

## Financial Procedure Rules Appendix D

### Financial Systems And Procedures

#### General

##### Why is this Important?

- 4.01** The Council has many systems and procedures relating to the control of the authority's assets, including purchasing, costing and management systems and is increasingly reliant on computers for financial management information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.
- 4.02** The Finance Director has both a professional and a statutory responsibility to ensure that the authority's financial systems are sound and should therefore be notified of any new developments or changes.

##### Key Controls

- 4.03** The key controls for systems and procedures are:
- (a) basic data exists to enable the authority's objectives, targets, budgets and plans to be formulated;
  - (b) performance is communicated to the appropriate managers on an accurate, complete and timely basis;
  - (c) early warning is provided of deviations from target, plans and budgets that require management attention; and
  - (d) operating systems and procedures are secure.

##### Responsibilities of the Finance Director

- 4.04** To make arrangements for the proper administration of the authority's financial affairs, including to:
- (a) issue advice, guidance and procedures for officers and others acting on the authority's behalf;
  - (b) determine the accounting systems, form of accounts and supporting financial records;
  - (c) establish arrangements for audit of the authority's financial affairs;
  - (d) approve any new financial systems to be introduced; and
  - (e) approve any changes to be made to existing financial systems.

**Responsibilities of Chief Officers**

- 4.05** To ensure that accounting records are properly maintained and held securely.
- 4.06** To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Finance Director.
- 4.07** To ensure that a complete management trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained.
- 4.08** To incorporate appropriate controls to ensure that, where relevant:
- (a) all input is genuine, complete, accurate, timely and not previously processed;
  - (b) all processing is carried out in an accurate, complete and timely manner; and
  - (c) output from the system is complete, accurate and timely.
- 4.09** To ensure that the organisational structure provides for an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice.
- 4.10** To ensure there are documented and tested individual Business Contingency plans to allow information system processing and council services to resume quickly in the event of an interruption and that they be tested regularly.
- 4.11** To ensure that systems are documented and staff trained in their operation.
- 4.12** To consult with the Finance Director before changing any existing system or introducing new systems.
- 4.13** To establish a scheme of delegation identifying officers authorised to act upon the Chief Officer's behalf in respect of payments, income collection and placing orders, and showing the limits of their authority.
- 4.14** To supply lists of authorised officers, with specimen signatures and delegated limits, to the Finance Director, together with any subsequent variations.
- 4.15** To ensure that effective contingency arrangements, including back-up procedures, exist for computer systems. Wherever possible, back-up information should be securely retained in a fireproof location, preferably off site or at an alternative location within the building.
- 4.16** To ensure that, where appropriate, computer systems are registered in accordance with data protection legislation and that staff are aware of their responsibilities under the legislation.

- 4.17** To ensure that relevant standards and guidelines for computer systems are observed.
- 4.18** To ensure that computer equipment and software are protected from loss and damage through theft, vandalism, etc.
- 4.19** To comply with the copyright, designs and patents legislation and, in particular, to ensure that:
- (a) only software legally acquired and installed by the authority is used on its computers;
  - (b) staff are aware of legislative provisions; and
  - (c) in developing systems, due regard is given to the issue of intellectual property rights.

## Income and Expenditure

### Income

#### **Why is this Important?**

- 4.20** Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly. It is preferable to obtain income in advance of supplying goods or services as this improves the authority's cash flow and also avoids the time and cost of administering debts.

#### **Key Controls**

- 4.21** The key controls for income are:
- (a) all income due to the authority is identified and charged correctly, in accordance with an approved charging policy, which is regularly reviewed;
  - (b) all income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery;
  - (c) all money received by an employee on behalf of the authority is paid without delay to the Finance Director or, as he or she directs, to the authority's bank account, and properly recorded. The responsibility for cash collection should be separated from that:
    - for identifying the amount due; and
    - for reconciling the amount due to the amount received.
  - (d) effective action is taken to pursue non-payment within defined timescales;
  - (e) formal approval for debt write-off is obtained;
  - (f) appropriate write-off action is taken within defined timescales;

- (g) appropriate accounting adjustments are made following write-off action;
- (h) all appropriate income documents are retained and stored for the defined period in accordance with the document retention schedule; and
- (i) money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.

### **Responsibilities of the Finance Director**

- 4.22** To agree arrangements for the collection of all income due to the authority and to approve the procedures, systems and documentation for its collection.
- 4.23** To approve the form of all receipt forms, books or tickets and similar items and to satisfy himself or herself regarding the arrangements for their control.
- 4.24** To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.
- 4.25** To record and approve the write-off of bad debts without limit and to report these to the relevant executive member in cases where:
  - a) the debt has been remitted by the Magistrates under the provisions of regulation 48(3) of the Council Tax (Administrative and Enforcement) Regulations, 1992, or
  - b) the debt is the subject of an insolvency/bankruptcy and the Council has submitted a relevant claim covering the outstanding debt.
- 4.26** To record and approve the write-off of bad debts not covered by 4.25 and to report these to the relevant executive member.
- 4.27** To ensure that appropriate accounting adjustments are made following write-off action.

### **Responsibilities of Chief Officers**

- 4.28** To establish a charging policy for the supply of goods or services, including the appropriate charging of VAT, and to review it regularly, in line with corporate policies.
- 4.29** To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable.
- 4.30** To issue official receipts or to maintain other documentation for income collection.
- 4.31** To hold securely receipts, tickets and other records of income for the appropriate period.
- 4.32** To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling.

- 4.33** To ensure that income is paid fully and promptly into the appropriate authority bank account in the form in which it is received. Appropriate details should be recorded on paying-in slips to provide an audit trail. Money collected and deposited must be reconciled to the bank account on a regular basis.
- 4.34** To ensure income is not used to cash personal cheques or other payments.
- 4.35** To supply the Finance Director with details relating to work done, goods supplied, services rendered or other amounts due, to enable the Finance Director to record correctly the sums due to the authority and to ensure accounts are sent out promptly.
- 4.36** Chief Officers should use established performance management systems to monitor recovery of income and flag up areas of concern to the Finance Director. Chief Officers have a responsibility to assist the Finance Director in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the authority's behalf. Only up to approved levels of cash can be held on the premises.
- 4.37** To recommend to the Finance Director all debts to be written off and to keep a record of all sums written off up to the approved limit. Once raised, no bona fide debt may be cancelled, except by full payment or by its formal writing off. A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt.
- 4.38** To obtain the approval of the Finance Director when seeking to write off debts and the approval of the relevant executive member where required.
- 4.39** To notify the Finance Director of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Finance Director.

## Ordering and Paying for Work, Goods and Services

### Why is this Important?

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

### General

- 4.41** Every officer and member of the authority has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the authority, in accordance with appropriate codes of conduct.
- 4.42** Official orders must be in a form approved by the Finance Director. Official orders must be issued for all work, goods or services to be supplied to the authority, except for supplies of utilities, periodic payments such as rent or business rates, petty cash purchases or other exceptions specified by the Finance Director.

- 4.43** Each order must conform to the guidelines on central purchasing and the standardisation of supplies and materials. Standard terms and conditions must not be varied without the prior approval of the Finance Director.
- 4.44** Apart from petty cash the normal method of payment from the authority shall be by electronic transfer (BACS) or cheque or other instrument or approved method, drawn on the authority's bank account by the Finance Director. The use of direct debit shall require the prior agreement of the Finance Director. All lease agreements where the council is leasing property or equipment, vehicles etc must be approved by the Finance Director or their Deputy.
- 4.45** Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of authority contracts.

### **Key Controls**

- 4.46** The key controls for ordering and paying for work, goods and services are:
- (a) all goods and services are ordered only by appropriate persons and are correctly recorded;
  - (b) all goods and services shall be ordered in accordance with the authority's contract procedure rules;
  - (c) goods and services received are checked to ensure they are in accordance with the order;
  - (d) payments are not made unless goods have been received by the authority to the correct price, quantity and quality standards;
  - (e) all payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method;
  - (f) all appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with corporate retention schedules;
  - (g) all expenditure, including VAT, is accurately recorded against the right budget and any exceptions are corrected; and
  - (h) in addition, the effect of e-business/e-commerce and electronic purchasing requires that processes are in place to maintain the security and integrity of data for transacting business electronically.

### **Responsibilities of the Finance Director**

- 4.47** To ensure that all the authority's financial systems and procedures are sound and properly administered.
- 4.48** To approve any changes to existing financial systems and to approve any new systems before they are introduced.

- 4.49** To approve the form of official orders and associated terms and conditions.
- 4.50** To make payments from the authority's funds on the Chief Officer's authorisation that the expenditure has been duly incurred in accordance with financial regulations.
- 4.51** To make payments, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a court order.
- 4.52** To make payments to contractors on the certificate of the appropriate Chief Officer, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.
- 4.53** To make payments by the most economical means.

### **Responsibilities of Chief Officers**

- 4.54** To ensure that official orders have a unique reference number and are used for all goods and services, other than the exceptions specified in 4.42.
- 4.55** To ensure that orders are only used for goods and services provided to the Council. Individuals must not use official orders to obtain goods or services for their private use.
- 4.56** To ensure that only those staff authorised by a Chief Officer approve / authorise orders and that a specimen signature identifying, where applicable, the limits of their authority be sent to Internal Audit, who are responsible for maintaining an up-to-date list of authorised signatories.
- 4.57** To ensure that goods and services are checked on receipt to verify that they are in accordance with the order. This check should, where possible, be carried out by a different officer from the person who authorised the order. Appropriate entries should then be made in inventories or stores records.
- 4.58** To ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment, confirming:
- (a) receipt of goods or services;
  - (b) that the invoice has not previously been paid;
  - (c) that expenditure has been properly incurred and is within budget provision;
  - (d) that prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices;
  - (e) correct accounting treatment of tax;
  - (f) that the invoice is correctly coded;
  - (g) that discounts have been taken where available; and
  - (h) that appropriate entries will be made in accounting records.

- 4.59** To ensure that two authorised Members of staff are involved in the ordering and receiving process unless the value of the order is below the specified limit of £100. (A higher limit of £1,000 has been agreed for certain officers and confirmed with Internal Audit with a further two officers with an agreed limit of £10,000).
- 4.60** To ensure that the department maintains and reviews periodically a list of staff approved to authorise invoices. Names of authorising officers together with specimen signatures and details of the limits of their authority, where applicable, shall be forwarded to Internal Audit.
- 4.61** To ensure that payments are not made on a photocopied or faxed invoice, statement or other document other than the formal invoice. Any instances of these being rendered should be reported to Internal Audit.
- 4.62** To ensure that the department obtains value for money by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality, which are in line with value for money principles.
- 4.63** To utilise the contract procedures established by the Council in putting purchases, where appropriate, out to competitive quotation or tender.
- 4.64** To ensure that employees are aware of the Council's code of conduct for local government employees.
- 4.65** To notify the Finance Director of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Finance Director.
- 4.66** With regard to contracts for construction and alterations to buildings and for civil engineering works, to document and agree with the Finance Director the systems and procedures to be adopted in relation to financial aspects, including certification of interim and final payments, checking, recording and authorising payments, the system for monitoring and controlling capital schemes and the procedures for validation of subcontractors' tax status.
- 4.67** To notify the Finance Director immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.
- 4.68** To ensure that all appropriate payment records are retained and stored for the defined period, in accordance with the document retention schedule.
- 4.69** To ensure that staff who have been issued with either Procurement or Business Cards comply with the rules contained within the Employee Agreement and sign the Acknowledgement Form indicating their acceptance of the conditions.

## Payments to Employees and Members

### Why is this Important?

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

### Key Controls

**4.71** The key controls for payments to employees and Members are:

- (a) proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to:
- starters;
  - leavers;
  - variations; and
  - enhancements.

and that payments are made on the basis of timesheets or claims;

- (b) frequent reconciliation of payroll expenditure against approved budget and bank account;
- (c) all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule; and
- (d) that HMRC regulations are complied with.

### Responsibilities of the Finance Director

**4.72** To arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees, in accordance with procedures prescribed by him or her, on the due date.

**4.73** To record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions.

**4.74** To make arrangements for payment of all travel and subsistence claims or financial loss allowance.

**4.75** To make arrangements for paying Members travel or other allowances upon receiving the prescribed form, duly completed and authorised.

**4.76** To provide secure payment of salaries and wages by the most economical means.

- 4.77** To ensure that there are adequate arrangements for administering superannuation matters on a day-to-day basis.
- 4.78** To ensure that payroll is provided with signatures of officers authorised to sign timesheets and claims.
- 4.79** To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with Information Asset Registers.

### **Responsibilities of Chief Officers**

- 4.80** To ensure appointments are made in accordance with the regulations of the authority and approved establishments, grades and scale of pay and that adequate budget provision is available.
- 4.81** To notify the Finance Director of all appointments, terminations or variations which may affect the pay or pension of an employee or former employee, in the form and to the timescale required.
- 4.82** To 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; and
  - employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.
- 4.83** To send an up-to-date list of the names of officers authorised to sign records to Internal Audit, together with specimen signatures.
- 4.84** To ensure that payroll transactions are processed only through the payroll system. Chief Officers should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. HMRC applies a tight definition for employee status, and in cases of doubt, advice should be sought.
- 4.85** To certify travel and subsistence claims and other allowances. Certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred, and that allowances are properly payable by the authority, ensuring that cost-effective use of travel arrangements is achieved.
- 4.86** To ensure that the Finance Director is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.

### **Responsibilities of Members**

- 4.87** To submit claims for Members' travel and subsistence allowances within two months of the date on which the entitlement to the allowance arises is carried out.

## Taxation

### **Why is this Important?**

**4.88** Like all organisations, the authority 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.

### **Key Controls**

**4.89** The key controls for taxation are:

- (a) budget managers are provided with relevant information and kept up to date on tax issues;
- (b) budget managers are instructed on required record keeping;
- (c) all taxable transactions are identified, properly carried out and accounted for within stipulated timescales;
- (d) records are maintained in accordance with instructions; and
- (e) returns are made to the appropriate authorities within the stipulated timescale.

### **Responsibilities of the Finance Director**

**4.90** To complete a monthly return of VAT inputs and outputs to HMRC.

**4.91** To provide details to HMRC regarding the construction industry tax deduction scheme.

**4.92** To provide up-to-date guidance for authority employees on taxation issues.

**4.93** To maintain and monitor the Council's partial exemption position.

**4.94** To provide up-to-date guidance for authority employees on taxation issues.

**4.95** To complete all HMRC returns regarding PAYE.

### **Responsibilities of Chief Officers**

**4.96** To ensure (in conjunction with the Finance Director) that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HMRC regulations.

**4.97** To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.

- 4.98** To ensure that all persons employed by the authority are added to the authority's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency.
- 4.99** To follow guidance on taxation issued by the Finance Director.