Financial Procedure Rules
Appendix C - Risk Management and Control of Resources

Risk Management

Why is this Important?

3.01 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.

3.02 It is the overall responsibility of the Audit and Standards Committee to approve the authority's Risk Management Policy, and to promote a culture of risk management awareness throughout the authority.

Key Controls

3.03 The key controls for risk management are:

(a) procedures are in place to identify, assess, prevent or contain material known risks, and these procedures are operating effectively throughout the authority;

(b) a monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis;

(c) managers know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives;

(d) provision is made for losses that might result from the risks that remain;

(e) procedures are in place to investigate insurance claims within required timescales;

(f) acceptable levels of risk are determined and insured against where appropriate; and

(g) the authority has identified business continuity plans for implementation in the event of disaster that results in significant loss or damage to its resources.

Responsibilities of the Finance Director

3.04 To prepare and promote the authority's Risk Management Policy.

3.05 To develop risk management controls in conjunction with other Chief Officers.

3.06 To include all appropriate employees of the authority in a suitable fidelity guarantee insurance.

3.07 To effect corporate insurance cover, through external insurance and internal funding, and to negotiate all claims in consultation with other officers, where necessary.

Responsibilities of Chief Officers

3.08 To notify the Finance Director immediately of any loss, liability or damage that may lead to a claim against the authority, together with any information or explanation required by the Finance Director or the authority's insurers.

3.09 To take responsibility for risk management, having regard to advice from the Finance Director and other specialist officers (e.g. crime prevention, fire prevention, health and safety and the Audit and Risk Management Section).

3.10 To ensure that there are regular reviews of risk within their service units.

3.11 To notify the Finance Director promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.

3.12 To consult the Finance Director and the Legal Services Manager on the terms of any indemnity that the authority is requested to give.

3.13 To ensure that employees, or anyone covered by the authority'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.

Internal Controls

Why are these Important?

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

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

3.16 The authority faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to manage these risks.

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

(a) efficient and effective operations;

(b) reliable financial information and reporting;

(c) compliance with laws and regulations; and

(d) risk management.

Key Controls

3.18 The key controls and control objectives for internal control systems are:

(a) key controls should be reviewed on a regular basis and the authority should make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively;

(b) managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities;

(c) financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems; and

(d) an effective Internal Audit function that is properly resourced. It should operate in accordance with the principles contained in CIPFA's Public Sector Internal Audit Standards and Local Government Application Note and with any other statutory obligations and regulations.

Responsibilities of the Finance Director

3.19 To assist the authority to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.

Responsibilities of Chief Officers

3.20 To manage processes to check 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.

3.21 To review existing controls in the light of changes affecting the authority and to establish and implement new ones in line with guidance from the Finance Director. Chief Officers should also be responsible for removing controls that are unnecessary or not cost or risk effective – for example, because of duplication.

3.22 To ensure staff have a clear understanding of the consequences of lack of control.

Audit Requirements

Internal Audit

Why is this Important?

3.23 The requirement for an Internal Audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which requires that authorities "make arrangements for the proper administration of their financial affairs". The Accounts and Audit Regulations 2015 require that a "relevant authority must undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance".

3.24 Accordingly, Internal Audit is an independent appraisal function established by the authority for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

Key Controls

3.25 The key controls for Internal Audit are:

(a) that it is independent in its planning and operation;

(b) the Head of Internal Audit has direct access to the Head of Paid Service, all levels of management and Elected Members; and

(c) the Internal Auditors comply with the auditing practices in the Public Sector Internal Audit Standards and CIPFA's Local Government Application Note for the United Kingdom Public Sector Internal Audit.

Responsibilities of the Finance Director

3.26 To ensure that Internal Auditors have the authority to:

(a) access authority premises at reasonable times;

(b) access all assets, records, documents, correspondence and control systems;

(c) receive any information and explanation considered necessary concerning any matter under consideration;

(d) require any employee of the authority to account for cash, stores or any other authority asset under his or her control;

(e) access records belonging to third parties, such as contractors and organisations for which the authority acts as the accountable body, when required; and

(f) directly access the Head of Paid Service, the Executive, the Audit and Standards Committee ~~and Standards Committee~~ as and when necessary.

3.27 To approve the strategic and annual audit plans prepared by the Head of Internal Audit, which take account of the characteristics and relative risks of the activities involved.

3.28 To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

Responsibilities of Chief Officers

3.29 To ensure that Internal Auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.

3.30 To ensure that auditors are provided with any information and explanations that they seek in the course of their work.

3.31 To consider and respond promptly to findings in audit reports.

3.32 To ensure that any agreed actions arising from audit findings are carried out in a timely and efficient fashion.

3.33 To notify the Finance Director immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the authority's property or resources. Pending investigation and reporting, the Chief Officer should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.

3.34 To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Head of Internal Audit prior to implementation.

External Audit

Why is this Important?

3.35 The work of the Public Sector Audit Appointments Ltd (PSAA) and its appointed auditors is carried out in accordance with the provisions of the Local Audit and Accountability Act 2014 and the Code of Audit Practice 2015 (the Code). Responsibility for the conduct of the audit remains, at all times, that of the appointed auditor.

3.36 The Code prescribes the way in which auditors of local government bodies, as defined in Schedule 2 of the Local Audit and Accountability Act 2014, appointed by the PSAA should carry out their functions under the Act.

3.37 Auditors' principal objectives are to review and report on, to the extent required by the relevant legislation and the requirements of this Code: (a) the audited body's financial statements and (b) whether the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Key Controls

3.38 Prior to 1 April 2018, External Auditors were appointed by the Audit Commission. From the financial year 2018/19, External Auditors are normally appointed by Public Sector Audit Appointments Ltd (PSAA) for a minimum period of five years. The National Audit Office prepares a code of audit practice, which External auditors follow when carrying out their audits.

Responsibilities of the Finance Director

3.39 To ensure that External Auditors are given access at all reasonable times to premises, personnel, documents and assets that the External Auditors consider necessary for the purposes of their work.

3.40 To ensure there is effective liaison between External and Internal Audit.

3.41 To work with the External Auditor and advise the Full Council, Executive, the Audit and Standards Committee and Chief Officers on their responsibilities in relation to External Audit.

Responsibilities of Chief Officers

3.42 To ensure that External Auditors are given access at all reasonable times to premises, personnel, documents and assets which the External Auditors consider necessary for the purposes of their work.

3.43 To ensure that all records and systems are up to date and available for inspection.

Preventing Fraud and Corruption

Why is this Important?

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

3.45 The authority's expectation of propriety and accountability is that Elected Members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.

3.46 The authority also expects that individuals and organisations (e.g. suppliers, contractors, service providers) with whom it comes into contact will act towards the authority with integrity and without thought or actions involving fraud and corruption.

Key Controls

3.47 The key controls regarding the prevention of financial irregularities are that:

(a) the authority has a number of effective anti-fraud policies and maintains a culture that will not tolerate fraud, bribery or corruption;

(b) all Elected Members and staff act with integrity and lead by example;

(c) senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the authority or who are corrupt;

(d) high standards of conduct are promoted amongst Elected Members by the Audit and Standards Committee;

(e) the maintenance of a register of gifts, hospitality and interests in which any hospitality or gifts accepted or provided must be recorded;

(f) whistle blowing procedures are in place and operate effectively; and

(g) legislation including the Money Laundering and Terrorist Financing (Amendment) Regulations 2022 and the Public Interest Disclosure Act 1998 is adhered to.

Responsibilities of the Finance Director

3.48 To develop and maintain effective counter fraud, bribery and corruption arrangements.

3.49 To maintain adequate and effective internal control arrangements.

3.50 To ensure that all suspected irregularities are reported to the Head of Internal Audit, the Head of Paid Service, the Monitoring Officer and the Audit and Standards Committee.

Responsibilities of Chief Officers

3.51 To ensure that all suspected irregularities are reported to the Finance Director.

3.52 To instigate the authority's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.

3.53 To ensure that where financial impropriety is discovered, the Finance Director is 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.

3.54 To ensure compliance with the 'Employee Code of Conduct' and maintain a register of both financial and non-financial interests declared by employees which they consider could bring them into conflict with the Authority's interests.

3.55 To ensure that gifts and hospitality received and provided by employees is recorded in accordance with the employee 'Code of Conduct'.

Assets

Security

Why is this Important?

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

Key Controls

3.57 The key controls for the security of resources such as land, buildings, fixed plant machinery, equipment, software and information are:

(a) resources are used only for the purposes of the authority and are properly accounted for;

(b) resources are available for use when required;

(c) resources no longer required are disposed of in accordance with the law and the regulations of the authority so as to maximise benefits;

(d) an asset register is maintained for the authority, assets are recorded when they are acquired by the authority and this record is updated as changes occur with respect to the location and condition of the asset;

(e) all staff are aware of their responsibilities with regard to safeguarding the authority’s assets and information, including the requirements of the Data Protection Act 2018, the UK General Data Protection Regulations (GDPR) and software copyright legislation; and

(f) all staff are aware of their responsibilities with regard to safeguarding the security of the authority’s computer systems, including maintaining restricted access to the information held on them and compliance with the authority’s Computer Use Policy and User Agreement.

Responsibilities of the Finance Director

3.58 To ensure that an asset register is maintained in accordance with good practice. The function of the asset register is to provide the authority with information about fixed assets so that they are:

- safeguarded;
- used efficiently and effectively; and
- adequately maintained.

An inventory of IT equipment is also maintained although not formally included within the asset register for accounting purposes.

3.59 To receive the information required for accounting, costing and financial records from each Chief Officer.

3.60 To ensure that assets are valued in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

Responsibilities of Chief Officers

3.61 The Corporate Property Officer shall maintain a property database for all land and property currently owned or used by the authority. Any use of land or property should be supported by documentation identifying terms, responsibilities and duration of use. Following IFR16, all lease agreements must be notified to the financial services team to ensure correct accounting treatment is followed.

3.62 To ensure that lessees and other occupiers of council land and property are not allowed to take possession or enter the land or property until a lease or agreement, in a form approved by the Corporate Property Officer in consultation with the Legal Services Team and Financial Services Team, has been completed.

3.63 To ensure the proper security of all buildings and other assets under their control.

3.64 Where land or buildings are surplus to requirements, a recommendation for sale should be the subject of a joint report by the Corporate Property Officer and the Finance Director.

3.65 To pass title deeds to the Legal Services Team who are responsible for custody of all title deeds.

3.66 To ensure that no authority asset is subject to personal use by an employee without proper authority.

3.67 To ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the authority.

3.68 To ensure that the Council maintains a register of moveable assets in accordance with arrangements defined by the Finance Director.

3.69 To ensure that assets are identified, their location recorded and that they are appropriately marked and insured.

3.70 To consult the Finance Director in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.

3.71 To ensure cash holdings on premises are kept to a minimum.

3.72 To ensure that keys to safes and similar receptacles are kept secure at all times; loss of any such keys must be reported to the Finance Director as soon as possible.

3.73 To record all disposal or part exchange of assets that should normally be by competitive tender or public auction, unless, following consultation with the Finance Director, the Executive agrees otherwise.

3.74 To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Finance Director.

3.75 To ensure that all employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the authority in some way.

Inventories

3.76 To maintain inventories and record an adequate description of equipment, plant and machinery. All assets, excluding IT equipment and office furniture, with either a purchase price (if known) or an approximate replacement value of over £350 should be notified to the Head of Internal Audit for insurance purposes.

3.77 To carry out an annual check of all items on the inventory in order to verify location, review condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the authority.

3.78 To make sure that property is only used in the course of the authority’s business, unless the Chief Officer concerned has given permission otherwise.

3.79 To make arrangements for the care and custody of stocks and stores in the department.

3.80 To ensure stocks are maintained at reasonable levels and are subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion.

3.81 To investigate and remove from the authority’s records (i.e. write off) discrepancies below the predetermined limit of £250, immediately notifying the Finance Director.

3.82 Procedures for disposal of redundant stocks and equipment should be by competitive quotations or auction, unless, an alternative approach has been agreed with the Finance Director.

3.83 To seek approval from the Finance Director to the write-off of redundant stocks and equipment in excess of the predetermined sum of £250.

Intellectual Property

Why is this Important?

3.84 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 the employee. Various acts of Parliament cover different types of intellectual property.

3.85 Certain activities undertaken within the authority may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property.

Key Controls

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

Responsibilities of the Finance Director

3.87 To develop and disseminate good practice through the authority's intellectual property procedures.

Responsibilities of Chief Officers

3.88 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.

Asset Disposal

Why is this Important?

3.89 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 authority's procedure rules.

Key Controls

3.90 Assets for disposal are identified and are disposed of at the most appropriate time, and only when it is in the best interests of the authority, and best price is obtained, bearing in mind other factors, such as environmental issues. For items of significant value, disposal should be by competitive tender or public auction.

3.91 Procedures protect staff involved in the disposal from accusations of personal gain.

Responsibilities of the Finance Director

3.92 To issue guidance regarding best practice for disposal of assets.

3.93 To ensure appropriate accounting entries are made to remove the value of disposed assets from the authority's records and to include the sale proceeds if appropriate.

Responsibilities of Chief Officers

3.94 To seek advice from purchasing advisors on the disposal of surplus or obsolete materials, stores or equipment. Advice from the Legal Services Team should be sought for any land disposals.

3.95 To ensure that income received for the disposal of an asset is properly banked and coded.

Treasury Management

Why is this Important?

3.96 Many millions of pounds pass through the authority's books each year. This led to the establishment of codes of practice. The guidance states that the investment priorities for local authorities must be firstly, the security of the investment and secondly, the liquidity of the asset. Only when these two priorities have been satisfied should the local authority seek to maximise the return on investment.

Key Controls

3.97 That the authority's borrowings and investments comply with the CIPFA Code of Practice on Treasury Management and with the authority's Treasury Management Policy Statement.

Responsibilities of Finance Director – Treasury Management and Banking

3.98 To arrange the borrowing and investments of the authority in such a manner as to comply with the CIPFA Code of Practice on Treasury Management and the authority's Treasury Management Policy Statement.

3.99 To report the following, as a minimum, in relation to treasury management activities to the Executive:

- a Capital Strategy and Treasury Management and Annual Investment Strategy before the commencement of the new financial year;
- a mid year review;
- an annual report on treasury management activity before the 30 September after the year end to which it relates; and
- the outcome of debt rescheduling undertaken reported as soon as possible after completion of the exercise.

3.100 To operate such bank accounts as are considered necessary – opening or closing any bank account shall require the approval of the Finance Director.

Responsibilities of Chief Officers – Treasury Management and Banking

3.101 To follow the instructions on banking issued by the Finance Director.

Responsibilities of Finance Director – Investments and Borrowing

3.102 To ensure that all investments of money are made in the name of the authority or in the name of nominees approved by the Full Council.

3.103 To ensure that all securities that are the property of the authority or its nominees and the title deeds of all property in the authority's ownership are held in the custody of the appropriate Chief Officer.

3.104 To effect all borrowings in the name of the authority.

3.105 To act as the authority's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the authority.

Responsibilities of Chief Officers – Investments and Borrowing

3.106 To ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the Full Council, following consultation with the Finance Director. The only exception to this rule is where a Parish or Town Council (within Wyre), request a short-term loan (not exceeding 12 months) for a value of £50,000 or less. Any agreement needs to be in consultation with the Finance Director and the Legal Services Manager.

Responsibilities of Chief Officers – Trust Funds and Funds Held for Third Parties

3.107 To arrange for all trust funds to be held, wherever possible, in the name of the authority. All officers acting as trustees by virtue of their official position shall deposit securities, etc. relating to the trust with the Finance Director, unless the deed otherwise provides.

3.108 To arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Finance Director, and to maintain written records of all transactions.

3.109 To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.

Responsibilities of the Finance Director – Imprest Accounts

3.110 To provide employees of the authority with cash or bank imprest accounts to meet minor expenditure on behalf of the authority and to prescribe rules for operating these accounts. Minor items of expenditure should not exceed the prescribed amount of £50.

3.111 To determine the petty cash limit and to maintain a record of all transactions and petty cash advances made, and periodically to review the arrangements for the safe custody and control of these advances.

3.112 To reimburse imprest holders as often as necessary to restore the imprests, but normally not more than monthly.

Responsibilities of Chief Officers – Imprest Accounts

3.113 To ensure that employees operating an imprest account:

(a) obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained;

(b) make adequate arrangements for the safe custody of the imprest account;

(c) produce upon demand by the Finance Director cash and all vouchers to the total value of the imprest amount;

(d) record transactions promptly;

(e) reconcile and balance the imprest account at least monthly; reconciliation sheets to be signed and retained by the imprest account holder;

(f) provide the Finance Director with a certificate of the value of the imprest account held at 31 March each year;

(g) ensure that the float is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made; and

(h) on leaving the authority's employment or otherwise ceasing to be entitled to hold an imprest advance, an employee shall account to the Finance Director for the amount advanced to him or her.

Staffing

Why is this Important?

3.114 In order to provide the highest level of service, it is crucial that the authority recruits and retains high calibre, knowledgeable staff, qualified to an appropriate level.

Key Controls

3.115 The key controls for staffing are:

(a) ensuring that staffing requirements and budget allocation are matched;

(b) procedures are in place for forecasting staffing requirements and cost;

(c) controls are implemented that ensure that staff time is used efficiently and to the benefit of the authority; and

(d) checks are undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced and trustworthy.

Responsibilities of the Finance Director

3.116 To ensure that budget provision exists for all existing and new employees.

3.117 To act as an advisor to Chief Officers on areas such as National Insurance and pension contributions, as appropriate.

Responsibilities of Chief Officers

3.118 To ensure that the staffing budget is an accurate forecast of staffing levels and is equated to an appropriate revenue budget provision (including on-costs and overheads).

3.119 To monitor staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff.

3.120 To 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.

3.121 To ensure that the Finance Director is immediately informed if the staffing budget is likely to be materially over or under-spent.