

## Update on the Revision of Financial Regulations of Mid Devon District Council

**Portfolio Holder**                      Cllr Neal Davey  
**Responsible Officer**                Head of Finance

**Reason for Report:** This report seeks to inform members on the progress towards publishing a new revised Financial Regulations of the Authority following a comprehensive review.

**RECOMMENDATION(S):** That the Audit Committee:

- 1) Notes the progress made to date.
- 2) Considers how Member consultation can be best achieved.
- 3) Provides constructive criticism for the draft chapters attached to this report.
- 4) Recognises that additional work is required to complete the document.

**Relationship to Corporate Plan:** The Authority has a duty to take all necessary steps to mitigate fraud and corruption and to safeguard the assets of the Authority.

**Financial Implications:** The efficient, controlled operation of systems, by accountable persons, is important for the demonstration of value for money and sound financial management.

**Legal Implications:** Any disciplinary proceedings are underpinned by the framework established by the Financial Rules.

**Risk Assessment:** Risks of not reviewing the Financial Rules could lead to inefficient processes, possible fraud or corruption and an impaired value for money assessment by our external auditor.

## **1.0 Introduction**

- 1.1 The Financial Regulations are a key document that, together with others lay down the responsibilities of employees, members, and committees, their level of financial approval, and the due process and documentation that must be followed by all. Effectively they provide the foundation for sound financial management and support the s151 officer in safeguarding the Council's finances.
- 1.2 The rules have not been reviewed for a number of years and whilst the same principles remain, systems and processes continually evolve. The regulations need to reflect our current working arrangements.
- 1.3 We aim to produce a concise document, which above all is a practical guide, to be used by officers and members alike and one in which items can be found quickly i.e. Who needs to do what, when, or within what timescale, who authorises the event and what record(s) are kept. It also will form the basis of training staff to help maintain sound financial management.

## **2.0 Progress to date**

- 2.1 The framework, showing the proposed chapters, for the new Financial Regulations are shown at Appendix 1. This covers all aspects of the Council's business which have financial implications.
- 2.2 Officers have continued to develop the document with a review of what we currently have and whether the existing rules are fit for purpose.
- 2.3 The review of the Financial Regulations is challenging and the process has thrown up a number of questions in respect of policy which need to be answered. At the end of the Appendix 1 there are numerous other Governance policies with which the Financial Regulations must dovetail. Some of the chapters have now been produced in draft form with some internal reviews, including internal audit, having been undertaken and these are attached. The components from the document, which have been drafted to date are as follows:

Chapters 1- 4  
Chapters 7- 8  
Chapters 17 – 18  
Appendix A - Financial Limits  
Appendix B - Glossary of terms  
Other Governance Documents

Although in draft form Members are asked to consider these chapters, a small part of a comprehensive document, and to comment on their efficacy.

## **3.0 Appendix A – Financial Limits**

- 3.1. The financial levels at which a higher level of authorisation is required for different types of activity are shown at Appendix A. It is proposed to have a schedule of limits appropriate to the level of responsibility of an officer so that these can be quickly updated in the future. Cabinet could then approve the uplifting of the one

schedule by inflation for example without having to cite every page reference to a limit in the financial regulations.

#### **4.0 Financial Forms**

4.1 During the review there will be a numbered system created for all financial forms to help users, clustered in groupings as follows:

Administration	FIN100-299
Procurement	FIN300-399
Purchase Ledger	FIN400-499
Sales Ledger	FIN500-599
Capital	FIN600-699
Revenue accounts	FIN700-755
Insurance	FIN800-899
Payroll - Employees	FIN900-949
Payroll – Members	FIN950-959

It is proposed to have all forms cross referenced and hyperlinked on Sharepoint to allow end users to print these off or electronically complete as necessary.

#### **5.0 Links to other Governance Documents**

5.1 Sharepoint currently has many other documents and policies relating to governance. Appendix B at the end of the Financial Regulations will cross reference to these other references to aid end users.

#### **6.0 Sharepoint Publication**

6.1 It is envisaged that the final document will be published on Sharepoint with links to aid end users. The revised Financial Regulations aim to be a one stop shop to provide staff with all of the guidance and forms needed for them to record financial information efficiently.

#### **7.0 Continuous Review**

7.1 Looking forward, even after the new document is completed, it will be subject to continuous review to ensure it continues to be fit for service e.g. A version history is cited at the beginning of the document, which will be updated with revisions as they occur.

#### **8.0 Conclusion**

8.1 This is the first of a series of reports on progress to enable review by Members and to ensure that suggestions by those charged with governance feed into the document and it's development.

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**Circulation of the Report:** Cllr Neal Davey, Management Team

# MID DEVON DISTRICT COUNCIL

## FINANCIAL REGULATIONS

### Revision History

<b>Version</b>	<b>Date</b>	<b>Main Amendment</b>
1.0	Nov 2012	First Release

# MDDC Financial Regulations

## Contents – Overview

Drafted	<p><b>1.0 <u>Introduction</u></b></p> <p>1.0 Introduction and overview</p> <p>1.1 Status of Financial Regulations</p> <p>1.2 Financial roles and responsibilities</p> <p>1.3 Awareness of existence and content of Financial Regulations</p> <p>1.4 Reviewing and changing Financial Regulations</p> <p>1.5 Compliance</p>
Drafted	<p><b>2.0 <u>Systems and Internal Control</u></b></p> <p>2.1 Accounting records</p> <p>2.2 Controlled stationery</p> <p>2.3 Officer authorisation procedures</p> <p>2.4 Security of cash, safes and keys</p> <p>2.5 Document retention</p> <p>2.6 Segregation of duties</p> <p>2.7 Business continuity</p> <p>2.8 New electronic systems</p>
Drafted	<p><b>3.0 <u>Financial Planning</u></b></p> <p>3.1 Overall strategic policy framework</p> <p>3.2 Service performance plans for financial years</p> <p>3.3 Asset and vehicle management</p> <p>3.4 Year end balances - earmarked reserves</p> <p>3.5 Maintenance of reserves</p> <p>3.6 Ring fencing of reserves</p> <p>3.7 Medium term financial planning</p> <p>3.8 Reports with financial implications</p>
Drafted	<p><b>4.0 <u>Budgetary Control</u></b></p> <p>4.1 Resource allocation</p> <p>4.2 Budget preparation</p> <p>4.3 Budget approval</p> <p>4.4 Responsibility for budgets</p> <p>4.5 Budget control and monitoring</p>

	<p><b>4.6</b> Budget changes (Virements)</p>
	<p><b><u>Procurement (Including Eprocurement)</u></b></p> <p>5.1 Orders for goods, works and services  5.2 Employment status - Use of consultants and others  5.3 Construction industry scheme  5.4 Receipt of goods/services  5.5 Authorisation for payment  5.6 Payments  5.7 Contract procedure regulations  5.8 Contracts register</p>
	<p><b>6.0 <u>Expenditure</u></b></p> <p>6.1 Housing and council tax benefit payment  6.2 Housing renovation and associated grants  6.3 Payment cards  6.4 Credit cards  6.5 Petty cash  6.6 Asset leasing arrangements  6.7 Urgent payment arrangements  6.8 Emergency action</p>
<b>Drafted</b>	<p><b>7.0 <u>External Expenditure Arrangements</u></b></p> <p>7.1 Work by third parties  7.2 Partnerships with external entities  7.3 Projects</p>
<b>Drafted</b>	<p><b>8.0 <u>Staff Related Expenditure</u></b></p> <p>8.1 Payroll  8.2 Travel and subsistence  8.3 Car loans and car leasing  8.4 Private telephone calls  8.5 ICT auctions</p>
	<p><b>9.0 <u>Income</u></b></p> <p>9.1 Setting fees and charges  9.2 Rent reviews and annual increases  9.3 Invoicing  9.4 Income collection  9.5 Postal remittances  9.6 Debt collection procedures and the write off of bad debts</p>

	<p>9.7 Government subsidies, grants and claims</p> <p>9.8 External funding</p>
	<p><b><u>Income continued</u></b></p> <p>9.9 Housing advances and council house sales</p> <p>9.10 Asset sales</p>
	<p>10.0 <b><u>Stocks</u></b></p> <p>10.1 Stock</p> <p>10.2 Stocktakes</p> <p>10.3 Write off of damaged / obsolete stock</p>
	<p>11.0 <b><u>Taxation</u></b></p> <p>11.1 VAT basic guidance</p> <p>11.2 Tax points - vat returns</p> <p>11.2 Construction industry scheme</p>
	<p>12.0 <b><u>Asset Management</u></b></p> <p>12.1 Land and buildings property register</p> <p>12.2 Fixed asset register</p> <p>12.3 Equipment register</p> <p>12.4 Additions of assets</p> <p>12.5 Disposals of assets</p>
	<p>13.0 <b><u>Capital Programme</u></b></p> <p>13.1 The Prudential Code</p> <p>13.2 The capital project bid process</p> <p>13.3 Selection and compilation of capital programme</p> <p>13.4 Utilisation of capital receipts</p> <p>13.5 Monitoring of capital expenditure</p>
	<p>14.0 <b><u>Banking and Treasury Management</u></b></p> <p>14.1 Banking arrangements</p> <p>14.2 Treasury management policy</p> <p>14.3 Investments</p> <p>14.4 Loans</p> <p>14.5 Loans to external parties (including soft loans)</p>
	<p>15.0 <b><u>Insurance</u></b></p>

	15.1 Insurances
	16.0 <b><u>Postage</u></b> 16.1 Postage
Drafted	17.0 <b><u>Financial Statements and External Reports</u></b> 17.1 The annual statement of accounts 17.2 Accounting policies 17.3 Reports containing financial information
Drafted	18.0 <b><u>Risk Management and Governance</u></b> 18.1 Prevention of fraud and corruption 18.2 Risk management and corporate governance 18.3 Internal audit 18.4 External audit 18.5 Financial irregularities 18.6 Money laundering
Drafted	<b>APPENDIX A - FINANCIAL LIMITS</b>
Drafted	<b>Appendix B - Definitions/ Glossary of Terms</b>
Drafted	<b>Other Governance Documents</b>



# **1.0 GENERAL INTRODUCTION**

- 1.0 Introduction and overview**
- 1.1 Status of Financial Regulations**
- 1.2 Financial roles and responsibilities**
- 1.3 Awareness of existence and content of Financial Regulations**
- 1.4 Reviewing and changing Financial Regulations**
- 1.5 Compliance**

## 1.1 Status of Financial Regulations

- 1.1.1** Financial Regulations provide the framework for managing the authority's financial affairs and contribute to good corporate governance, internal control and the management of risks. In addition they assist sound administration, reduce the risk of irregularities and support delivery of effective, efficient and economical services. Article 14 of The Constitution provides for their authority.
- 1.1.2** The Financial Regulations, which include Contract Procedure Rules and financial aspects of the Constitution, are formally adopted by the Council and provide the framework for the financial administration of the Council. The framework is designed to promote sound and proper financial management of the Council's financial affairs, meet Best Value principles and to safeguard the interests of the Council, its employees, or any person acting on behalf of the Council.
- 1.1.2** The Financial Regulations apply to all officers and members of the Council and anyone acting on behalf of the Council. They also apply to any partnerships that the Council is a member of and for which the Council is the accountable body. (Where the Council is not the accountable body then the lead Council officer is responsible for ensuring propriety and proper processes are followed so that the Council's reputation is not at risk).
- 1.1.3** All elected Members, employees of the Council and persons acting on behalf of the Council are responsible for ensuring that they use the Council's resources and assets in a responsible and lawful manner. The Council is under a statutory obligation to secure Best Value and everyone should strive to achieve the principles of Best Value and avoid any legal challenge to the Council.
- 1.1.4** These Financial Regulations cover all areas of Council activity and to assist members and officers, the Financial Regulations are set out in self-contained sections. All pages are dated and any financial values are summarised in **Appendix A** to allow ease of update.
- 1.1.6** All financial decisions and decisions with financial implications must have regard to proper financial propriety. Where there is any doubt as to the appropriateness of a financial proposal or correctness of a financial action clarification must be sought from the Head of Finance in **advance** of any decision or action.
- 1.1.7** To help you understand the terminology used in Financial Regulations, a Glossary of Terms is attached at Appendix B

## 1.2 Financial Roles and Responsibilities

### 1.2.1 Chief Executive

The Chief Executive, as the Head of Paid Service, is responsible for the corporate and overall strategic management of the Council as a whole. He/she must report to, and provide information for, the Cabinet, the Full Council, the Scrutiny Committee and other committees. He/she is responsible for establishing a framework for management direction, style and standards, and for monitoring the performance of the organisation.

### 1.2.2 Head of Finance (s151 Officer)

The Regulations (in conjunction with the remainder of the Council's Constitution) identify the financial responsibilities of Council, Cabinet, Scrutiny Committee and Audit Committee Members, the Head of Paid Service, the Monitoring Officer, the Head of Finance and other

Service managers. The functions of the Head of Finance are detailed in the Constitution at section 12.04.

Section 151 of the 1972 Local Government Act requires that every local authority shall make arrangements for the proper administration of its financial affairs. Every authority shall make one officer responsible for the administration of those affairs. Within Mid Devon District Council (MDDC) this role has been assigned to the Head of Finance. The Financial Regulations assist the Head of Finance in discharging his duties under the 1972 Act and the Accounts and Audit Regulations 1996.

The Head of Finance is responsible for issuing advice and guidance to underpin the Regulations that members, officers and others acting on behalf of the authority are required to follow.

His/her responsibilities include:

- (a) To report to Council Members, or the Cabinet in consultation with the Monitoring Officer and Chief Executive, if there is likely to be unlawful expenditure or an unbalanced budget (Section 114, Local Government Finance Act 1988, as amended).
- (b) To advise Members or relevant Officers, in consultation with the Monitoring Officer, about particular decisions where those decisions are likely to be contrary to the agreed policy framework or budget (Local Government Act 2000).
- (c) To ensure the adequacies of accounting records and supporting information, control systems and the statement of accounts (Accounts and Audit Regulations 1996: 2003).
- (d) To maintain an adequate and effective system of internal audit (Accounts and Audit Regulations 1996: 2003).
- (e) To report to the Council, at the time the budget is considered and the Council Tax set, on the robustness of the budget estimates and the adequacy of financial reserves (Section 25, Local Government Act 2003).
- (f) To report to the Council where, in relation to the previous financial year, it appears that a controlled reserve is or is likely to be inadequate (Section 27, Local Government Act 2003).
- (g) To set affordable borrowing limits and to arrange the Council's affairs to remain within those limits (Section 3, Local Government Act 2003).
- (h) To prepare three year capital and revenue plans with their consequential impact on Council Tax, taking account of affordability in both the short and long term. (The medium term financial plan).
- (i) To keep the Council's finances under review during the year and to take action if there is evidence that financial pressures will result in budget overspend or if there is a shortfall in income (Section 28 Local Government Act 2003).
- (j) Maintaining strong financial management underpinned by effective financial controls.
- (k) Contributing to corporate management and leadership by the provision of financial advice for service delivery, strategic planning and policy making across the authority.
- (l) Supporting and advising Members.
- (m) Supporting and advising Officers in their operational role.
- (n) To produce Financial Regulations for adoption by the Council
- (o) To advise Heads of Services of any amendments to Financial Regulations
- (p) To either act or appoint a Money Laundering Officer in compliance with the Money Laundering Regulations, 2003.
- (q) To produce a robust Financial Plan, in consultation with all Heads of Services, to achieve efficiency targets set by the Council and facilitate their delivery.
- (r) To provide advice on the optimum use of available resources on the management of capital and revenue budgets;
- (s) To provide financial management information in a timely manner;
- (t) The preparation of statutory and other accounts, associated grant claims and supporting records;
- (u) The provision of effective financial management systems and procedures
- (v) The provision of effective income collection and payments systems;

- (w) To advise on treasury, investment and cash-flow management;  
To ensure that the Head of Finance is able to fulfil the responsibilities identified, the post holder shall:
  - (x) Be able to contribute to papers for corporate management meetings in advance and have access to decisions made.
  - (y) Have the right to attend meetings of corporate management where financial issues are being considered.
  - (z) Have unrestricted access to the Chief Executive, the Monitoring Officer, other Heads of Services and to Members whenever they consider it appropriate to do so.
- (aa) Have unrestricted access to external organisations where the Council acts either as Accountable Body or enjoys an external relationship with a Specific Entity.
- (bb) Have the right to report to Full Council, the Cabinet Board and the scrutiny function whenever they consider it appropriate to do so.
- (cc) Have unrestricted access to the Council's Internal Audit, to external auditors and to other inspectorates.

### 1.2.3 Heads of Service

Heads of Service duties include:

- (a) Consulting with the Head of Finance, or his/her Departmental Representative, on any matter, including submission of plans and/or bids for external funding or potential costs identified through external financial relationships, that is likely to have a financial impact on the capital programme or revenue budget, prior to committing the Council to that impact.
- (b) Managing the financial activities of their Departments, within the agreed budgets and procedures determined by the Head of Finance. Heads of Services must therefore ensure that: Departmental financial arrangements are adequate and effective in order to comply with these Financial Regulations
- (c) Departmental measures are taken to confirm the legality of all financial activities.
- (d) Implementing financial administration and accounting procedures determined by the Head of Finance and adopting detailed financial records as agreed with the Head of Finance.
- (e) Ensuring the full use of the Council's main financial systems, except in exceptional circumstances, are agreed with the Head of Finance.
- (f) Providing departmental support in the keeping and closing of the Council's accounts, in particular that background documentation is available, which meets the standards set by the Head of Finance in liaison with the Council's external auditors.
- (g) Obtaining the approval of the Head of Finance, or his/her Departmental Representative, prior to introducing or significantly changing financial administration/accounting procedures or associated financial records.
- (h) Ensuring that the Head of Finance and/or his/her Departmental Representative are provided with departmental support which allows the timely submission of grant claims, financial returns or periodical financial information and makes verification easy, through a transparent audit trail.
- (i) Security and confidentiality of financial information within their Department, including adherence to guidance issued relating to data protection legislation.
- (j) Maintaining a proper separation of duties, relating to staff with financial responsibilities.
- (k) Acting to implement the recommendations of reports issued by the external and internal auditors in consultation with the Head of Finance and their Departmental Representative and the appropriate Service Portfolio Holder where relevant.
- (l) Where shortcomings in procedures are identified an assurance statement is presented, in consultation with the Head of Finance's Departmental Representative, to the Head of Finance in a timescale and format agreed with him/her on the status and functionality of and compliance with Financial Regulations in their Department. Agreed shortfalls in achievement shall be rectified through detailed action planning, in consultation with the Head of Finance.

Heads of Services may vest their responsibilities in such other departmental Officers as the Heads of Service authorises, provided that such authorisation is given in writing. Heads of Services must ensure that they always retain accountability for their responsibilities notwithstanding that such responsibility may have been vested elsewhere within their Department.

#### **1.2.4 Service Managers**

Service managers duties include:

- (a) To plan and agree budget and corresponding service provision with Heads of Service on an annual basis.
- (b) To ensure that financial objectives within area of responsibility are achieved and Best Value secured.
- (c) Report adverse variances to budget and to agree remedial actions with Heads of Service.
- (d) Vire between cost centres/budgets in areas of responsibility, subject to Financial Regulations (See Chapter 4 )
- (e) Managers are responsible for ensuring adequate records, financial and otherwise, have been maintained for all externally funded schemes subject to audit by the European Commission or grant awarding bodies.

#### **1.2.5 Personal Responsibility**

All Members and Officers have a general responsibility for taking reasonable action to provide for the security of the Council's 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.

All employees shall inform their line manager immediately about any matter that involves or is thought to involve irregularities concerning cash, stores, income, expenditure, assets (including data held by the Council) or any suspected irregularity concerning the exercise of the functions of the Council. Line managers should consult with their Heads of Service without delay.

As an alternative to the Financial Regulation above, employees may raise concerns under the Whistle-Blowing Procedures confidentially.

#### **1.2.6 Emergency Action**

In the event of an emergency, the Chief Executive or Head of Service are empowered to authorise all necessary actions. The Chief Executive or the Heads of Service shall notify the Head of Finance, in writing, of the circumstances and estimated financial impact and report formally to Cabinet subsequently.

#### **1.2.7 Powers of Delegation**

The powers of delegation in respect of the Head of Finance are detailed in the Constitution at section 3.4, page 65. Service managers are required to maintain a written record where decision making has been delegated to members of their staff, including seconded staff. Where decisions have been delegated or devolved to responsible Service managers or other designated officers, references to the Service manager in the Regulations should be read as referring to them

## **1.28 Money Laundering Reporting Officer**

The Audit Team Leader is appointed as the Money Laundering Reporting Officer. She is responsible for notifying Serious Organised Crime Unit (SOCA) of any suspected cases of money laundering committed within the accounts of the Council as soon as possible and fulfil other duties as defined by legislation or regulations.

## **1.3 Awareness of Existence and Content of Financial Regulations**

**1.3.1** Service managers are responsible for ensuring that all of their staff are fully aware of the existence and content of the Regulations and other internal regulatory documents (such as Human Resource and ICT policies and procedures) and that they comply with them.

**1.3.2** Any non-compliance with the Regulations must be reported to the Head of Finance and the Audit Manager immediately.

## **1.4 Reviewing and Changing Financial Regulations**

**1.4.1** The Head of Finance is responsible for maintaining a continuous review of the Regulations and submitting any additions or changes necessary to the Council for approval. The Head of Finance is also responsible for reporting, where appropriate, breaches of the Financial Regulations to the Council via the Audit Committee.

## **1.5 Compliance**

**1.5.1** A failure to comply with these Financial Regulations, or procedures issued under them may constitute gross misconduct in the case of officers, or a breach of the Members Code for Members. Reported breaches will be investigated by internal audit in the first instance and could lead to disciplinary action. The Head of Finance is to be advised immediately.

**1.5.2** If you have any queries, comments or concerns on the content of the Regulations, please contact either the Head of Finance or the Audit Manager.

# **2.0 SYSTEMS AND INTERNAL CONTROL**

- 2.1 Accounting records**
- 2.2 Controlled stationery**
- 2.3 Officer authorisation procedures**
- 2.4 Security of cash, safe and keys**
- 2.5 Document retention**
- 2.6 Segregation of duties**
- 2.7 Business continuity**
- 2.8 New electronic systems**

## **2.0 Systems and Internal Control Procedures**

### **Why are these important?**

Maintaining proper accounting records is the way in which the Council evidences its responsibility for the stewardship of public resources.

The Council has a statutory responsibility to “present fairly” the financial consequences of its operations during the year, which are subject to external audit. This audit provides assurance that the accounts have been prepared in accordance with the current Statement of Recommended Practice (SORP) and the Service Reporting Code of Practice for Local Authorities (SeRCOP) and that arrangements have been made for securing economy, efficiency and effectiveness in the use of the Council’s resources.

#### **Risks:**

- The Council cannot account for all income received and expenditure made;
- Financial systems provide inaccurate or misleading information leading to poor decision making;
- Insecure accounting or financial systems give rise to opportunities for fraud or loss;
- Statutory timescales for reporting on the Council’s financial affairs are not met.

#### **Regulations:**

### **2.1 Accounting Records**

**2.1.1** The Head of Finance is responsible for determining the accounting systems and procedures adopted and maintained by the Council. All income, expenditure, assets and liabilities are to be properly accounted for in line with published guidance, with the maintenance of a complete audit trail, either electronic or paper for all entries made.

**2.1.2** All financial systems and records of accounting are to be in a form approved by the Head of Finance, who is to be consulted and must approve any changes to accounting records and procedures prior to them being made.

**2.1.3** Financial and accounting systems shall incorporate appropriate controls to ensure that, where relevant:

- All data input is genuine, complete, accurate, timely and not duplicated;
- All processing of data is carried out in an accurate, complete and timely manner;
- Output from the system is complete, accurate and timely;
- Segregation of duties wherever possible is built into business processes;
- All transactions and activities have a clear trail of accountability by authorised, responsible officers;
- Appropriate authorisation levels are set for all staff dependent upon their level of responsibility;
- Records and data are securely retained and meet the data protection guidance.

All the Council’s transactions, material commitments and contracts and other essential accounting information must be recorded completely, accurately and on a timely basis.



## 2.2 Controlled Stationery

### Why is this important?

Controlled stationery by its very nature has an inherent value. Examples of such stationery, are official receipt books, cheque books and cheque stationery. If such stationery is lost or stolen income due to the Council may never reach it or money may be paid out to fraudulent payees.

#### Risks:

- Stationery could be lost or stolen leading to financial, possibly considerable, loss to the Council;
- Income based services could be put at risk if monies collected are being diverted into fraudsters hands.

#### Regulations:

**2.2.1** The Head of Finance shall be responsible for controlling financial stationery.

**2.2.2** The design and use of all financial stationery shall be subject to the approval of the Head of Finance.

**2.2.3** The Head of Finance shall nominate officers responsible for the order, secure storage and issuance of financial stationery.

**2.2.4** Proper arrangements are to be made for the security of financial stationery held. No stationery is to be left in circumstances, which could lead to unauthorised use.

**2.2.5** Stocks of financial stationery held are not to be excessive but adequate for the purpose intended. Proper and secure arrangements are to be made for the destruction of any out of date stationery.

**2.2.6** A record of all cheques issued, either electronic or manual is to be made.

## 2.3 Officer Authorisation Procedures

### Why is this important?

Officers of the Council by virtue of their position are often empowered to take action that will lead to the effective and efficient delivery of services to the Council's customers. As such these officers can have considerable financial power that needs to be controlled through effective delegation which clearly set out the limits of their delegated authority. Many transactions are now electronically approved and formal paper based lists of authorised signatories are now impractical.

Examples of related areas:

Official orders  
Sales invoices  
Cheque signatories  
Electronic funds transfers  
Valuation certificates and fee accounts

Expense claim forms  
Travel and subsistence claim forms  
Wages/timesheets  
Overtime claims

**Risks:**

- Officers could exceed their authority;
- Fraud, loss, extravagance or waste could arise

**Regulations:**

**2.3.1** Procedures are to be put in place to ensure appropriate officers authorise transactions up to agreed levels. Specific guidance will be cited in relevant sections of the Financial Regulations and HR policies.

## **2.4 Security of Cash, Tills, Safes and Keys**

### **Why is this important?**

Money collected by the Council is extremely vulnerable until it is banked. Up to that point it is the Council's responsibility to ensure the safe storage and transit of cash. The security of cash, keys and safes is, therefore, essential if the Council is to fulfil its duty.

**Risks:**

- Cash could be lost or stolen;
- Suspicion in respect of stolen cash may rest with a number of staff if they all had access keys;
- Claims against the Council's insurers may be invalidated.

**Regulations:**

**2.4.1** Employees of the Council responsible for collecting, holding and the paying in of official cash must ensure that it is held under secure arrangements at all times. All cash holdings are to be kept to a minimum and within agreed insurance levels.

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

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

**2.4.4** The combination of any Council safe must not be disclosed to another person without the express authorisation of the relevant Service manager. The combination of a safe must be changed immediately when a member of staff, who is authorised to open that safe, leaves the services of the Council.

**2.4.5** All keys held for any official purpose by an authorised member of staff must be held under proper and secure arrangements and not passed or be available to any unauthorised person. The loss or theft of keys is to be reported to the Head of Finance immediately.

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

## **2.5 Document Retention**

## Why is this important?

Although the archiving of documents may cause operational difficulties for management, it is vital that these are retained for as long as necessary, and in an adequate environment, to satisfy legal and all other practical requirements. In particular, prime records used within the council's financial and key non-financial systems must be given due protection to maintain an adequate trail from source right through to completion of transactions.

### Risks:

- Statutory obligations concerning the retention of key documents are not met, e.g. H M Revenue and Customs requirements and penalties may arise;
- The Council may be disadvantaged in taking or defending legal action if prime documents are not retained;
- Performance statistics cannot be verified;
- The external auditor may not be able to verify the council's final accounts and grants may be lost.

### Regulations:

**2.5.1** Financial records, whether electronic or paper, must be retained for a minimum period of seven years. Specific guidance is given on Sharepoint for different types of records some of which must be kept indefinitely. The Information Manager will provide guidance to Service managers on the retention of documents which is available on Sharepoint.

## 2.6 Segregation of Duties

**2.6.1** Wherever possible the following principles should be complied with when allocating accounting duties:

- (a) The duties of providing information about sums due to, or from, the Council and calculating, checking and recording these sums must be separate from the duty of collecting or dispersing them.
- (b) Employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.

## 2.7 Business Continuity

**2.7.1** The Head of Finance 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 systems failure. Working with the Head of Environmental Services (Emergency Planning) and Head of ICT a documented and tested business continuity plan to allow information processing to resume quickly in the event of an interruption shall be in place.

## 2.8 New Electronic Systems

**2.8.1** The acquisition or renewal of all accounting software must be subject to the approval of the Head of Finance and Head of ICT. The purchasing or leasing of computer and ancillary equipment is only to be undertaken in accordance with the ICT Strategy.

**2.8.2** All new financial systems shall be documented, tested in parallel and users trained in their operation, prior to the system being used in a live environment.

## **3.0 FINANCIAL PLANNING**

- 3.1 Overall strategic policy framework**
- 3.2 Service performance plans for financial years**
- 3.3 Asset and vehicle management**
- 3.4 Year end balances - earmarked reserves**
- 3.5 Maintenance of reserves**
- 3.6 Ring fencing of reserves**
- 3.7 Medium term financial planning**
- 3.8 Reports with financial implications**

## **3.1 Overall Strategic Policy Framework**

**3.1.1** The strategic plans of the Council are embraced by three key documents:

- the corporate plan;
- the medium term financial plan;
- and the workforce plan.

The corporate plan sets out the Council's key service priorities as identified by members. Policy Development Groups propose policies to the Cabinet in accordance with these priorities. The medium term financial plan looks forward to the next three years and examines the forecasted income and expenditure for both revenue and capital linked to the corporate plan's priorities. (See 3.6 below). Finally, the workforce plan looks at the staff deployment and employment strategies linked to the corporate plan. Constraints imposed by our financial resources often limit what the Council can achieve, within a given time frame, for both revenue and capital.

## **3.2 Service Performance Plans for Financial Years**

**3.2.1** Heads of Service working with their Portfolio Holders are required to produce service plans detailing service provision and level of performance linked to their budget for each financial year. Initial draft service plans should be created and available in July of each year to assist in the budget setting process.

**3.2.2** These plans should be discussed by the Policy Development Groups when budgets are reviewed and amended accordingly. New government initiatives and other legislative requirements will need to be brought in, also any possible savings identified to help facilitate an overall balanced budget. The service plans will therefore evolve over the budget setting period.

**3.2.3** The final service plans, with service agreed budgets and salary estimates, are to be presented to Management Team for approval before the commencement of the financial year, April 1, for each service.

## **3.3 Asset and Vehicle Management**

**3.3.1** Heads of Service and managers need to consider the equipment and assets used in the provision of their service in relation to their service performance plans. It is vital that we can demonstrate value for money in our decision making. Assets used by services will have finite lives and provision in their service revenue budgets needs to be made to facilitate the asset's replacement at the end of its useful life.

**3.3.2** Where an item of equipment is needed for a service due consideration should be made of:

- the frequency of use by staff;
- the priority of future service provision;
- the asset's expected life;
- the cost of ongoing maintenance and other running costs of the asset;
- the cost to purchase the asset;
- the cost and conditions relating to leasing the asset;
- and the expected residual value of the asset at the end of its useful life.

These factors should then lead to a best value decision as to whether the Council:

- purchases the asset;

- procures the asset by way of a finance lease;
- hires the asset for short periods , as and when required;
- or enters into an agreement with another organisation for its use.

**3.3.3** In all cases managers should be able to demonstrate value for money and consideration of these factors if challenged on their decision - the current practise should not be mechanically followed year on year.

**3.3.4** The current limit for capitalisation of assets is shown in appendix A. Assets whose values exceed the threshold shown in Appendix A shall be capitalised and recorded in the fixed asset register.

**3.3.5** Where acquisitions of capital assets are expected in future periods then these should be planned for and be incorporated into the Medium Term Financial Plan. Although the expenditure is treated as capital in the accounts service managers should make an annual revenue contribution each year towards that asset's replacement. This will help prevent the capital programme receiving heavy demands in certain years with requests for the acquisition of assets, but with no provision of funding for those assets replacement.

e.g. An asset costs £100k today with an expected life of 5 years. The expected replacement cost in five years is £120k. The service should budget for an annual charge of  $£120k/5 = £24k$  each year to be made into a specific earmarked reserve carried forward to year six so that in year 6 £120k is available to acquire the replacement asset.

Clearly service managers each year will need to consider their asset provisions made to date and if a shortfall is envisaged for replacement additional provision in the future year's budgets will need to be made.

**3.3.6** Even if an asset is below the current capitalisation threshold in value, if its cyclical replacement is not budgeted for there can be large spikes in financial years when new assets are purchased e.g. there could be a year where large amounts of equipment are to be replaced whose individual values are low. Service managers should therefore consider their future needs and create an earmarked reserve to provide for this eventuality also.

**3.3.7** In the case of our vehicle fleet, where non specialist vehicles such as vans can be moved between services, an overall strategy for vehicles needs to be made, over and above the current service user, by the Waste and Transport Manager.

## **3.4 Year End Balances - Earmarked Reserves**

### **Why is this important?**

The Regulations below cover arrangements for the transfer of resources between accounting years i.e. earmarked reserves.

### **Risk:**

- Balances are not carried forward correctly

### **Regulations:**

**3.4.1** The Head of Finance is to administer the scheme of earmarked reserves within the guidelines approved by the Council.

**3.4.2** Net underspends on service estimates may be carried forward, subject to:

- a) The detailed constraints and completion of a request form FIN751
- b) Detailing the sources of the underspends or additional income and the specific application of those resources for approval by Management Team.

**3.4.3** The Head of Finance is to report all underspends on service estimates carried forward to the Cabinet.

**3.4.4** Where capital projects are part complete their unused budget shall be rolled forward automatically to future year(s) to ensure their completion, without the need for a completed form FIN 751.

## **3.5 Maintenance of Reserves**

### **Why is this important?**

The Council must decide the level of General Fund and Housing Revenue Account reserves that it wishes to maintain before it can decide the level of council tax or Council House rents. Reserves are maintained as a matter of prudence. They enable the Council to provide for unexpected events and thereby protect it from overspending should such events occur. Reserves for specific purposes may also be maintained.

#### **Risks:**

- The Council may be unable to meet its financial commitments or any unforeseen costs that may arise during the year;
- The Council fails to comply with standard CIPFA codes of practice on local authority accounting.

#### **Regulations:**

**3.5.1** The Head of Finance shall advise the Cabinet and Full Council on prudent levels of reserves for the Council and take into account the advice of the external auditors and generally accepted practice.

**3.5.2** The Head of Finance will comply with accepted standard codes of practice in respect of the maintenance of reserves.

## **3.6 Ring Fencing of Reserves**

**3.6.1** Service managers shall only use specific reserves for the purposes for which they were intended.

**3.6.2** The Housing Revenue Account and General Fund are ring fenced and legislation provides that neither can be used to subsidise, or help finance the other. All transactions between the two are required to be at arm's length, fair and equitable to both funds.

**3.6.3** Unless funded by a revenue contribution to capital, all capital monies must be expended on capital expenditure. Revenue monies may be used for either revenue expenditure or a revenue contribution to capital.

## **3.7 Medium Term Financial Planning**

### **Why is this important?**

Without planning for the short/medium/longer term future budget shortfalls could occur impairing the delivery of corporate goals and creating a reactive rather than proactive management style. Future expected trends and the financial “headroom” can be identified and fed into the Corporate Plan. Potential risks are also highlighted.

### **Regulations:**

**3.7.1** The Head of Finance will produce and update a Medium Term Financial Plan for the Council covering a period of no more than four years. This is to be presented annually to management team and the Cabinet for approval prior to budgets for the following year having been set.

**3.7.2** The Head of Finance will review the Medium Term Financial Plan and amend its contents quarterly if required.

**3.7.3** Heads of Service and service managers have a duty to inform the Head of Finance of major changes (Amounts in excess of £20K) to their service in future periods .

**3.7.4** The Medium Term Financial Plan shall consider the following factors over the life of the plan:

- the governments current spending review proposals;
- the likely level of Council Tax rises;
- the Corporate Plan goals;
- new service initiatives;
- service savings;
- income from fees and charges;
- the effects of inflation;
- future legislative changes including taxation;
- the demands of a proposed capital programme;
- treasury management considerations;
- any other factors whose impact could exceed £20k.

Its scope shall embrace the General Fund, the future capital programme, the Housing Revenue Account, future treasury management, and identify the expected level of reserves and any shortfalls.

**3.7.5** The plan must state what is known, estimated and assumed in producing the plan. Sensitivity analysis should be employed to give the reader an idea of a 1% variation - some factors could have a seriously detrimental effect on budgets or reserves whereas other factors might be far less influential.

**3.7.6** In making strategic decisions, amending the Corporate Plan, and approving future budgets, Management Team and the Cabinet shall have regard to the Medium Term Financial Plan and its implications.

## **3.8 Reports with Financial Implications**

### **Why is this important?**



Without understanding the financial impact of any proposal a poor decision could be made, exposing the Council to risks, possibly leading to an overspent budget. Significant resources could also be diverted from key corporate goals.

**Regulations:**

**3.8.1** All reports to members of Policy Development Groups, Scrutiny and the Cabinet shall be reviewed by the Head of Finance to quantify as accurately as possible the financial effects and risks of any proposals **before** details are published and to ensure that reports published are fit for purpose.

# **4.0 BUDGETARY CONTROL**

- 4.1 Resource allocation**
- 4.2 Budget preparation**
- 4.3 Budget approval**
- 4.4 Responsibility for budgets**
- 4.5 Budget monitoring**
- 4.6 Budget changes (Virements)**

## **4.0 Budgetary Control and Monitoring**

### **Why is this important?**

Budget management ensures that once Council has approved the budget, resources allocated are used for their intended purposes and that these resources 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.

By monitoring the budget on a regular basis, variances against budgetary targets can be identified along with changes in trends and resource requirements at the earliest opportunity.

The scheme of budgetary virements is intended to enable the Council, service managers and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by the Council, and therefore optimise the use of resources.

#### **Risks:**

- The Council could over or underspend against budget on the provision of Council services;
- There may be inefficient use of public money and a failure to comply with the Council's objectives;
- Budgets could become overspent with nobody being held accountable for them;
- Income and expenditure systems could fail with nobody being made aware that they have;
- The Council could face prosecution and/or a damning external audit report for failing to comply with legislation and accepted standards.

### **4.1 Resource Allocation**

The Chief Executive and Head of Finance are together responsible for developing and maintaining a resource allocation process that ensures that both capital and revenue expenditure plans take account of the Council's policy framework and changing priorities. It is the responsibility of Heads of Service to ensure that the revenue and capital budget estimates reflect agreed service plans, are in line with the Medium Term Financial Plan and the Corporate Plan.

### **4.2 Budget Preparation**

**4.2.1** The Head of Finance, in consultation with management team, shall prepare a budget timetable to ensure that the recommended budget is finalised for approval by the Cabinet and Full Council within statutory timetables.

**4.2.2** The Budget will be prepared in consultation with the relevant service manager or his/her nominated representative. In assisting the Head of Finance to prepare their budgets, due regard shall be given to:

- a. Spending patterns and pressures revealed through the budget monitoring process;
- b. the prior year's actual outturn;
- c. legal requirements;
- d. the Corporate Plan;
- e. the Workforce Plan;
- f. initiatives already commenced;
- g. and the future introduction of new central and regional government initiatives.

**4.2.3** The Head of Finance will encourage the best use of resources and value for money by working with service managers to identify opportunities to improve economy, efficiency and effectiveness.

**4.2.4** The Authority is legally obliged to set a balanced budget.

### **4.3 Budget Approval**

**4.3.1** The Head of Finance, as Section 151 Officer, is responsible for ensuring that revenue budgets for the General Fund and Housing Revenue Account and capital budgets are prepared on an annual basis for consideration by the Full Council, and in accordance with professional and statutory requirements.

**4.3.2** The Full Council may amend the budget or ask the Cabinet to reconsider it before approving it.

**4.3.3** After the budget has been approved by Council there will be no increase in the overall budget, unless sanctioned by the Cabinet. Expenditure is to be committed only against an approved budget head, unless approved virements have been made. (See section 4.6 below)

**4.3.4** The Head of Finance will produce a summary Budget Book in accordance with the accountabilities of service delivery.

**4.3.5** The approved budget will be loaded into budget 1 and budget 2 on the financial system. Budget 1 records the original approved budget. Budget 2 shall be the working budget where budget virements can be made.

### **4.4 Responsibility for Budgets**

**4.4.1** Heads of Service are ultimately responsible for the budgets relating to their service areas and are required to sign approving their service plans and acknowledging accountability for their budgets on an annual basis.

**4.4.2** If he/she wishes to delegate responsibility for the budget to their service manager(s) then evidence of the onward delegation needs to be documented in writing and the service manager will need to sign to accept the delegated budgetary responsibility. Inclusion of such accountability within the Job Description of the Service manager and signed acceptance of the Job Description shall be regarded as sufficient documentary evidence.

**4.4.3** It is the responsibility of Heads of Service to control income and expenditure within their area and to monitor performance. Heads of Service must ensure that there is a clear allocation of responsibility for revenue budget at cost centre level and capital

schemes within their areas. Budget responsibility should be aligned as closely as possible to the decision making that commits expenditure. They should report on variances within their own areas. They must also take any action necessary to avoid exceeding their budget allocation and alert the Head of Finance to any problems. The notification must also include an explanation of how the Head of Service intends to ensure that the variance is minimised.

- 4.4.4** Service managers are to control their budgets, within their service area, so that the budget is not overspent, utilising resources in the most efficient, effective and economic way and identifying opportunities to minimise or eliminate resource requirement or consumption without a detrimental effect on service delivery.

## **4.5 Budget Monitoring**

- 4.5.1** It is the responsibility of the service manager to control income and expenditure within their service areas and monitor performance. Any variances (both over and under spends) are to be discussed with their Head of Service and accountant.
- 4.5.2** Service managers should also take any action necessary to avoid exceeding their budget allocation and alert the Head of Finance to any problems, immediately as they arise.
- 4.5.3** The Head of Finance will present a budget monitoring report to management team and the Cabinet, outlining any areas of concern (i.e. identified material overspends and shortfalls in income) along with explanations from service managers as to the actions that are recommended to be taken to address the concerns.

## **4.6 Budget Changes (Virements)**

- 4.6.1** The scheme of virements is administered by the Head of Finance.
- 4.6.2** The transfer of budgetary provision from one service unit to another is permissible, providing virement conditions are complied with as detailed below.
- 4.6.3** Under no circumstance may a budget virement be made between the Housing Revenue Account and the General Fund.
- 4.6.4** Budgetary virements may be required by changes in accounting practice issued by CIPFA and other regulatory bodies. In such cases virement request forms **FIN701** will not be required provided the overall budget, before and after, remains the same.
- 4.6.5** Service managers are responsible for initiating the virements procedure. Approval for each virement will require the completion of a virement request form **FIN701**.
- 4.6.6** Appendix A shows the thresholds for approval, split between those virements within service units and those between service units. Large proposed budgetary virements require the approval of the Cabinet.
- 4.6.7** Where a virement request has been approved, under no circumstances is income or expenditure to be vired between differing financial years (ultimately amending the overall budget liability).

**4.6.8** Approved virement request forms must be processed by the appropriate accountant who will amend the financial ledger accordingly. Approved forms must be retained for audit purposes.

## **7.0 External Expenditure Arrangements**

- 7.1 Work for third parties**
- 7.2 Work by third parties**
- 7.3 Partnerships with external entities**
- 7.4 Projects**

## **7.0 Work for Third Parties**

**Why is this important?**

Current legislation enables the Council to provide a range of services to other bodies. Such work may enable a unit to maintain economies of scale and existing expertise. Arrangements should be in place to ensure that any risks associated with this work is minimised and that such work is intra vires.

**Risks:**

- The Council could make a significant loss by carrying out this work;
- Internal resources are tied up in providing external users a service with a resulting detrimental effect on the internal service provision;
- The Council could be held liable for the actions of its staff.

**Regulations:**

7.1.1 The Head of Finance shall provide guidance on the financial aspects of providing third parties with services and the maintenance of a contracts register.

7.1.2 The Head of HR and Development in consultation with the Head of Finance shall maintain a register of all contracts entered into with third parties in accordance with guidance.

7.1.3 Each service manager shall ensure that:

- Appropriate insurance arrangements are in place to the satisfaction of the Head of Finance;
- The Council is not put at risk from any bad debts;
- Valid sales invoices with the correct vat treatment are created for the service;
- Wherever possible, payment is received in advance of the provision of the service;
- The relevant service has the appropriate expertise to undertake the contract;
- The delivery of the contract will not adversely impact upon the services provided for the Council;
- All contracts are properly documented and that the documentation is kept up to date;
- The Head of Finance is provided with the appropriate information to enable a note to be entered into the financial statements.

7.1.4 Heads of Service must ensure that work carried out by third parties (for instance by an Arms Length Management Organisation) for the Council is approved and covered by a suitable contract or agreement so that the responsibilities of each party are clear. Financial, legal, HR and procurement advice should be sought at an early stage. This will ensure that the organisation only carries out work that is within the relevant legal powers, and that financial issues such as responsibility for managing budgets, insurance and taxation are properly considered

## **7.2 Partnerships with External Entities**

### **Why is this important?**

Partnerships are likely to play a key role in delivering 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. The Council will be measured by what it achieves in partnership with others.

**Risks:**

- Important issues and problems are not addressed and roles and responsibilities for the partnership are not clearly defined at the outset;
- The risks associated with the partnership are not identified or addressed;
- The financial viability of the partnership is not assessed at the outset;
- The partnership may not deliver the level of staffing or expertise anticipated at the outset;
- 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;

**Regulations:**

- 7.2.1 It is the responsibility of all Service managers to identify any instances of partnership working within their service areas and to keep a written record.
- 7.2.2 Before entering into any partnership agreements the service manager will advise the Head of Finance of the key elements of the partnership. This will include an analysis of:
- A cost/benefit appraisal of the financial viability of the partnership, both in the current and future years (including estimated budgetary requirements);
  - Risk assessment and management (including the production of a risk log);
  - Resourcing, including taxation issues;
  - Audit, security and control requirements;
  - Dispute resolution.
- 7.2.3 The Head of Finance must be advised and will give advice on effective controls and ensure that accounting arrangements are satisfactory.
- 7.2.4 The Head of HR and Development must be advised and a suitable partnership agreement drawn up and signed before commencement to safeguard all parties.
- 7.2.5 It will be the ongoing responsibility of the service manager to:
- Adhere to approved Council policies relating to partnership working;
  - Ensure that such partnership agreements and arrangements do not impact adversely upon the services provided by the Authority;
  - Provide appropriate information to the Head of Finance to enable a note to be entered into the Council's statement of accounts concerning material items;
  - Ensure that all partnership agreements and arrangements are properly documented. Such documentation must be sufficiently detailed to allow the performance of the partnership to be effectively monitored and assessed.
- 7.2.6 Service managers are responsible for reviewing all existing partnerships on an annual basis to ensure that the partnership continues to deliver Value for Money, and that it operates in the best interests of the Council and is not in conflict with the Council's objectives.

7.2.7 All service managers are required to complete a partnership evaluation form on, at least, an annual basis, and forward this to the Head of Communities and Governance. The Head of Communities and Governance will then produce a report for Scrutiny Committee in order for members to scrutinise the cost (finance)/benefit (outputs) of all significant partnerships.

7.2.8 Service managers must notify the Head of Finance and The Head of HR and Development if the Council intends to disengage from an existing partnership who will advise on appropriate measure to protect the Council's interests when the partnership is dissolved.

7.2.9 It is the partners' responsibility to:

- If appropriate, and especially where this Council takes the lead, be aware of their responsibilities under these Financial Regulations;
- 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 (including finance), staffing and expertise;
- Agree and accept formally, the roles and responsibilities of each of the partners involved in the project before the project commences (including the production of terms of reference);
- Communicate regularly with other partners throughout the project or partnership so that problems can be identified and shared, to achieve their successful resolution;
- Develop a framework for measuring the performance of the project or partnership and regularly share performance results with partners and stakeholders;
- Ensure that any financial contributions made to the Council, for the purposes of the Partnership, are made on a timely basis.

## 7.3 Projects

### Why is this important?

The Council normally undertakes projects for "one-off" or unique events, which are not part of the day job. Projects can be caused by many factors including changes in central government direction or legislative changes.

### Risks:

- The project may fail due to an inadequate or inexperienced project manager;
- The project may exceed its budget both in terms of cost and time;
- Important issues and problems are not addressed and roles and responsibilities for the project are not clearly defined at the outset;
- The risks associated with undertaking the project are not identified or addressed;
- The financial viability of the project is not assessed at the outset;
- The project may not deliver the desired objectives and outcomes that were anticipated at the outset;
- Failure of a project may impact on the Council's reputation.

### Regulations:

7.3.1 Service managers own the business case, including the budget for the project, and are accountable to Management Team for the project. The service manager is responsible for producing and submitting the business case to management team for approval. This must include:

Financial Regulations – V1.0 Nov 2012

- a. The objectives of the project;
- b. The scope of the project;
- c. The measurable outcomes/benefits of the project;
- d. A list of deliverables for performance monitoring purposes;
- e. A business case (including a cost/benefit analysis);
- f. A risk log containing risks that have previously been assessed;
- g. An action plan of how and when the project is to be delivered;
- h. and the proposed project organisation.

7.3.2 Where the project involves the use of consultants, their appointment should be subject to the Council's normal rules - see Chapter 5.

7.3.3 It is the responsibility of the Head of Finance to set up the budget for the project on the financial ledger.

7.3.4 It is the responsibility of the Project Manager to monitor the project budget and progress and to provide Management team with regular updates as to the progress of the project, so that any issues or concerns can be fully discussed and action taken, where appropriate.

7.3.5 All project documentation must be retained in accordance with the document retention guidelines available on Sharepoint.

7.3.6 Where the project expenditure is anticipated to be £50,000 or below, it will be the responsibility of Management Team to monitor the total level of expenditure and hold the Project Manager as project owner to account should any variances arise during the course of the project. Where the Project Manager requires additional financing for the project, he/she will obtain the approval of Management Team prior to committing the expenditure.

7.3.7 Where the project expenditure is anticipated to be in excess of £50,000, it will be the responsibility of the Cabinet to monitor the total level of expenditure and hold the Project Manager to account, should any variances arise during the course of the project. Where the service manager as project owner requires additional financing for the project, he/she will obtain the approval of the Cabinet prior to committing the expenditure.

# **8.0 Staff Related Expenditure**

- 8.1 Payroll**
- 8.2 Travel and subsistence**
- 8.3 Car loans and car leases**
- 8.4 Private telephone calls**
- 8.5 ICT auctions**

## 8.1 Payroll

### Why is this important?

Staffing the Council's services represents a significant if not the most expensive cost to fall on the taxpayer. As a result it is important that staffing records are complete, up to date and accurate so as to ensure that only authorised personnel are being paid and at the approved rate and in line with all legislative requirements.

#### Risks:

- Payments may be made to fictitious employees;
- Employees may be paid incorrectly;
- The Council could be prosecuted for failing to abide by employment law;
- The Council could be heavily criticised by the external auditors for failing to maintain adequate employment records
- Tax compliance and associated penalties

#### Regulations:

- 8.1.1 The regulations, set out below, cover all officers employed by the Council along with all Elected Members.
- 8.1.2 All claims from Officers and Members must be submitted to the Payroll Manager by the 6<sup>th</sup> of the month.
- 8.1.3 The Head of HR and Development Human Resources Manager may review these dates from time to time.

#### New Employees

- 8.1.4 The Head of HR and Development is responsible for the payment of all salaries, wages, pensions, gratuities and other emoluments to employees, former employees, members and former members of the Council.
- 8.1.5 Appointments will be made in accordance with the establishment and rates of remuneration approved by the Council and provided that adequate budget provision is available. Payments will be made in accordance with nationally or locally agreed conditions.
- 8.1.6 In all instances where a new appointment is to be made (whether replacing an existing post or adding to the establishment), the recruiting manager will be required to complete a Vacancy Approval Form (VAF) and justify the business case for recruiting. The VAF must then be signed off by the Service manager before being passed to Finance to check that there is adequate budget to recruit. The VAF must then be passed to The Head of HR and Development for approval prior to the request being approved by Management Team.
- 8.1.7 Once an appointment has been made, a starters form will be completed by the Human Resources team and will be signed by the recruiting manager prior to being passed to the Payroll Manager.
- 8.1.8 The Head of HR and Development will ensure that new employees produce the following:

- Completed Pension Option Form
- Copy Birth Certificate (if joining the Pension Scheme and married, copies of the marriage certificate and partner's birth certificate)
- Tax form P45 or P46

8.1.9 The Head of HR and Development will start and maintain personal files for all new employees and will complete pension documentation as required, in accordance with the Local Government Pension Scheme.

## **Leavers**

8.1.10 The relevant Service manager will notify the Head of HR and Development immediately by completion of a Leaver's Form, of all resignations, dismissals, redundancies, or retirements. On receipt of the Leaver's Form the Payroll Manager will calculate and initiate the final payment and, where applicable, forward the necessary Pension documentation, to the administering Authority.

## **Calculation and Payment of Salaries and Wages**

8.1.11 Each Service manager will be responsible for notifying the Head of HR and Development of all matters affecting the payment of emoluments, including changes in remuneration, other than normal increments, pay awards and agreements of general application.

8.1.12 Overtime must only be worked with the prior approval of the Service manager or his/her representative. Claims for overtime and other allowances must be certified by an authorised officer in accordance with the official Authorised Signatories List for overtime (or Local Conditions of Service where the officer is SCP 35 or above). These must be submitted promptly and at the latest within two months from the end of the month to which the claim relates. If the claim is submitted after two months then it will require the approval of the Head of HR and Development before being processed and paid.

8.1.13 Payments will be calculated by the Head of HR and Development in accordance with the information provided, the relevant Conditions of Service, and statutory payroll legislation. Non statutory deductions and changes to bank accounts are only to be made with the written approval of the employee concerned.

8.1.14 The salary in respect of each full calendar month for officers, and the allowances in respect of Members, will be paid no later than the 22<sup>nd</sup> of that month. The Head of HR and Development may review these dates after consultation, from time to time.

8.1.15 Payment will be by monthly BACS for all employees. Pay advices will be despatched to the relevant service units where a designated officer will be responsible for their distribution. Any undelivered pay advices must be returned to the Payroll Manager.

8.1.16 The Head of HR and Development will be responsible for the correct accounting and supply of payment and information to the relevant bodies for all deductions made from the payroll.

## **Absence**

8.1.17 Service managers or their authorised officers are responsible for ensuring records of all absences including holidays, sickness, unpaid and other leave are maintained and monitored, using the appropriate time recording system.

- 8.1.18 Service managers or their authorised officers must ensure staff comply with statutory and prescribed certification and notification procedures for periods of sickness and maternity leave. Failure to comply with these procedures may result in delayed or stopped payment. The submission of false information will be treated as gross misconduct.
- 8.1.19 Where an employee returns from sickness absence a return to work interview is to be completed with the employee and forwarded to Human Resources, along with the relevant sickness paperwork, within one week of the employees return to work.

## **Regradings from Job Evaluation, Promotions and Transfers**

- 8.1.20 The Head of HR and Development will be provided with written notification from the relevant Service manager of any regradings, promotions or transfers. This notification will include the employee's personal and post details, both previous and revised, and the effective date of the change. On receipt of this information, the Head of HR and Development will instigate the change.

## **Honorarium and Merit Payments**

- 8.1.21 Honorarium and merit payments are only to be made in accordance with the Human Resources policy and on the formally approved pro-formas.
- 8.1.22 Honorarium payments will only be made to employees that are acting up to cover a higher graded position. It is the responsibility of the Service manager to notify the the Head of HR and Development of any members of their staff that are covering higher graded positions.
- 8.1.23 Requests for merit payments are to be made on the formally approved pro-forma and authorised by the Head of HR and Development and Head of Finance prior to being passed to the Payroll Manager for payment.

## **General**

- 8.1.24 The names and grades of all employees listed on the payroll shall be annually checked and signed as correct by the appropriate service manager to verify the accuracy of the payroll records.
- 8.1.25 Retention of documents must comply with statutory requirements and be in accordance with Financial Rule 30.

## **8.2 Travel and Subsistence**

### **Why is this important?**

In the course of their duties officers may be required to work away from their normal place of work, attend seminars, training days etc. The officer 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:**

Financial Regulations – V1.0 Nov 2012

- Fraudulent claims are made, i.e. fictitious journeys, embellished claims, incorrect rates, etc;
- Claims are paid twice;
- Financial and accounting records are not correctly updated

### **Regulations:**

- 8.2.1 Claims for travelling and subsistence are to be made monthly on the prescribed forms which must be fully completed and submitted (electronically where possible) to the Head of HR and Development by the 6<sup>th</sup> day of the following month. Late submissions will result in delayed payments.
- 8.2.2 Officers claiming travelling and/or subsistence allowances are expected to be aware of the provisions of the Local Conditions of Service before a claim is submitted. If there is any doubt concerning the accuracy of an amount being claimed, the Service manager must be consulted and the advice of the Head of HR and Development is sought, if necessary, to ensure that all claims are in accordance with the relevant Conditions of Service.
- 8.2.3 Claims not submitted within two months from the end of the month, to which the claim relates, must be referred to the Head of HR and Development together with a satisfactory explanation, in writing, before any payment will be made.
- 8.2.4 Claims must only be signed by the claimant and approved authorised officer of the department concerned. Claimants who are also authorised officers are not permitted to approve their own claim. Approval must be sought from their authorised line manager or Service manager, if applicable.
- 8.2.5 Claims for travel and subsistence shall only be made where journeys were authorised and expenses were properly and necessarily incurred.
- 8.2.6 No benefits in kind or other ex-gratia payments to staff are to be made without consulting the Head of HR and Development.
- 8.2.7 Subsistence allowances will be paid only for the amount actually spent, subject to the limits approved in Local or National Conditions of Service (which is available on the Intranet).
- 8.2.8 Receipts for the subsistence allowances claimed are to be attached to the claim. If a receipt is not attached an explanation of the circumstances must be given on the claim form and the allowance paid will be restricted to 50% of the scale approved.
- 8.2.9 Travelling and subsistence claims in connection with the taking of examinations or training should be made on the prescribed form and certified by the Service manager. The cheapest mode of transport should be used where possible. Proof of attendance may be required before payment. This will be paid at the prescribed training rate. All claims must be processed through the Human Resources department.
- 8.2.10 Where an officer is undertaking professional qualification training, in accordance with the Local Conditions of Service, a copy of any invoice that is paid in relation to that professional training is required to be forwarded to the Head of HR and Development.



- 8.2.11 Where an officer travels outside the prescribed boundaries of the Council for travel purposes, the journey and method of travel must be approved in advance by the Service manager. The cheapest mode of transport must be used where possible.
- 8.2.12 Where an officer travels direct from home, without first visiting the administrative centre, then the normal mileage from home to work should be deducted in calculating the car mileage allowance payable.
- 8.2.13 In exceptional circumstances, a Service manager can authorise an officer to claim car mileage allowance for travel from home to office. This must be clearly shown on the claim form. Payment will be made through the Payroll with deductions for Income Tax and National Insurance contributions.
- 8.2.14 Officers claiming car mileage allowance shall be insured for business use (i.e. not just social, domestic and pleasure) and have included and maintained in their policy of insurance a clause indemnifying the Council against all third party claims, including those concerning passengers, arising out of the use of the vehicle on official business.
- 8.2.15 It is the responsibility of the relevant Service manager to verify that the appropriate insurance discussed above is in place, along with a valid drivers license, and evidence provided

## PAYROLL FORMS

### STAFF FORMS

<b>FIN901</b>	<b>Overtime Form</b>	<a href="S:\Personnel\Payroll\My Documents\Jeremy\ORIGINALS\Blank Claim Forms\Overtime claim.xls">S:\Personnel\Payroll\My Documents\Jeremy\ORIGINALS\Blank Claim Forms\Overtime claim.xls</a>
<b>FIN902</b>	<b>Expenses Claim Form</b>	On the front of share point
<b>FIN903</b>	<b>Mileage Rates</b>	<a href="S:\Personnel\Payroll\Payroll Notes - Forms - Guidance to employees\Travel &amp; Subs 1.4.11.doc">S:\Personnel\Payroll\Payroll Notes - Forms - Guidance to employees\Travel &amp; Subs 1.4.11.doc</a>
<b>FIN904</b>	<b>Change of Bank Details</b>	<a href="S:\Personnel\Payroll\Payroll Notes - Forms - Guidance to employees\MDDC Change of bank form.doc">S:\Personnel\Payroll\Payroll Notes - Forms - Guidance to employees\MDDC Change of bank form.doc</a>
<b>FIN905</b>	<b>Christmas Club form</b>	<a href="S:\Personnel\Payroll\Payroll Notes - Forms - Guidance to employees\CHRISTMAS CLUB.doc">S:\Personnel\Payroll\Payroll Notes - Forms - Guidance to employees\CHRISTMAS CLUB.doc</a>
<b>FIN906</b>	<b>P46 form</b>	Copies held in HR/Payroll
<b>FIN907</b>	<b>Child Care Vouchers</b>	<a href="http://www.computersharevoucherservices.com">www.computersharevoucherservices.com</a>
<b>FIN908</b>	<b>Cycle to work scheme</b>	
<b>FIN909</b>	<b>Starter Form</b>	<a href="..\Templates\Appointment\Permanent and Temporary Contracts\Starters form and checklist.doc">..\Templates\Appointment\Permanent and Temporary Contracts\Starters form and checklist.doc</a>
<b>FIN910</b>	<b>Amendment Form</b>	<a href="..\Templates\Appointment\Amendment forms\Amendment form.doc">..\Templates\Appointment\Amendment forms\Amendment form.doc</a>
<b>FIN911</b>	<b>Leavers Form</b>	<a href="..\Templates\Appointment\Amendment forms\Amendment form.doc">..\Templates\Appointment\Amendment forms\Amendment form.doc</a>
<b>FIN912</b>	<b>Pension Pack</b>	<a href="http://www.devon.gov.uk/starter-pack-2.pdf">www.devon.gov.uk/starter-pack-2.pdf</a>
<b>FIN913</b>	<b>Pension Joiner Form</b>	<a href="http://www.devon.gov.uk/option_form_sept_2011_.doc">www.devon.gov.uk/option_form_sept_2011_.doc</a>
<b>FIN914</b>	<b>Pension Opt Out Form</b>	<a href="http://www.devon.gov.uk/opting_out_form_sept_2011_.doc">www.devon.gov.uk/opting_out_form_sept_2011_.doc</a>

### MEMBERS FORMS

<b>FIN981</b>	<b>Expenses Claim Form</b>	On the front of share point
	<b>Expenses Claim Form (paper version)</b>	
<b>FIN982</b>		<a href="S:\Personnel\Payroll\Members Reports\BLANK - Members Mileage Claim Form.pdf">S:\Personnel\Payroll\Members Reports\BLANK - Members Mileage Claim Form.pdf</a>
<b>FIN983</b>	<b>Mileage Rates</b>	<a href="S:\Personnel\Payroll\Payroll Notes - Forms - Guidance to employees\Travel &amp; Subs 1.6.11 (Councillors).doc">S:\Personnel\Payroll\Payroll Notes - Forms - Guidance to employees\Travel &amp; Subs 1.6.11 (Councillors).doc</a>
<b>FIN984</b>	<b>ICT for Elected Members</b>	?

## 8.3 Car Loans

### 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;
- If not comprehensively insured the Council's interest in the vehicle is no longer tangible.

### Regulations:

- 8.3.1 Car loans shall be made only in accordance with the Car Loan Scheme adopted by the Council and only to **Essential and Designated Casual Users**. The value of the car currently in use by the officer seeking a loan will be taken into account when the loan, if granted, is assessed.
- 8.3.2 Car loans will not be granted to applicants who have made, or intend to make, additional financial purchasing arrangements with other persons. The applicant and the Council must have the only financial interest in the vehicle purchased.
- 8.3.3 Loans will be net of a credit guarantee premium and the vehicle inspection fee. Repayments will be by deduction from salary payments.
- 8.3.4 Applicants are required to make a contribution towards the Councils Motor Car Credit Guarantee policy premiums, this policy protects the Council in the event of default and also provides for automatic waiver of the outstanding principal and interest in the event of death. Credit guarantee contributions will be calculated as follows:

Loan Total (Incl. any balance outstanding) x 0.4275% x Term of loan

e.g. Based upon a loan of £1,000

No of years of loan	Contribution
1	£4.28
2	£8.55
3	£12.83
4	£17.10
5	£21.38

Credit Guarantee Contributions are non-refundable even if loans are repaid or replaced before the expiry of the term of the loan.

- 8.3.5 The maximum loan period for cars will be five years. The maximum age of the vehicle at the end of the loan period must not exceed eight years.
- 8.3.6 The maximum loan will be 50% of the applicants salary, or £9,000 whichever is greater.
- 8.3.7 Loans will not be made to staff for cars they have already acquired.

- 8.3.8 An authentic invoice from the seller of the car must be produced to the Car Loan Administrator prior to the payment of the loan. The fact that a deposit has been paid for the vehicle purchased will not influence an application.
- 8.3.9 All second-hand cars must have an AA or RAC Inspection Report to be paid for by the applicant. If an unsatisfactory report is received the application may be rejected or a re-inspection report required following any necessary repairs. The vehicle must be suitable for the performance of the official duties for which it is required.
- 8.3.10 Until the loan has been repaid the vehicle must not be disposed of without prior consent of the Council. Should the vehicle be sold, the principal and accrued interest is immediately repayable.
- 8.3.11 Cars must be comprehensively insured for business use and officers must supply a copy of their motor insurance certificate to Human Resources if required.
- 8.3.12 If the borrowers Contract of Service is terminated prior to repayment of the loan, the outstanding principal and accrued interest is due in full and any outstanding amounts can be deducted from any salary or Superannuation Refunds due to the borrower.
- 8.3.13 An annual statement of car loan account balance is available on request from the Car Loan Administrator.
- 8.3.14 A member of staff wishing to apply for a car loan can complete the 'Application for loan under Assisted car purchase scheme' form number FIN970. Completed forms should be submitted to the Car Loan Administrator for consideration under the car loan scheme conditions of application.

## 8.4 Private Telephone Calls

### Why is this important?

Telecommunications are a vital part of the Council's infrastructure. These communication channels can be abused, both in terms of the theft of telephone call time and in the theft of work time whilst making private calls.

### Risks:

- Telephone calls time could be stolen, i.e. by not declaring
- Extensive use of telephones for private calls in office hours may represent a theft of time.

### Regulations:

- 8.4.1 The making and receiving of private telephone calls is a privilege and should be kept to a **MINIMUM**. Private calls should only be made for urgent reasons and ideally when the officer is clocked out, e.g. lunchtime. It is the employee's responsibility to identify and make payment for all private calls made. Line Managers are responsible for monitoring that employees do not make excessive or inappropriate use of this facility.

### Central Telephone System Calls

- 8.4.2 All private telephone calls must be paid for. ICT will provide call lists quarterly to all staff and VAT at the standard rate must be added.

### Mobile Phones and Mobile Devices

- 8.4.3 All private calls, including voice or data use, are to be reimbursed to the Council in accordance with the supplier's tariff, even if they are made using free time allotted to each phone. ICT will provide call lists monthly to all staff and VAT at the standard rate must be added.

### **Home Telephones**

- 8.4.4 All officers who have their telephone line rental and business calls paid for by the Council are to pay the quarterly telephone bill in full and reclaim the line rental and business calls made. Evidence of bill payment must be provided before any claim is processed. Claims for reimbursement of line rental and business calls are to be made within two months of the date of the telephone bill.
- 8.4.5 Claims not submitted after the two month deadline must be authorised by the Head of HR and Development upon receipt of a satisfactory explanation in writing before the claim will be processed.

### **Collection of Monies**

- 8.4.6 All payments for private calls should be made to the Cash Desk at Phoenix House or appropriate cash receiving facility at other Council sites. The receipts and related records are to be retained by the Collecting Officer.

## **8.5 ICT Auctions**

- 8.5.1 All payments for assets purchased from ICT auctions should be made to the Cash Desk at Phoenix House or appropriate cash receiving facility at other Council sites. ICT are to release assets only upon presentation of official receipts for the payment of the asset. The receipts and related records are to be retained by the Collecting Officer.

# **17 FINANCIAL STATEMENTS AND REPORTS**

- 17.1 The annual statement of accounts**
- 17.2 Accounting policies**
- 17.3 Reports containing financial information**

## 17.1 The Annual Statement of Accounts

- 17.1.1 The Head of Finance is responsible for ensuring that the annual financial statements are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC) and other legal and regulatory requirements for approval by the Audit Committee. This ensures that the statement of accounts present a true and fair position of the Council at the year end and also the expenditure and income for that year.
- 17.1.2 A detailed timetable is to be issued each year by the Head of Finance to service managers to ensure that all relevant information is collected in a timely manner and that the statutory deadline is achieved.
- 17.1.3 The accounts are subject to external audit, the objective of which is to provide assurance that the accounts have been prepared correctly, that proper accounting practices have been followed and that high quality arrangements have been made for securing economy, efficiency and effectiveness in the use of the authority's resources.
- 17.1.4 The Audit Committee is responsible for approving the annual statement of accounts, which must be signed by the s151 Officer by 30 June following the end of the financial year.

## 17.2 Accounting Policies

### Why is this important?

The Accounting policies underpin the preparation of the statement of accounts and must be consistent with the basic accounting concepts of materiality, going concern, matching, consistency, prudence and substance over form.

### *Key controls*

The key controls for the satisfactory completion of the statement of accounts are that:

- suitable accounting policies are determined, communicated and their consistent application monitored;
- all judgements made, and estimates of outstanding liabilities and income prepared, are consistent with the determined policy, are documented, and can be shown to be reasonable and prudent;
- statutory and other professional requirements are observed;
- all reasonable steps are taken for the prevention and detection of fraud and other irregularities; and
- the draft statement is available for examination and report by the external auditors in accordance with the previously agreed timetable..

Regulations:

### Responsibilities of Head of Finance

- 17.2.1 The Head of Finance is responsible for selecting appropriate accounting policies, ensuring that they are applied consistently and that they are fully disclosed in the financial statements.

## **Responsibilities of Service Managers**

- 17.2.2 Service managers are to adhere to the accounting policies and guidelines approved by the Head of Finance throughout the financial year and to submit to the Head of Finance any information considered necessary for accounting and costing purposes in accordance with the year end timetable issued.

## **17.3 Internal and External Reports containing Financial Information**

### **Why is this important?**

The Council's reputation could be damaged if erroneous or misleading information is published. Poor or wrong decisions could be made on incorrect data published within a report.

### **Key controls**

- 17.3.1 All reports should be reviewed by Internal Audit and Finance to safeguard the integrity of the presented data. Where amendments are required these must be made by officers before the report is published.



# **18 Risk Management and Governance**

- 18.1 Prevention of fraud and corruption**
- 18.2 Risk management and corporate governance**
- 18.3 Internal audit**
- 18.4 External audit**
- 18.5 Financial irregularities**
- 18.6 Money laundering**

## **18.1 Prevention of Fraud and Corruption**

### **Corporate Fraud**

#### **Why is this important?**

The Council will not tolerate fraud and corruption whether externally or internally. It is determined that the culture and tone of the organisation is one of honesty and total opposition to fraud and corruption.

The Council has an established Code of Conduct for all Council Officers and Members. The Council has robust policies relating to Fraud, Corruption and Whistle-blowing.

The Council requires its contractors, suppliers, partners and other service providers to adopt the Council's policies and procedures, which uphold the Council's high standards.

The Council has adopted an anti-fraud policy for Housing and Council Tax Benefits. The National Fraud Initiative is actively supported and a range of measures is in place to identify and successfully prosecute anyone claiming Housing and/or Council Tax Benefit fraudulently.

#### **Risks:**

- The Council may suffer financially through fraudulent or corrupt practices and failure to maintain high standards of conduct;
- The confidence of the public in the Council may be shaken, as a result or discovery of fraud or corruption involving Council staff, members or its partners and contractors;
- Staff may be prevented from raising their concerns through 'whistleblowing' procedures under the Public Interest Disclosure Act 1988 and the Council may leave itself open to payment of compensation, with no upper limit under the Public Interest Disclosure Act 1998.

#### **Regulations:**

- 18.1.1 The Audit Manager, in conjunction with the Head of HR and Development is responsible for maintaining the Council's:
- Anti-fraud and corruption strategy
  - Whistleblowing policy
  - Anti-Money Laundering Policy

#### **Benefit Fraud**

- 18.1.2 As part of the National Fraud Initiative the Council undertakes bi-annual data matching for Housing and Council Tax Benefit.
- 18.1.3 If the Benefits Fraud Investigation team become aware of potential instances of fraud they will conduct an investigation in accordance with the Fraud Procedure Manual.
- 18.1.4 Where evidence of fraud is found, persons involved will be prosecuted in accordance with the Prosecution Policy, which is Appendix 5 of the Fraud Procedure Manual.

#### **Awareness**

- 18.1.5 All service managers will ensure that all officers (including any new employees) within their service areas have access to, and regularly refresh their knowledge of:

- The Officers Code of Conduct;
- The Council's counter fraud and corruption policy; and
- The Council's whistle-blowing policy.

18.1.6 All service managers will ensure that any contractors, or any other parties, working on behalf of the Council, within their service areas have access to, and regularly refresh their knowledge of, the Councils Whistle-blowing Policy.

18.1.7 The Monitoring Officer will ensure that all Members have access to, and regularly refresh their knowledge of, the Members Code of Conduct.

18.1.8 All Officers and Members must ensure that they provide the Monitoring Officer with returns relating to the declaration of any personal interests and receipt of gifts or hospitality (whether accepted or not).

## **18.2 Risk Management, Internal Control and Corporate Governance**

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

Risk is identified as something that might have a detrimental impact on the Council's objectives or affect service delivery. The Council, therefore, has a duty to ensure that risks are properly identified, managed and controlled.

The Council's objectives and many of its services and activities are not without inherent risks including those of risk of death, injury or financial loss to staff, members of the public or external organisations.

Risk can be mitigated by:

- transferring the risk to a third party, e.g. through insurance;
- implementing additional controls to minimise the likelihood of the risk occurring
- and/or minimising its potential impact (e.g. through regular inspection and
- continuous monitoring of identified key risk areas);
- establishing and regularly testing business continuity and disaster recovery
- procedures to deal with the consequences of events and minimise potential disruption;

The key controls for risk management are:-

- establishing clear roles, responsibilities and reporting lines within the Council for risk management;
- incorporating risk management considerations into best value reviews of services and a performance management system;
- maintaining documented procedures for the control of risk and the provision of suitable information, training and supervision;
- maintaining an appropriate incident reporting and recording system with investigation procedures to establish cause and prevent recurrence;
- offering a framework for allocating resources to identified priority risk areas;
- reinforcing the importance of effective risk management as part of the everyday work of employees by offering training;
- maintaining effective communication and the active involvement of every member and employee of the Council;
- including risk management as an agenda item at meetings as appropriate;
- providing opportunities for shared learning on risk management across the Council; and

- preparing contingency plans in areas where there is a potential for an occurrence having a catastrophic effect on the Council and its business capability.

Internal controls are one of the tools used to manage the Council's risks, and ensure that it meets its strategic objectives and statutory obligations. The Accounts and Audit Regulations 2003 impose an explicit duty on the Council to ensure it has a sound system of internal control including the publication of an annual statement on internal control.

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

- Efficient and effective operations
- Reliable financial information and reporting
- Compliance with laws and regulations
- Risk management
- Security of assets.

**Risks:**

- The opportunity for fraud, loss, extravagance, waste or embarrassment is increased;
- The Council could be breaking the law;
- Incorrect political and managerial decision making could take place.

**Regulations:**

- 18.2.1 The Audit Manager is responsible for producing, reviewing and updating the Council's Risk Management Strategy and this is to be approved by the Audit Committee on an annual basis.
- 18.2.2 Heads of Service are responsible for ensuring that there is a continuous review of exposure to risk within their service areas, maintaining detailed risk registers and action plans, and maintaining business continuity plans. It is essential that risk management is incorporated into business processes in line with corporate guidelines. These processes include budget preparation and integrated service and financial planning, budget monitoring and performance management, programme and project management, procurement and contract management
- 18.2.3 It is the responsibility of the service managers to ensure that the risks affecting their service areas are identified on a continuing basis, and documented in a risk register along with the controls for mitigating those risks.
- 18.2.4 Service managers are responsible for ensuring that any actions that have been agreed to put controls in place to mitigate risks are completed in the agreed timescale.
- 18.2.5 The centralised risk register will be held electronically on the SPAR.net system, and will be reviewed by Internal Audit twice a year. Service managers, or their nominated representatives, will ensure that risks relating to their service area are reviewed and updated using the SPAR.net system.
- 18.2.6 Service managers are to ensure that all staff in their service area have a clear understanding of the risks affecting the Council and their service area and their consequences.
- 18.2.7 The Management Team will act as the Council's Corporate Risk Management Group in order to review those risks likely to have an impact on the achievement of the Council's objectives.

**Internal Control**

- 18.2.8 Internal Audit will be responsible for conducting an annual review of the effectiveness of the Council's internal control environment, the results of which will be included in the Annual Governance Statement.
- 18.2.9 The Audit Manager will produce an Annual Governance Statement in accordance with current CIPFA guidance, which is to be reviewed and approved by the Audit Committee and signed off by the Leader of the Council and Chief Executive, and published with the statement of accounts.
- 18.2.10 An action plan will be produced as part of the Annual Governance Statement, covering areas of exception. Service managers are responsible for ensuring that any recommendations relating to their service area are implemented by the agreed timescale.
- 18.2.11 Service managers 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.
- 18.2.12 Service managers are to ensure that their staff have a clear understanding of the consequences of a lack of internal control.

### **Corporate Governance**

- 18.2.13 The Council is responsible for approving the Council's Code of Corporate Governance.
- 18.2.14 The principle of the Code will be openness, integrity and accountability and will cover the areas required by the CIPFA/SOLACE guidance, which includes:
- Community Focus;
  - Service Delivery Arrangements;
  - Structures and Processes;
  - Risk Management and Internal Control; and
  - Standards of Conduct
- 18.2.15 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 Monitoring Officer (with the exception of the application of these Regulations, which are the responsibility of the Head of Finance).
- 18.2.16 Internal Audit will test compliance with the Code on an annual basis and the results of the monitoring and testing will be reported to the Audit Committee

## **18.3 INTERNAL AUDIT**

### **Why is this important?**

The Accounting and Audit Regulations 2003 requires that the Council shall be responsible for ensuring that financial management arrangements are adequate and effective and that the Council has a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk. The Council shall conduct a review at least once a year of the effectiveness of its system of internal control and shall include a statement on internal control to be published with the statement of accounts.

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 of the internal control environment as a contribution to the proper, economic, efficient and effective use of resources.

## **Risks:**

- Changes in the delivery of services lead to internal financial control systems failing, thereby increasing the possibility of fraud, loss, extravagance, waste or embarrassment to the Council;
- The Council could face legal action for failing to maintain an adequate and effective internal audit service;
- The absence of the internal review process increases the opportunity for fraud, corruption or lax service delivery;
- Increased external audit costs may be incurred if the external auditor is not satisfied that the Internal Audit service is adequate.

## **Regulations:**

- 18.3.1 The Council shall make provision for Internal Audit in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The Accounts and Audit Regulations 2003 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 internal control in accordance with the proper internal audit practices'.
- 18.3.2 The Audit Manager, or her representative from Internal Audit, shall, with full regard to the Data Protection and Human Rights requirements, have authority to:
- (a) Enter at all reasonable time on to any Council premises or land;
  - (b) Have access to all records, documents and correspondence (both manual and electronic) relating to any transaction of the Council;
  - (c) Require and receive such information and explanations from any officer as are necessary concerning any matter under investigation;
  - (d) Require any employee or agent of the Council to account for cash, stores or any other Council property under his/her control; and
  - (e) Access records belonging to third parties, such as contractors or partnerships, when required.
- 18.3.3 The Audit Manager has direct access to the Chief Executive, Head of Finance and Chairman/Vice Chairman of the Cabinet and the Audit Committee.
- 18.3.4 The Audit Manager shall produce an operational internal audit plan and also a three year strategic audit plan, which will cover the full range of services provided by the Council. The core financial systems of the Council will be audited on an annual basis and the remaining systems will be audited on a rolling programme, according to the level of risk.
- 18.3.5 It shall be the responsibility of the Internal Audit to review, appraise and report upon:
- (a) The soundness, adequacy and application of internal financial controls;
  - (b) The extent to which the Council's assets and interests are accounted for and are safeguarded from losses of all kinds including:
  - (c) Fraud and other offences
  - (d) Waste, extravagance, inefficient administration, poor value for money or any other cause.
  - (e) The suitability, reliability and use of financial and other management information available within the Council.
- 18.3.6 Service managers (in consultation with their line manager) 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 (relating to officers within their service area) are carried out within the timescale agreed.

18.3.7 The Audit Manager will report on the activities of Internal Audit to the Audit Committee, twice yearly, with such report to include details of action agreed on all high priority recommendations.

18.3.8 Internal Audit shall be informed of, and act in a consultancy capacity to officers and others acting on the Council's behalf in respect of the creation, amendment or removal of systems of a direct or indirect financial nature.

## **18.4 External Audit**

### **Why is this important?**

Each financial year the Council is subject to an external audit of our statutory financial statements. The external auditor has rights of access to all documents and information, which are necessary for audit purposes.

In carrying out their duties the external auditor is required to comply with statutory requirements governing them, and in particular the Audit Commission Act 1998, the Code of Audit Practice, the Local Government Act 1999 and the Accounts and Audit Regulations 2003. The Code of Audit Practice issued in March 2005 sets out the auditor's objectives to review and report upon:

- The audited body's financial statements and its Statement on Internal Control; and
- Whether the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Council's accounts are scrutinised by external auditors, who must be satisfied that the statement of accounts 'present true and fairly' the financial position of the Council and its income and expenditure for the year in question and complies with the statutory requirements as set out in the current Statement of Recommended Practice (SORP) and the Services Reporting Code of Practice (SERCOP).

### **Risk:**

- The Council's accounts are not signed off by the external auditors or are signed off with a qualifying comment to the effect that they fail to present fairly the financial position of the Council.

### **Regulations:**

18.4.1 The Head of Finance will work with the external audit staff to ensure that there is effective liaison between external and internal audit to optimise use of audit resources and that all members and Finance staff are advised of their roles and responsibilities in relation to external audit.

18.4.2 Service managers 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.

18.4.3 Service managers shall ensure that all records and systems are up to date and available for inspection.

## **18.5 Financial Irregularities**

18.5.1 All suspected frauds or irregularities involving cash, property or financial transactions of the Council shall be notified immediately to the Audit Manager and/or the Head of HR and Development (as well as notifying the Head of Finance as Section 151 Officer).

18.5.2 Where fraud or irregularity is suspected:

(a) The relevant service manager will take immediate action and all possible steps to prevent further loss and to secure records against removal or alteration.

(b) The Audit Manager and/or the Head of HR and Development will initiate an immediate investigation and the Head of Finance as S151 officer will be informed.

18.5.3 Where sufficient evidence exists that a criminal offence may have been committed, the Human Resources Manager, in consultation with the Chief Executive, the Head of HR and Development and Head of Finance (as Section 151 Officer), will call in the police to further investigate and decide on possible future proceedings.

18.5.4 The relevant service manager with the Head of HR and Development will instigate the Council's disciplinary procedures where the outcome of an investigation indicates misconduct, fraudulent or otherwise.

## 18.6 Money Laundering

### WHAT IS MONEY LAUNDERING?

Money Laundering can be defined as "the crime of moving money that has been obtained illegally through banks and other businesses to make it appear that the money has been obtained legally".

When the Council (or any of its employees or Members) is accepting or dealing with money or other assets there is a risk that such money or assets could come from a criminal source. In the vast majority of cases this is unlikely, but everyone should bear in mind that they could contravene the law if they become aware of or suspect criminal activity and continue to be involved in the matter without reporting their concerns.

### RECOGNISING MONEY LAUNDERING

18.6.1 Possible indicators of money laundering may include:

- Cash based businesses which are more likely to add criminal funds to legitimate business takings;
- Large cash receipts generally and **always** amounts over the equivalent of 15,000 Euros;
- A person who is reluctant to supply evidence of identity or address;
- Large overpayment of fees or money on account;
- Cancelled transactions without good reason, requiring a repayment;
- Requests to forward balances on to a third party;
- Information received about an individual which may reveal criminality or association with criminality;
- The use of over complicated financial systems or funds received from third parties;
- A buyer's or seller's financial profile not "fitting" the transaction they are undertaking;
- Unexplained use of an out of area solicitor/agent in relation to a property transaction.

18.6.2 This list is not exhaustive but simply gives examples of when employees should consider whether their suspicions should be aroused.

18.6.3 Such circumstances should suggest to the employee that they should be asking themselves questions such as e.g. *Would I expect this individual to have this amount of cash; why do they wish to pay in cash; why is this person offering to pay more than the going rate for this item/service, etc.*



## LEGISLATION RELATING TO MONEY LAUNDERING

18.6.4 Legislation concerning money laundering has broadened the definition of money laundering and increased the range of activities caught by the statutory framework. The obligations impact on areas of local authority business and require local authorities to establish internal procedures to prevent the use of their services for money laundering.

18.6.5 There are several pieces of legislation relating to money laundering which include:

- The Terrorism Act 2000
- The Anti-Terrorist Crime and Security Act 2001
- The Proceeds of Crime Act 2002
- Serious Organised Crime and Police Act 2005
- Money Laundering Regulations 2003 & 2007
- Third European Union Money Laundering Directive 2005

18.6.6 Consideration of the Whistle-blowing and Anti-Fraud and Anti Corruption Policies may also be required.

## PURPOSE AND SCOPE

18.6.7 The aim is to maintain the high standards of conduct which currently exist within the Council by preventing criminal activity through money laundering.

18.6.8 The legislative requirements concerning anti-money laundering procedures are extensive and complex. These regulations have been written so as to enable the Council to meet the legal requirements in a way which is proportionate to the very low risk to the Council of contravening this legislation.

18.6.9 The Council's Money Laundering Reporting Officer (MLRO) will arrange suitable training of all staff and elected Members.

18.6.10 These regulations apply to **all employees** (including agency staff and contractors) and **elected Members**. All employees must be aware of their responsibilities and the consequences of non compliance. Service managers must ensure that all employees are aware of these regulations during new employee induction.

18.6.11 An employee could potentially be caught by the money laundering provisions if they suspect money laundering and either become involved with it in some way and/or do nothing about it – e.g. if they:

- Assist a money launderer;
- “Tip off” a person suspected to be involved in money laundering that they are suspected or that they are the subject of police investigations;
- Fail to report a suspicion of money laundering; and
- Acquire, use of or possess criminal property.

18.6.11 Whilst the risk to the Council of contravening the legislation is low, it is extremely important that all employees are familiar with their legal responsibilities. Employees contravening the legislation can be faced with imprisonment (up to 14 years), a fine or both.

18.6.12 Failure by an employee to comply with the procedures set out may lead to disciplinary action being taken against them. Any disciplinary action will be dealt with in accordance with the Council's Disciplinary Procedure.

## REPORTING/DISCLOSING INFORMATION

- 18.6.13 If an employee/Member suspects money laundering or has any suspicions relating to any transaction then they must report their suspicions to the Council's Money Laundering Reporting Officer (MLRO).
- 18.6.14 The employee/Member will need to supply as much information as possible to the MLRO about the individual or company concerned i.e. name, address and their reasons for suspicion. If any other employees/Members have been involved with the transaction the names of these persons should also be passed to the MLRO.
- 18.6.15 Any disclosures must be reported using the form FIN XXX available on Sharepoint. Upon receiving the completed form the MLRO will consider all of the admissible information in order to determine whether there are grounds to suspect money laundering. If the MLRO determines that the information or matter should be disclosed it will be reported to the UK Financial Intelligence Unit (UKFIU) which is the branch of the Serious Organised Crime Agency (SOCA) that deals with money laundering.
- 18.6.16 No discussion with colleagues should take place regarding disclosure. Disclosures should be kept confidential. It is important to ensure that the person(s) suspected of money laundering is not "tipped off" regarding the disclosure. It is an offence to prejudice an investigation by informing anyone of the disclosure or by tampering with evidence. If found guilty there is a punishment of up to 5 years in prison.

## AFTER DISCLOSURE

- 18.6.17 No transactions can be completed where it is believed that money laundering is involved until clearance has been received from either the UKFIU or the SOCA, or seven days have elapsed since the disclosure was made to them and no instructions have been received. Employees must **always** check the position with the MLRO before taking any action.

## Glossary of Terms

<b>Accounting Policies</b>	Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented. Accounting policies do not include estimation techniques.
<b>Accounts Payable</b>	
<b>Accounts Receivable</b>	
<b>Accrual</b>	A sum included in the final accounts to cover income or expenditure attributable to that year but for which payment was not received/made during that year. Local authorities only accrue for revenue expenditure; capital expenditure is recorded on a receipts and payments basis.
<b>Appropriation</b>	The transfer of ownership of land or buildings from one service to another.
<b>Asset</b>	An asset is anything that is owed by the Council that has a value.
<b>Asset Management Plan and Capital Strategy</b>	A document that explains how the Council will maintain its assets over the next few years and where it is intending to spend money on new or improvements to its existing assets.
<b>Bad Debt</b>	Money owed to the Council that is unlikely to be paid.
<b>Balances</b>	The total revenue reserves required to provide a working balance during the financial year, for example in periods when expenditure exceeds income.
<b>Best Practice</b>	The term used to describe the methods used by local government to share procedures and practices in order to learn and improve from each other
<b>Budget</b>	A statement of the authority's plans for revenue and capital expenditure and income over a specified period of time. The forecast of net revenue and capital expenditure over the accounting period.
<b>Budgetary Control</b>	The process of ensuring actual expenditure and income does not exceed the budget available, and taking corrective action where variances are identified.
<b>Budget Monitoring</b>	The process of reviewing actual expenditure or income against the sum allocated for the year enabling action to be taken to reallocate budgets to or from other budget lines in a timely manner where variances are found.
<b>Budget Head</b>	A specific area of activity where expenditure may be incurred or income collected.
<b>Capital Adjustment Account</b>	This records the timing difference between the costs of fixed assets used and the capital financing set aside to pay for them.
<b>Capital Charges</b>	This is a general term used for the notional charges made to service revenue accounts for the use of fixed assets. The term covers: Depreciation of buildings and equipment, amortisation of intangible assets, impairment charges and amortisation of REFCUS expenditure.
<b>Capital Discharged</b>	The amount of capital expenditure which has been paid for out of revenue or other sources.
<b>Capital Expenditure</b>	Money spent to either acquire or improve an asset owned by

	the Council which will be used over a period of years or money awarded to a third party towards an asset owned by them for example a grant to improve their property. Includes the purchase of land, purchase or cost of construction of buildings and the acquisition of plant, equipment and vehicles.
<b>Capital Outlay</b>	Expenditure on the acquisition of significant fixed assets which will be of use or benefit in providing services beyond the year of account.
<b>Capital Programme</b>	The Council's capital expenditure plans for the next few years. The capital programme will show the anticipated cost, usually on a scheme by scheme basis, and how it intends to finance this.
<b>Capital Receipts</b>	Proceeds from the sale of assets and other receipts of a capital nature.
<b>Capital Receipts Unapplied</b>	Capital receipts not yet used for repayment of debt, or to finance capital expenditure.
<b>Capital Strategy Asset Group (CSAG)</b>	A working group of senior officers set up to oversee the capital programme. The CSAG reviews new expenditure plans before they are recommended for inclusion onto the capital programme, and monitors both the capital expenditure and the financing resources on schemes in the capital programme ensuring timely action is taken for any variances identified.
<b>Central Establishment Charges</b>	Salaries and associated expenses of central departments together with the cost of maintaining administrative buildings and other central services.
<b>Commitments</b>	A commitment arises when an order is raised to purchase goods or services but the goods or services have not yet been received.
<b>CIPFA</b>	The Chartered Institute of Public Finance and Accountancy. This body is responsible for interpreting accounting standards and recommending working practices to be followed by all local authorities.
<b>Collection Fund</b>	A separate fund that records the income and expenditure relating to council tax and non domestic rates.
<b>Corporate Plan</b>	A document outlining what the Council wants to achieve and how it will get there. The Corporate Plan generally covers a period of 3 years, but is reviewed and updated on an annual basis.
<b>Corporate Democratic Core</b>	Those activities which the local authority is engaged in specifically because it is an elected multi-purpose authority. This includes the costs of corporate policy making, representing local interests, representatives and duties arising from public accountability.
<b>Cost Centre</b>	An individual reference used within the Council's financial system to enable the allocation and monitoring of expenditure and income in a meaningful way.
<b>Creditors</b>	Represent monies owed by the Council to others. Creditor Amounts owed by the Council for work done, goods received or services rendered but for which payment has not been made at 31 March.
<b>Debtors</b>	Represent monies owed to the Council by others.
<b>Depreciation</b>	The allocation of the cost of the useful economic life of the Council's fixed assets for the accounting period through

	general wear and tear, consumption or obsolescence.
<b>Deferred Capital Receipts</b>	Deferred Capital Receipts are the amounts derived from sales of assets which will be received in instalments over agreed periods of time.
<b>Earmarked Reserve</b>	Money allocated for a specific purpose which will be spent in a future year.
<b>Emergency</b>	An occurrence involving or likely to 'involve danger to life or health' or 'serious damage to property' or 'destruction of property'.
<b>Fidelity Guarantee</b>	Insurance against fraudulent losses.
<b>Finance Lease</b>	A lease whereby all the risks and rewards of ownership of a fixed asset are with the lessee. In substance the asset belongs to the lessee.
<b>Financial Regulations</b>	A written code of procedures approved by the authority, intended to provide a framework for proper financial management. Financial regulations set out rules on accounting, audit, administrative procedures and budgeting systems.
<b>Financial Year</b>	A Local Authority financial year runs from 1 April to 31 March.
<b>Fixed Asset</b>	An asset intended to be held for a period of more than one year, such as a machine or building.
<b>Forecast</b>	A prediction of spend for future months/years.
<b>General Fund</b>	The main revenue fund of the Council. Income from the council tax precept and Government grants are paid into the fund, from which the cost of providing services are met .
<b>Government Grants</b>	Payments by Central Government towards local authority expenditure. They are specific for a particular service; and are receivable in respect of both revenue and capital expenditure.
<b>Grants</b>	Income received by the Council to support the undertaking of Council services or to support the capital programme. Grants may have terms and conditions as to use attached.
<b>Housing Revenue Account</b>	Statutory ring-fenced account required to represent the landlord/tenant obligations for the Council in relation to managing and maintaining its housing stock in return for rental income from tenants.
<b>Impairment</b>	A reduction in the value of a fixed asset to below its carrying amount on the balance sheet due to damage, obsolescence or a general decrease in market value
<b>Income &amp; Expenditure Account</b>	The net cost for the year for services provided by the Council for which it is responsible and showing how the cost has been financed from precepts, grants and other income
<b>Internal Control</b>	The system of control devised by management to help ensure the Council's objectives are achieved in a manner which promotes economical, efficient and effective use of resources and that the Council's assets and interests are safeguarded.
<b>Internal Recharge</b>	A charge made by one council department to another for provision of a service.
<b>Inventories (previously Stock)</b>	Items of raw materials, work in progress or finished goods held at the financial year end normally valued at the lower of cost or net realisable value.
<b>Lease</b>	An asset not owned by the Council but which the Council has an agreement to use in providing its day to day services in return for a regular cash payment.

<b>Liquid Resources</b>	Cash and current Asset investments that can be easily converted to known amounts of cash without penalty, or can be traded on the active market.
<b>Long Term Borrowing</b>	Amounts borrowed in excess of 365 days
<b>Long-Term Contract</b>	A contract entered into for the design, manufacture or construction of a single substantial asset, or the provision of a service (or a combination of assets and services which together constitute a single project), where the project falls into more than one accounting period.
<b>Long Term Debtors</b>	Sums of money due to the Authority originally repayable within a period in excess of twelve months but where payment is not due until future years.
<b>Medium term Financial Plan</b>	A document outlining the Council's spending plans and forecast resources over the next three years.
<b>Money Laundering</b>	The term used where an individual uses legal payment routes to pass off income earned from illegal activities or to avoid the payment of Government taxes. In terms of the Council's activities this would include the payment of rents and council tax at the Council's payment counters with large cash payments.
<b>Monitoring Officer</b>	The Council is required to designate an officer as its monitoring officer. This officer must possess a legal qualification and is responsible for promoting and maintaining high standards of overall conduct, for reporting any actual or potential breaches of the law, or instances of maladministration either to the Council directly or via the Cabinet.
<b>Net Book Value</b>	The value of fixed assets included on the balance sheet, being the historical cost or a current revaluation less the cumulative amounts of depreciation.
<b>Nominal Ledger</b>	The nominal ledger, is the main accounting record of the Council. It is basically a library of financial transactions.
<b>Non-distributed Costs</b>	In the main this represents support service area charges. E.g.: Corporate Management, Finance, Legal, ICT, HR services, etc. In addition to this a number of non-service specific corporate fees are included.
<b>Operating Lease</b>	A lease where the risks and rewards, and therefore the ownership of the asset, remains with the lessor.
<b>Outturn</b>	The actual income and expenditure for a financial year disclosed by the final accounts.
<b>Over-spend</b>	This is where the actual expenditure exceeds the budget for the same period.
<b>Performance Indicators</b>	A set of local authority service performance indicators determined by central Government and published each year for every local authority.
<b>Petty Cash</b>	A small amount of cash held by departments and available to purchase minor items of expenditure such as postage stamps.
<b>Policy Framework</b>	The collective term used to describe all the Council's agreed policies and strategies which identify what the Council aims to do, how it plans to do this and what resources it has available over a period of years.
<b>Precept</b>	The amount levied by one authority which is collected by another. E.g.: the County Council is the precepting authority

	and the District Council is the collecting authority.
<b>Prepayment</b>	An adjustment to a sum paid where the period covered by an item of expenditure partly relates to a future accounting period e.g. A single road fund tax payment partly covering two financial years.
<b>Provisions</b>	An amount set aside by the authority to meet a known item of expenditure but for which the actual timing and amount of the payment is not known. The main provisions relate to the Council's various insurance funds. Reserve Money set aside for future policy initiatives.
<b>Rateable Value</b>	The annual assumed rental value of a property, to which rate poundages are applied to arrive at rates payable.
<b>REFCUS</b>	Expenditure which may properly be capitalised but which does not result in assets owned by the Council. These charges are amortised to revenue immediately in the year of acquisition.
<b>Reserves</b>	Funds set aside to meet future expenditure on specific items or as a contingency against future losses. Reserves The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure
<b>Revaluation Reserve</b>	This records net gains from revaluations made after 1 April 2007 not yet realised through sales.
<b>Revenue Contributions to Capital</b>	This refers to the financing of capital expenditure directly from revenue rather than from loans or other sources.
<b>Revenue Expenditure</b>	Expenditure incurred by the Council on a day to day basis in the provision of services to the public.
<b>Revenue Support Grant</b>	The general grant paid by government to local authorities to enable all authorities to levy similar rate levels for similar levels of service.
<b>Risk Management</b>	The planned and systematic approach to the identification, evaluation and control of risk.
<b>Section 151 Officer</b>	Under section 151 of the Local Government Act 1972 each Council is required to have a nominated Officer with responsibility to ensure the proper administration of the Council's financial affairs. At Mid Devon this role is undertaken by the Head of Finance. This Officer must be a member of a professional accountancy body.
<b>SERCOP Accounting Code of Practice</b>	Produced by CIPFA and required to be followed by local authorities. Preparing accounts in line with the SERCOP ensures consistency and allows comparison between authorities.
<b>Statement of Accounts</b>	Council's are required to produce an annual Statement of Accounts which show how the Council has spent its money and what resources and reserves it has available. The Statement of Accounts includes the Council's statutory income and expenditure account, its balance sheet and a cash flow statement
<b>Support Service</b>	The term used to describe those Council departments or services who do not provide a service direct to the public, but provide a back office function to support the staff directly working with the public. Support services include finance, IT,

	HR, legal as well as property services etc.
<b>Treasury Management</b>	The term used to describe the Council's management of its cash, investments and borrowing requirements.
<b>Under-spend</b>	A favourable variance. Actual expenditure including any commitments is less than the budget set for the same period.
<b>Value Added Tax (VAT)</b>	Tax levied on goods and services.
<b>Variation</b>	A variation is an increase or decrease in a budget after the budget has been approved at the start of the year.
<b>Virement</b>	A switch of budget resource between cost centres or service units.



## Appendix A

### SUMMARY OF FINANCIAL LIMITS APPEARING IN THE MDDC FINANCIAL REGULATIONS

The following tables summarise the financial limits quoted in these Regulations.

#### Financial Thresholds

##### A General Authorisation Limits

Ref No	Factor	Limit (£)	Cabinet	Portfolio Holder	S151 Officer	Head of Service	Manager	Comments
A1		Up to £10k					X	
A2		£10.01k to £50k				X		
A3		£50.01k to £100k		X	X			
A4		Over £100k	X					

##### B Bank Payment Limits

Ref No	Factor	Limit (£)	Cabinet	Portfolio Holder	S151 Officer	Head of Service	Manager	Comments
B1		Up to £50k					X	One nominated signatory required
B2		Over £50k					XX	Two nominated signatories required

##### C Budget Virements - Within a service unit

Ref No	Factor	Limit (£)	Cabinet	Portfolio Holder(s)	S151 Officer	Head of Service	Manager	Comments
C1		Up to 10,000					X	
C2		10,001 to 20,000				X	X	
C3		20,001 to 50,000			X	X	X	

C4		Over 50,000	X		X	X	X	
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#### D Budget Virements - Between service units

Ref No	Factor	Limit (£)	Cabinet	Portfolio Holder(s)	S151 Officer	Head of Service	Manager	Comments
D1		Up to 10,000				X	X	
D2		10,001 to 50,000			X	X	X	
D3		Over 50,000	X		X	X	X	

#### E Till Discrepancies

Ref No	Factor	Limit (£)	Cabinet	Portfolio Holder	S151 Officer	Head of Service	Manager	Comments
E1		£20						If greater than £20

#### F Write Off of Individual Bad and Doubtful Debts

Ref No	Factor	Limit (£)	Cabinet	Portfolio Holder	S151 Officer	Head of Service	Manager	Comments
F1		Up to £100					X	
F2		£101 to £10,000			X	X		
F3		Over £10,000	X					

#### G Stock Deficiencies / Obsolete Stock Written Off

Ref No	Factor	Limit (£)	Cabinet	Portfolio Holder	S151 Officer	Head of Service	Manager	Comments
G1		Up to £3,000 on any stock item				X		
G2		Over £3,000 on any stock item			X			

## H Equipment Registers

Ref No	Factor	Limit (£)	Cabinet	Portfolio Holder	S151 Officer	Head of Service	Manager	Comments
H1		Over £500 but less than £20k					X	Service manager to record in equipment register - <b>REVENUE</b>
H2		Over £20k			X			Asset recorded in fixed asset register maintained by Finance <b>CAPITAL</b>

## Other Governance Documents

### Policy

### Full Path

<b>Abandoned Vehicles Policy.doc</b>	<a href="http://mddcmoss/sites/phoenix/community/estates/Shared Documents/Estates Policies/Abandoned Vehicles Policy.doc">http://mddcmoss/sites/phoenix/community/estates/Shared Documents/Estates Policies/Abandoned Vehicles Policy.doc</a>
<b>Adoption Policy.pdf</b>	<a href="http://mddcmoss/sites/phoenix/ceo/nhr/HR Profiles/Family Friendly policies/Adoption Policy.pdf">http://mddcmoss/sites/phoenix/ceo/nhr/HR Profiles/Family Friendly policies/Adoption Policy.pdf</a>
<b>Agency Workers Regs 1 Oct 2011 policy.doc</b>	<a href="http://mddcmoss/sites/phoenix/ceo/nhr/Legislation Changes/Agency Workers Regs 1 Oct 2011 policy.doc">http://mddcmoss/sites/phoenix/ceo/nhr/Legislation Changes/Agency Workers Regs 1 Oct 2011 policy.doc</a>
<b>Agency workers regulations FAQ.doc</b>	<a href="http://mddcmoss/sites/phoenix/ceo/nhr/Legislation Changes/Agency workers regulations FAQ.doc">http://mddcmoss/sites/phoenix/ceo/nhr/Legislation Changes/Agency workers regulations FAQ.doc</a>
<b>Alcohol and Substance Misuse Policy - Dec 2009.pdf</b>	<a href="http://mddcmoss/sites/phoenix/ceo/nhr/HR Profiles/Alcohol and Substance Misuse Policy - Dec 2009.pdf">http://mddcmoss/sites/phoenix/ceo/nhr/HR Profiles/Alcohol and Substance Misuse Policy - Dec 2009.pdf</a>
<b>Alcohol and Substance Misuse Policy - Dec 2009.pdf</b>	<a href="http://mddcmoss/sites/phoenix/JNCC Docs/Alcohol and Substance Misuse Policy - Dec 2009.pdf">http://mddcmoss/sites/phoenix/JNCC Docs/Alcohol and Substance Misuse Policy - Dec 2009.pdf</a>
<b>Anti-Fraud and Corruption Policy.doc</b>	<a href="http://mddcmoss/sites/phoenix/ceo/audit/Audit Policies/Fraud and Whistleblowing/Anti-Fraud and Corruption Policy.doc">http://mddcmoss/sites/phoenix/ceo/audit/Audit Policies/Fraud and Whistleblowing/Anti-Fraud and Corruption Policy.doc</a>
<b>Anti-Money Laundering Policy.doc</b>	<a href="http://mddcmoss/sites/phoenix/ceo/audit/Audit Policies/Fraud and Whistleblowing/Anti-Money Laundering Policy.doc">http://mddcmoss/sites/phoenix/ceo/audit/Audit Policies/Fraud and Whistleblowing/Anti-Money Laundering Policy.doc</a>
<b>Application for Parental Leave.doc</b>	<a href="http://mddcmoss/sites/phoenix/ceo/nhr/HR Profiles/Family Friendly policies/Application for Parental Leave.doc">http://mddcmoss/sites/phoenix/ceo/nhr/HR Profiles/Family Friendly policies/Application for Parental Leave.doc</a>
<b>Archive Statement of Safety Policy February 2003.doc</b>	<a href="http://mddcmoss/sites/phoenix/corpserv/hs/Corporate Health and Safety/Health and Safety/Archive Statement of Safety Policy February 2003.doc">http://mddcmoss/sites/phoenix/corpserv/hs/Corporate Health and Safety/Health and Safety/Archive Statement of Safety Policy February 2003.doc</a>
<b>Asbestos Policy.doc</b>	<a href="http://mddcmoss/sites/phoenix/corpserv/hs/Corporate Health and Safety/Health and Safety/Asbestos Policy.doc">http://mddcmoss/sites/phoenix/corpserv/hs/Corporate Health and Safety/Health and Safety/Asbestos Policy.doc</a>
<b>Assistance for Employees Under Notice of Redundancy.pdf</b>	<a href="http://mddcmoss/sites/phoenix/ceo/nhr/HR Profiles/Redundancy and Redeployment policy and Assistance for Employees Under Notice of Redundancy.pdf">http://mddcmoss/sites/phoenix/ceo/nhr/HR Profiles/Redundancy and Redeployment policy and Assistance for Employees Under Notice of Redundancy.pdf</a>
<b>Bank Holidays for Leisure Employee's.pdf</b>	<a href="http://mddcmoss/sites/phoenix/ceo/nhr/HR Profiles/Working Arrangements/Bank Holidays for Leisure Employee's.pdf">http://mddcmoss/sites/phoenix/ceo/nhr/HR Profiles/Working Arrangements/Bank Holidays for Leisure Employee's.pdf</a>
<b>Capability Policy .pdf</b>	<a href="http://mddcmoss/sites/phoenix/ceo/nhr/HR Profiles/Capability Policy .pdf">http://mddcmoss/sites/phoenix/ceo/nhr/HR Profiles/Capability Policy .pdf</a>
<b>Childcare Voucher Policy - HR.pdf</b>	<a href="http://mddcmoss/sites/phoenix/ceo/nhr/HR Profiles/Childcare Voucher Policy - HR.pdf">http://mddcmoss/sites/phoenix/ceo/nhr/HR Profiles/Childcare Voucher Policy - HR.pdf</a>
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<b>Circ NJC Maternity 16 Nov 07 amendment to greenbook.pdf</b>	<a href="http://mddcmoss/sites/phoenix/ceo/nhr/HR Profiles/National and Local Conditions of Service/Circ NJC Maternity 16 Nov 07 amendment to greenbook.pdf">http://mddcmoss/sites/phoenix/ceo/nhr/HR Profiles/National and Local Conditions of Service/Circ NJC Maternity 16 Nov 07 amendment to greenbook.pdf</a>
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<b>Contact List of Designated Persons 220711.doc</b>	<a href="http://mddcmoss/sites/phoenix/ceo/nhr/HR Profiles/Safeguarding Children and Young People/Contact List of Designated Persons 220711.doc">http://mddcmoss/sites/phoenix/ceo/nhr/HR Profiles/Safeguarding Children and Young People/Contact List of Designated Persons 220711.doc</a>
<b>Corporate Branding Policy Sept 2008.doc</b>	<a href="http://mddcmoss/sites/phoenix/ceo/communications/Logo and Corporate Branding/Corporate Branding Policy Sept 2008.doc">http://mddcmoss/sites/phoenix/ceo/communications/Logo and Corporate Branding/Corporate Branding Policy Sept 2008.doc</a>
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**Discretionary Compensation Arrangements Policy from 1 April 2009.pdf**  
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**Fire Risk Assessment Policy Jun 10.doc**  
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**Form for an employee to request to vary the dates of additional paternity leave.doc**  
**Form FW (A) - Flexible Working Application Form.doc**  
**Form FW (B) - Flexible Working Application Acceptance Form.doc**  
**Form FW (C) - Flexible Working Application Rejection Form.doc**  
**Form FW (D) - Flexible Working Appeal Form.doc**  
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flow chart.pdf

StandardNotificationLetter - July 2009.doc

StandardPaternityLeave(Adoption)RequestLetterMAR04.doc

StandardPaternityLeaveRequestLetterMAR04.doc

Statutory Paternity Pay and paternity leave form (SC4).pdf

Statutory Paternity Pay and paternity leave form (SC4).pdf

Stress Policy.doc

Sustainable Procurement Policy MDDC.doc

Sustainable Procurement Policy MDDC.doc

Term Time Working Policy.pdf

Term Time Working Policy.pdf

Time Off for Emergencies.pdf

Tree Policy .doc

Types of Illnesses.xls

Vacancy Approval Form.doc

Vacancy Approval Guidance V6.pdf

Vacancy Approval Process Flow.xls

VAT Guidance

Violence Policy Oct08.doc

Whistleblowing Policy.doc

[http://mddcmoss/sites/phoenix/ceo/nhr/HR Profiles/Family Friendly policies/StandardNotificationLetter - July 2009.doc](http://mddcmoss/sites/phoenix/ceo/nhr/HR%20Profiles/Family%20Friendly%20policies/StandardNotificationLetter%20-%20July%202009.doc)

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[To be finalised](#)

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