. All discrepancies should be investigated and pursued to a satisfactory conclusion. Stock taking sheets must clearly show surpluses and deficiencies and should be retained with all related system documentation.

24.8. Random stock checks may also be carried out by Internal Audit.

24.9. Whenever a storekeeper or person in charge of stores hands over, leaves or ceases to have custody of the stores, the **Head of Service** shall ensure that a prior check is made of the stores concerned and that a handing over certificate is signed by the outgoing and incoming officers, i.e. agreement of volumes, numbers etc. as at the handover date.

Stock Certificates

24.10. The **Head of Service** or his/her nominated Deputy shall certify the quantities and values of stocks at cost price held by her/him at 31st March each year and forward this with a summary of the stock control system to the **Head of Finance & Audit**.

24.11. Where appropriate, the **Head of Finance & Audit** shall arrange for stock control systems to be reconciled to the Council’s accounts regularly at an appropriate frequency, and annually at 31st March as a minimum.

Surpluses, Deficiencies and Write Offs

24.12. Any significant surpluses or deficiencies revealed in any items of stock at any stocktaking shall be reported immediately to the **Head of Service** or her/his Deputy and write offs arranged with the **Head of Finance & Audit**.

24.13. Items that are surplus to the Council’s requirements shall only be disposed of as follows:

Item Value ex VAT	Stock Deficiencies and Obsolete Stock
Up to £500	Stocks or stores of less than £500 in value at date of disposal may be disposed of or exchanged at the relevant Middle Manager’s written discretion, but a second officer shall formally witness the disposal at a local level and the appropriate financial records retained.
£500 to £1,500	Stocks or stores with a value at date of disposal between £500 and £1500 may be disposed of or exchanged at the Head of Service’s written discretion, but a second officer shall formally witness the disposal at a local level and the appropriate financial records retained.
£1,500 to £5,000	Where stocks or stores are valued at date of disposal above £1500 but less than £5,000 sealed bids are to be sought and it shall be the responsibility of the Head of Finance & Audit and the relevant Head of Service or their nominated deputy, to obtain the best possible price.
Above £5,000	The disposal or write off of any stock or stores item/s valued at more than £5,000 at date of disposal shall require the prior approval of the Executive/Relevant Committee .

Why is this important?

Like all organisations, the Council is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is, therefore, very important for all officers to be aware of their role.

Risk

Risk that the statutory rules on taxation are broken, with the potential for the Council to incur penalties in addition to the amounts due.

Responsibilities

25.1. The **Head of Corporate Services** will ensure:

- Completion of all HMRC returns regarding PAYE in line with the statutory deadlines;
- That all payroll related taxable transactions are identified properly carried out and accounted for within stipulated timescales;
- Records are maintained in accordance with instructions
- Up-to-date guidance on PAYE issues is made available to the Council's managers and employees.

25.2. The **Head of Finance & Audit** will arrange for:

- A monthly return of VAT inputs and outputs to Her Majesty's Revenue and Customs (HMRC) in line with statutory deadlines;
- A regular calculation to establish the Council's position against the HMRC's VAT de minimis requirements;
- Details regarding the construction industry tax deduction scheme to be sent to the HMRC as required by the guidelines.
- Up-to-date guidance on VAT issues to be made available to managers and relevant Council employees.

25.3. **Heads of Service** will ensure that:

- The correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Customs and Excise regulations.
- Where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.
- All persons employed by the Council are added to the Council's payroll and tax deducted from any payments, except where the individuals are employed by a recognised staff agency.

If, in exceptional circumstances, a **Head of Service or Middle Manager** considers it beneficial to recruit a self employed individual, checks must be carried out on their employment status using the Council's or HMRC's checklist. The completed checklist must be sent to the **Head of Corporate Services** before any payment of an invoice is generated. Under no circumstances should a payment be generated through a payment request form i.e. not supported by an invoice.

Why is this important?

In the course of their duties officers and Members may be required to work away from their normal place of work, attend seminars, training days, etc. The officer/Member should be reimbursed for their travel and associated costs at agreed rates and in accordance with agreed procedures. In so doing the officer receives what is due to them and the Council has an acceptable record of what is claimed and by whom.

Risks:

Fraudulent claims may be made, i.e. fictitious journeys, embellished claims, incorrect rates etc. Claims could be paid twice or at the wrong rates; and Financial and accounting records are not correctly updated.

Responsibilities**Head of Corporate Services:**

26.1. All claims for payment of travelling and subsistence shall be in a form approved by the **Head of Corporate Services**, and will in normal circumstances be made through salaries in accordance with the Council's approved **Travel and Subsistence Policy** (available on the Council's Intranet)

Claim Completion and Certification

26.2. Claims for travel and subsistence shall only be made where journeys were authorised and expenses were properly and necessarily incurred. All claims shall be completed fully to the satisfaction of the **Head of Corporate Services** and in accordance with the Council's approved Travel and Subsistence Policy.

26.3. All claims for travelling and subsistence shall be signed by the claimant and authorised by or on behalf of the appropriate **Head of Service**.

26.4. A list of officers authorised to sign claims shall be sent to the **Head of Corporate Services**. All amendments to the list shall be notified to the **Head of Corporate Services** in writing. The claims shall be signed in manuscript in the authorised officer's own name. Claimants may not authorise their own claim.

26.5. The certificate by or on behalf of the **Head of Service** shall mean that the journeys were authorised and that the manager is satisfied that expenditure was necessarily incurred on travel and subsistence for which the proper allowances have been claimed, ensuring that cost-effective use of travel arrangements is achieved.

26.6. Petty cash must not be used for any travel or subsistence related expenses by officers or Members.

Receipts

- 26.7. If a receipt is not attached an explanation of the circumstances may be called for by Internal Audit. In any event, where no receipt is supplied, the expense claimed must be treated as a taxable item.
- 26.8. In addition, a VAT receipt for petrol must be attached to cover the VAT element claimed for car mileage. This is a requirement of HM Revenue and Customs, if the Council is to reclaim the VAT paid to the employee. As a result, if no VAT receipt is supplied, the Council cannot pay the VAT element to employees.
- 26.9. Credit card slips are not acceptable in lieu of other forms of receipt.

Timeliness of Claim

- 26.10. All claims for payment to employees of car allowances (including leased cars), subsistence allowances, travel and incidental expenses must be submitted with all relevant receipts on a monthly basis in accordance with the Council's approved Travel and Subsistence Policy.

Motor Insurance, Driving Licences and Vehicle Roadworthiness

- 26.11. In accordance with the Travel and Subsistence Policy, all employees undertaking official business travel shall ensure they hold an appropriate driving licence for the class of vehicle being used and that the vehicle is taxed, has a valid MOT certificate where appropriate and is covered by an adequate Motor Insurance Policy which includes clauses covering Business Usage. Payroll will annually request officers to provide their driving licence, MOT certificate and insurance certificate for inspection by their line manager.

Council Members

- 26.12. Members' signed travel claims will be certified by the **Democratic Services Manager** or a duly authorised officer on her/his behalf and must be submitted on a monthly basis to the **Head of Corporate Services** in line with the approved Scheme of Members' Allowances.

Why is this important?

Many millions of pounds pass through the Council's accounts each year. This led to the establishment of Codes of Practice for Treasury Management. These aim to provide assurances that the Council's money is properly managed in a way that balances risk with return, but with the overriding consideration being given to the security of the Council's financial position.

Risks:

Money invested by the Council could be lost giving rise to the Council facing serious financial difficulty and/or failure to achieve its objectives;

Funds could be misused by a member of staff for their own ends, resulting in a loss to the Council;

Money could be borrowed or lent by the Council at less than advantageous interest rates thereby incurring higher than necessary expenditure or foregoing investment income; and

The Council could fail to repay money borrowed on time thereby having penalties invoked against it.

Responsibilities

27.1. The Council has adopted the Revised Code of Practice for Treasury Management in Local Authorities (published by CIPFA) and these rules should be adhered to as a matter of principle.

27.2. This will be the responsibility of the **Head of Finance & Audit** and include presentation to Members of a strategy and related policies setting out the approach to managing the risk of the Treasury Management activities.

27.3. The **Head of Finance & Audit** will also ensure that the borrowing and investments of the Council in such a manner as to comply with the CIPFA Code of Practice on Treasury Management and the Council's Treasury Management Policy Statement and Strategy and the Council's Investment Strategy. The Strategy would take account of any proposed borrowing under the Prudential Code.

Cash Position

27.4. The **Head of Finance & Audit** shall arrange for a nominated officer to assess the cash position each working day to determine the funds to be invested, recalled or borrowed as necessary. The nominated officer shall prepare a Daily Cash Position Statement which is to be signed by an authorised officer on the day of preparation.

27.5. The **Head of Finance & Audit** shall be authorised to invest or utilise such surplus monies of the Council as may seem to her/him proper and in the Council's interest, within the approved Council Policy.

Investments

27.6. All investments of money under its control shall be made in the name of the Council, or in the name of nominees approved by the Council.

27.7. All securities in the name of the Council and the title deeds of all property in its ownership shall be held in the custody of the Council's Solicitor. The **Head of Finance**

& Audit will act as registrar of stocks, bonds and mortgages and maintain records of all borrowing by the Council.

Borrowing

27.8. All borrowing shall be made in the name of the Council.

27.9. The **Head of Finance & Audit** shall:

- Negotiate all loans of money to the Council (including overdrafts) within the Council's overall borrowing powers;
- Be the Council's registrar of stocks, bonds and mortgages;
- Maintain a record of all borrowing of money by the Council;
- Borrow at the most advantageous rates and terms possible; and
- Ensure that the Council's aggregate credit limit is monitored and at no time exceeded.

27.10. The **Head of Finance & Audit** shall prepare a report prior to the commencement of each financial year for the Council to consider and then set the borrowing limits for the ensuing year.

General including Monitoring

27.11. **Heads of Service** must ensure that interests are not acquired in companies, joint ventures or other enterprises without the approval of the Council, following consultation with the **Head of Finance & Audit**.

27.12. It is the responsibility of relevant **Head of Service** to ensure that loans are only made to third parties where specific member approval is obtained, such as loans to social, cultural and sporting organisations etc.

27.13. A detailed weekly statement of lending (or borrowing) transactions including the closing balances lent (borrowed) shall be prepared by a nominated officer and presented to the **Head of Finance & Audit** or Chief Accountant.

27.14. The **Head of Finance & Audit** shall report at least three times a year on treasury management activities to the **Executive** at **South Hams** (Strategy, Monitoring and Annual Reports), and the function may be scrutinised by the **Audit Committee**.

27.15. For **West Devon**, the Strategy and mid year Monitoring Report will be taken to the **Resources Committee** and an annual report to the **Audit Committee** and Council

27.16. Interests must not be acquired in companies, joint ventures or other enterprises without the approval of the full Council, following consultation with the **Head of Finance & Audit**.

Trust Funds

27.17. All trust funds shall wherever possible be in the name of the Council.

27.18. All officers acting as trustees by virtue of their official position shall deposit all securities, etc. relating to the trust with the **Head of Finance & Audit**, or **Monitoring Officer** as appropriate, unless the deed otherwise provides.

27.19. It is the responsibility of **Heads of Service** to arrange, where funds are held on behalf of third parties, for their secure administration, and to maintain written records of all transactions as approved by the **Head of Finance & Audit**.

27.20. **Heads of Service** must also ensure that trust funds are operated within any relevant legislation including the expectations of the Charity Commission, and the specific requirements for each trust.

Why is this important?

Current legislation enables the Council to provide a range of services to other bodies, but within certain parameters. Such work may enable a unit to maintain economies of scale and existing expertise. Arrangements should be put in place to ensure that any risks associated with this work is minimised and that such work is within the Council's legal powers.

Risks:

Internal resources are tied up in providing external users a service with a resulting detrimental effect on the internal service provision; and
The Council could be held liable for uninsured actions of its staff.

Responsibilities**Approval**

28.1. The **Executive** at **South Hams** and relevant **Committee** at **West Devon** are responsible for approving the contractual arrangements for any work for third parties or external bodies.

Legality

28.2. The relevant **Head of Service** must ensure that any work carried out for third parties is not outside the Council's powers by formally seeking the opinion of the Council's **Monitoring Officer** before such an arrangement is entered into.

Financial Matters

28.3. The Head of Financial S shall issue guidance on the financial aspects of providing third parties with services and in the maintenance of a contracts register.

28.4. The relevant **Head of Service** must ensure that:

- Proposals are costed properly in accordance with the guidance provided by the **Head of Finance & Audit**;
- No contract is subsidised by the Council;
- Appropriate insurance arrangements are made;
- The Council is not put at risk from any bad debts;
- Wherever possible, payment is received in advance of the provision of the service;
- The **Head of Finance & Audit** is provided with the appropriate information to enable a note to be entered into the statement of accounts; and
- Information held or assets owned by the Council is/are not used to the detriment of the Council.

Contracts

28.5. The relevant **Head of Service** must ensure that:

- Contracts are drawn up using guidance and advice provided by the Council's Solicitor and **Head of Finance & Audit** and that the formal approvals process is adhered to;
- All contracts are properly documented and that the documentation is kept up to date; and
- A register is maintained of all contracts entered into with third parties in accordance with the procedures specified in the Contract procedure Rules, including providing the **Monitoring Officer** with the original..

Service Provision

28.6. The relevant **Head of Service** shall also ensure that:

- The service has the appropriate expertise to undertake the contract; and
- The delivery of the contract will not adversely impact upon the services provided for the Council.

NAME OF COMMITTEE	Audit Committee
DATE	10 January 2013
REPORT TITLE	PROGRESS AGAINST THE 2012/13 INTERNAL AUDIT PLAN
Report of	Chief Internal Auditor
WARDS AFFECTED	All/Corporate

Summary of report:

The purpose of this report is to inform members of the principal activities and findings of the Council's Internal Audit team for 2012/13 to the 30th November 2012, by:

- Providing a summary of the main issues raised by completed individual audits; and
- Showing the progress made by the section against the 2012/13 annual audit plan, reviewed by this Committee in April 2012.

Financial implications:

None, within existing budgets.

RECOMMENDATIONS:

That the Audit Committee considers the progress made against the 2012/13 Internal Audit Plan and comments on the summary of issues arising.

Officer contact:

Allan Goodman, Chief Internal Auditor
 Email: allan.goodman@southhams.gov.uk

1. BACKGROUND

- 1.1 The Terms of Reference for Internal Audit were presented to the Audit Committee in April 2012 (Minute reference A.36/11) and cover:

Purpose, Authority and Responsibility;
 Independence;
 Audit Management;
 Scope of Internal Audit's Work;
 Audit Reporting; and
 Audit Committee.

- 1.2 The Audit Strategy was updated for 2012/13 and was approved by the Audit Committee in April 2012 (Minute reference A.36/11 refers) and covers:

Objectives and Outcomes;
 Opinion on Internal Control;
 Local and National Risk Issues;
 Provision of Internal Audit; and
 Resources and Skills.

2. PROVISION OF INTERNAL AUDIT AND PROGRESS – 2012/13

Audit Plan 2012/13

- 2.1 The 2012/13 audit plan (Appendix A) was presented and accepted by the Audit Committee at their meeting of April 2012 (A.37/11 refers).

Local and National Risk Based Amendments to the Plan

- 2.2 The audit plan is continuously reviewed and updated to reflect emerging risks, and these are incorporated into the audit plan either through the contingency days or by change to the plan, depending on the significance.
- 2.3 The Committee has been informed of the following amendment to the 2012/13 plan at previous meetings:

Audit	Plan Days 2012/13	Plan Days Update	Reason for Change
Dartmouth Town Council	5	0	Arrangement terminated by Dartmouth Town Council on cost grounds, after the SHDC plan had been presented to the April Audit Committee.
West Devon District Council	95	100	To cover the Code of Corporate Governance and Annual Governance Statement previously undertaken by the Finance team.

- 2.4 Overspends on the estimated time for individual audits occur as the time in the audit plan is an estimate based on risk and generally not the amount of time needed to do the work required. All efforts are made to 'cut our cloth according to our means', but in some circumstances where control issues are identified, a risk based assessment is carried out. This constitutes consideration, depending on the significance, of whether additional time should be spent and if so where the work is to be charged, either contingency or by change to the audit plan.
- 2.5 The following table sets out the significant overspends on time budgets (3.5 days or more) on individual audits as totalled in Appendix A, and the reasons for the overrun:

Audit	Planned Days	Days Used	Reason for Overspend
-	-	-	None over 3.5 days
-	-	0	As para 2.4 - Culmination of overspends below 3.5 days for finalised audits
Total	-	0	Overspends to date – 0 day

Resources and Skills

- 2.6 Sickness to the 30th November 2012 is 6 days (2011/12 equivalent 5 days).
- 2.7 In 2012/13 to date, training has been or is being provided to the audit team as follows:

Chief Internal Auditor

- Assessing Corporate Governance Effectiveness (IIA Bristol);
- Achieving Success in Challenging Times (IIA Exeter);
- Middle Manager Development Programme (internal) – modules on Corporate Services (Constitution etc); Managing Attendance and Managing Change; and
- Localisation of Council Tax (LG Futures, Totnes).

Senior Auditor:

- Achieving Success in Challenging Times (IIA Exeter); and
- Excel 2007 Advanced (E Academy).

Auditor:

- Microsoft Outlook (E Academy); and
- Localisation of Council Tax (LG Futures, Totnes).

Progress Against the Plan

- 2.8 The 2012/13 Internal Audit Plan is attached at **Appendix A**. This has been extended to show the final position for each audit, and replicates a part of the monitoring report presented to the S.151 Officer on a monthly basis.

- 2.9 The reporting of individual high priority recommendations is set out at **Exempt Appendix B**. This is an ongoing part of the report to advise the Audit Committee in detail of significant findings since the last report and confirm that the agreed action has been implemented or what progress has been made.
- 2.10 **Exempt Appendix C** provides a summary of the main issues raised for all of the audits where a final audit report has been issued. In addition, the Appendix shows the results of our follow up of previous audit work and tasks that have not produced an audit report.
- 2.11 **Exempt Appendix D** provides a summary of unplanned work carried out by the team. This work is by definition unexpected work, which ranges from advice to managers on control issues, to the investigation of potential irregularities. Tasks are budgeted from the 'Contingency' line of the audit plan.

Non Compliance with Financial Procedure Rules

- 2.12 There are no significant issues to bring to the attention of the Committee so far this year.

Fraud, Corruption or Bribery

- 2.13 No actual, suspected or allegations of fraud, corruption or bribery have been identified so far this year.

Performance Indicators

- 2.14 Internal Audit's performance indicators are mainly collected annually and will be reported to the Audit Committee in full in the year-end report. The full list of those recorded is set out in the Audit Strategy 2012/13.
- 2.15 At this stage in the year, the key indicator 'Completion of 2012/13 Audit Plan' is as follows:

Indicator	Target %	Actual %	Comments
Audits completed from 2011/12 combined audit plan.	90	96	As reported to the Audit Committee June 2012.
Audits at the 30th November 2012 at various stages of completion from 2012/13 audit plan and their 2011/12 equivalents.			
SHDC	-	59%	(53% at November 2011).
WDBC	-	59%	(60.5% at November 2011).
Combined plan	90	62.5%	(63.5% at November 2011). Target to 30th November 2012: 30%

Internal Audit – Shared Services

2.16 The following has been achieved so far this financial year:

Shared service with West Devon since last Committee:

- Anti Fraud, Corruption and Bribery Strategy promoted through the Members Bulletin and Friday Flash as requested by the Audit Committee;
- Work on a draft revised Finance Procedure Rules has been completed, with the document aligned as closely as it can be.
- Progress on the 2012/13 audit plan reported to the West Devon Audit Committee. A growing number of audits are being completed across the two sites at the same time;
- The formal project management of the 2015 Transformation Programme project on Shared Services Financial Arrangements and Governance is to be closed with the final report to the next Programme Board. Officers will continue to develop processes in this respect from the solid base developed so far.

Teignbridge

- Exchange of audit programmes, advice, official guidance and best practice;
- Single attendance and feedback to the other partner on professional update courses and seminars;
- Co-operation re the 2012/13 audit of Building Control; and
- Liaison over various corporate documents.

3. LEGAL IMPLICATIONS

3.1 Statutory Powers: Accounts and Audit Regulations 2003, 2006, 2011

4. FINANCIAL IMPLICATIONS

4.1 None, within existing budgets.

5. RISK MANAGEMENT

5.1 The risk management implications follow this table:

Corporate priorities engaged:	All/Corporate
Statutory powers:	Accounts and Audit Regulations 2003, 2006, 2011
Considerations of equality and human rights:	No specific equality and human rights issues arising from this report.
Biodiversity considerations:	There are no specific biodiversity issues arising from this report.
Sustainability considerations:	There are no specific sustainability issues arising from this report.

Crime and disorder implications:	No specific crime and disorder issues arising from this report.
Background papers:	CIPFA Code of Practice for Internal Audit in Local Government 2006; SHDC 5-year Audit Plan 2010/11 to 2015/16.
Appendices attached:	Appendix A: Audit Plan 2012/13 – Progress to 30th November 2012 Exempt Appendix B: Planned Audit 2012/13 – Final Reports: Detailed Items Exempt Appendix C: Planned Audit 2012/13 – Summary of Results Exempt Appendix D: Unplanned Audit 2012/13 – Summary of Results

STRATEGIC RISKS TEMPLATE

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
1	Opportunity of Make the Best Use of Scarce Audit Resource	Audit work completed in line with the audit plan and to the required quality standards will ensure that the external auditor places reliance upon the work of internal audit, resulting in no additional charges to carry out the audits required to allow him/her to issue the certificate and opinion on the Council's accounts, including for the Annual Governance Statement.	-	-	-	↔	A risk based audit plan directs scarce audit resources towards areas of high risk to the Council.	Chief Internal Auditor
2	Inappropriate Use of Scarce Audit Resource	The directing of scarce audit resources away from areas of high risk may undermine the opinion provided to the Council by the Chief Internal Auditor on the System of Internal Control.	2	2	4	↔	Risk based audit plan, reviewed by senior managers and members, and updated as appropriate through the year.	Chief Internal Auditor

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
3	Links with External Audit	The external auditor placing no reliance upon the work of internal audit, resulting in additional charges to carry out the audits required to allow him/her to issue the certificate and opinion on the Council's accounts, including for the Annual Governance Statement.	2	2	4	↔	Regular liaison with the external auditor. Risk based audit plan, reviewed by senior managers and members, and updated as appropriate through the year. Regular monitoring of progress by the S.151 Officer and the Audit Committee.	Chief Internal Auditor
4	Assurance for the Annual Governance Statement	The Council's Annual Governance Statement cannot be signed if Internal Audit fails to complete the work set out in the approved risk based audit plan due to unforeseen circumstances.	2	2	4	↔	Regular monitoring of performance by the S.151 Officer and the Audit Committee. Audit approach adheres to the appropriate professional standards. Closer links with our neighbouring Council's audit team will provide reasonable assurance that higher risk audits are covered each year without fail.	Chief Internal Auditor

Direction of travel symbols ↓ ↑ ↔

APPENDIX A

Projects Agreed in the Audit Plan	Planned Number of Days	Fieldwork Commenced	Draft Report	Management Comments Received	Finalised	Opinion (finalised reports only)				Comments
						Excellent	Good	Fair	Poor	
MAS & Budgetary Control	13									
Creditor Payments	11									
Payroll	10	■								10% completed
Council Tax	14	■								95% completed
Business Rates (NDR)	12	■								31% completed
Benefits	20									
Debtors	10									
Treasury Management	7									
Capital Expenditure	8	■								37% completed
Fundamental Systems	105									
Salcombe Harbour	10	■	■							Draft report issued 05.12.2012
Dartmouth Lower Ferry	9	■	■	■	■		■			Summary to Audit Committee - January 2013
Street Scene - Car and Boat Parking	9									
Private Sector Housing Renewal	8	■	■	■	■		■			Summary to Audit Committee - January 2013
Data Quality & Performance Indicators	5	■	■							Draft report issued 22.11.2012
Email Monitoring	4	■	■	■	■		■			Summary to Audit Committee - January 2013
Internet Monitoring	4	■	■	■	■		■			Summary to Audit Committee - January 2013
Computer Audit	26									
Grants - RDPE Rural Community LAGs	50	50 days used	-	-	-	-	-	-	-	99 project claims audited; plus 41 management & Admin invoices.

APPENDIX A

Projects Agreed in the Audit Plan	Planned Number of Days	Fieldwork Commenced	Draft Report	Management Comments Received	Finalised	Opinion (finalised reports only)				Comments
						Excellent	Good	Fair	Poor	
Follow Up of Previous Year's Audits	10	4.5 days used	-	-	-	-	-	-	-	
Contingency (Unplanned)	55	39 days used	-	-	-	-	-	-	-	
Corporate Governance	8									
Exemptions to Contract or Financial Procedure Rules	5	1.5 days used	-	-	-	-	-	-	-	8 Exemption applications received and processed April to November 2012.
System of Internal Control (SIC) & Annual Governance Statement (AGS)	5	■	■	■	■		■			AGS recommended to the Council for approval following report to the Audit Committee - August 2012. AGS to be published September 2011. Audit report summary to Audit Committee - September 2012
Risk Management / Business Continuity	5									
West Devon Borough Council	95 + 5	76 days used	-	-	-	-	-	-	-	Separate report to WDBC Audit Committee
<i>Dartmouth Town Council</i>	5 - 5	X	X	X	X	X	X	X	X	<i>Arrangement ended by Town Council.</i>
Other Essential	307									
Community Parks and Open Spaces	9	■	■	■	■		■			Summary to Audit Committee - September 2012
Building Maintenance	9	■	■	■	■		■			Summary to Audit Committee - September 2012
Print Room	9	■	■	■	■		■			Summary to Audit Committee - September 2012
Health and Safety at Work	9	■	■							Draft report issued 22.11.2012
Pannier Markets	9	■	■	■	■			■		Summary to Audit Committee - January 2013
Insurance	9	■	■							Draft report issued 30.10.2012
Complaints System	5	■	■	■	■			■		Summary to Audit Committee - September 2012
Building Control	5	■	■	■	■		■			Summary to Audit Committee - January 2013
Capital Receipts	5									

APPENDIX A

Projects Agreed in the Audit Plan	Planned Number of Days	Fieldwork Commenced	Draft Report	Management Comments Received	Finalised	Opinion (finalised reports only)				Comments
						Excellent	Good	Fair	Poor	
Inventories	3	■	■							Draft report issued 28.11.2012
Procurement	10									
Schemes with Other Organisations	9	■	■	■	■		■			Summary to Audit Committee - January 2013
Land Charges including Street Naming	9	■	■	■	■		■			Summary to Audit Committee - September 2012
Major Developments (including Sherford)	6	■	■				■			Summary to Audit Committee - January 2013
Advice to Information Compliance/Other Groups	3	1 day used	-	-	-	-	-	-	-	
Asset Management	7	■								24% completed
Corporate Management Cost Centre	6	■	■	■	■	■				Summary to Audit Committee - January 2013
Shared Services	5	■	■	■	■		■			Summary to Audit Committee - January 2013 12.9days used also includes 2015 Project Management; visit to Vale of White Horse D.C. and drafting Financial Procedure Rules.
Other	127									
Audit Administration	20	10 days used	-	-	-	-	-	-	-	
Audit Management, including Audit Planning	20	11 days used	-	-	-	-	-	-	-	
Audit Monitoring against the Plan, including Reports to Management and Audit Committee	15	9 days used	-	-	-	-	-	-	-	
Training	10	8 days used	-	-	-	-	-	-	-	
Miscellaneous e.g. Financial Procedure Rules	5	1.5 days used	-	-	-	-	-	-	-	
Other	70									
Overall Total	601									

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MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT FOLLATON HOUSE, TOTNES ON 10 JANUARY 2013

Members in attendance			
* Denotes attendance		∅ Denotes apology for absence	
*	Cllr I Bramble	*	Cllr L P Jones
∅	Cllr C G Bruce-Spencer (Vice Chairman)	*	Cllr J T Pennington (Chairman)
*	Cllr A S Gorman		

Other Members in attendance and participating
Cllr B E Carson and M J Hicks

Item No	Minute Ref No below refers	Officers and Visitors in attendance
All Items		Chief Accountant, Chief Internal Auditor, and Member Support Officer, Audit Manager - Grant Thornton

A.19/12 **MINUTES**

The minutes of the meeting held on 27 September 2012 were confirmed as a correct record and signed by the Chairman.

A.20/12 **DECLARATIONS OF INTEREST**

Members and officers were invited to declare any interests in the items of business to be considered during the course of the meeting but none were made.

A.21/12 **GRANT THORNTON CERTIFICATION WORK REPORT 2011/12**

Grant Thornton presented the Certification work report for 2011/12 which summarised the work of the previous auditors, the Audit Commission's in-house Audit Practice. The report summarised the external audit assessment of the Council's management arrangements in respect of the certification process. The findings set out also represented the results of the previous auditor's work.

During the discussion, a Member noted that the housing benefit subsidy claims presented for certification for both the 2010/11 and 2011/12 financial year had incurred the same error by virtue of the omission of the final payment run being excluded from the relevant financial year's claim. The point was made that the approach adopted in 2010/11 had not been questioned by External Audit, but the Chief Accountant assured Members that the end of year procedures would be carefully reviewed to ensure that the expectations of External Audit were met in the future and this error would not be incurred again.

A Member noted that the Committee would also closely monitor the end of year procedures.

It was then

RESOLVED

That the Certification Work Report be noted/

A.22/12 **ANNUAL AUDIT FEE 2012-13**

Following the conclusion of the Audit Commission's procurement exercise to outsource the work of its audit practice, the Audit Commission had been able to secure significant reductions in the cost of audit services and were passing on reductions of 40% in audit fees for local government bodies from the previous arrangements.

Members were further assured that they would be presented with similar reports to those seen in prior years and high level summaries on the results of risk assessments in the future.

It was then

RESOLVED

That the Annual Audit Fee 2012-13 be noted.

A.23/12 **FINANCIAL PROCEDURE RULES 2012**

The Chief Internal Auditor presented a report that enabled Members to review the updated and aligned Financial Procedure Rules 2012 to enable them to recommend adoption of them and the related financial limits to the Council.

During the discussion, the following points were raised:

Paragraph 2.15: Project Overspends: Members noted the reference to 'retrospective' reporting to the Executive by the Head of Assets when approved expenditure in the capital programme was likely to be exceeded. Members expressed the view that reporting on likely overspends should be reported at an earlier stage. The Deputy Leader highlighted that any likely overspend on a sizeable project would be communicated to the Executive Lead Member for Assets in a timely manner and the Chief Internal Auditor informed that monitoring reports of capital expenditure, including overspends, were presented to the Executive on a regular basis.

The Deputy Leader emphasised that the purpose of retrospective reporting was to enable projects to proceed and to avoid unnecessary time delays. Members highlighted that the wording in the procedures implied that retrospective reporting on overspends was allowable up to a value of £500,000. The Chief Internal Auditor agreed to add an extra paragraph to clarify that overspends were an exception and to add early informing of the appropriate lead Executive Members.

Paragraph 4.12: Contingency Days: Members were informed that Contingency days were used for many situations, including dealing with any allegation of fraud or corruption. Currently, 55 days were allocated and this had proven sufficient in the past and the Chief Internal Auditor expressed that he would not wish to see this allocation reduce significantly. Use of the Contingency time was reported to the Committee quarterly.

Paragraph 5.7: Bank Reconciliation: Members were informed that whilst a summary reconciliation was carried out on a monthly basis, the bank reconciliation process was actually undertaken daily.

Paragraph 6.16: Virement (Budget Changes): The Chairman felt the word 'discretion' for the Head of Finance & Audit to report virements to the Executive, undermined the two tables at 6.18 and said these should be considered together. The Chief Internal Auditor agreed to link the two paragraphs.

Paragraph 6.27: Using Funds Held Under S.106 agreements: The Committee felt that, prior to the approval of the use of funds over £30,000 by the Executive for South Hams, or the Resources Committee for West Devon Borough Council, these bodies should receive a report from the Head of Service and Head of Finance and Audit, 'following consultation' with the relevant Ward Member. The Chief Internal Auditor agreed to add this to Paragraph 6.27.

Paragraph 17.1: Partnerships: Members wished to see 'to generate efficiencies and cost savings' added to the main reasons for entering into a partnership. The Chief Internal Auditor agreed to make this change.

It was then

RECOMMENDED

That the Council be **RECOMMENDED** to approve the updated and aligned Financial Procedure Rules and its inclusion in the Council's Constitution, subject to the amendments as outlined above.

A.24/12 **PROGRESS AGAINST THE 2012/13 INTERNAL AUDIT PLAN**

Members considered the report that informed them of the principal activities and findings of the Council's Internal Audit Team for 2012/13 to 30 November 2012.

During the discussion, the following point was raised:

RDPE Grants: Members were informed that the audit time allowed in the plan was likely to be exceeded, due to the fact that the number of projects submitted had not reduced as expected. The Chief Internal Auditor reminded members that the same amount of audit officer resource was required per grant regardless of the amount of funding being allocated.

In light of the Committee wishing to discuss elements of the exempt appendices, it was then:-

RESOLVED

That in accordance with Section 100(A)(4) of the Local Government Act 1972, the public and press be excluded from the meeting during consideration of the following items of business in order to avoid the likely disclosure to them of exempt information as defined in paragraph 7 of Part 1 of Schedule 12A to the Act.

Members then discussed the exempt appendices, and officers responded to a number of queries that were raised.

It was then:-

RESOLVED

That the public and press be readmitted.

It was then:-

RESOLVED

That the Audit Committee notes the progress made against the 2012/13 Internal Audit Plan and has commented on the issues arising.

(Meeting commenced at 2.00 pm and finished at 4.00 pm)

Chairman