

WAVERLEY BOROUGH COUNCIL

MINUTES OF THE AUDIT COMMITTEE - 20 NOVEMBER 2017

SUBMITTED TO THE COUNCIL MEETING – 5 DECEMBER 2017

(To be read in conjunction with the Agenda for the Meeting)

**Present**

Cllr John Gray (Chairman)                      Cllr Jerry Hyman  
Cllr Richard Seaborne (Vice Chairman)      Cllr Anna James  
Cllr Pat Frost

**Apologies**

Cllr Mike Band, Cllr Nicholas Holder and Cllr Stephen Mulliner

**Also Present**

Iain Murray, Grant Thornton Engagement Lead; Graeme Clark, Strategic Director – Finance and Resources; Peter Vickers, Head of Finance; Vicki Basley, Senior Accountant; and Gail Beaton, Internal Audit Client Manager

28. MINUTES (Agenda item 1.)

RESOLVED that the minutes of the meeting held on 26 September 2017 be confirmed and signed.

29. APOLOGIES FOR ABSENCE (Agenda item 2.)

Apologies for absence were received from Cllr Mike Band, Cllr Nicholas Holder and Cllr Stephen Mulliner.

30. DISCLOSURE OF INTERESTS (Agenda item 3.)

There were no disclosures of interest in relation to items on the agenda.

31. QUESTIONS BY MEMBERS OF THE PUBLIC (Agenda item 4.)

There were none.

**PART I - RECOMMENDATIONS TO THE COUNCIL**

Background Papers

Unless specified under an individual item, there are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to the reports in Part I of these minutes.

32. FINANCIAL REGULATIONS UPDATE (Agenda item 6.)

Peter Vickers, Head of Finance, introduced the revised Financial Regulations (attached) to the Committee. The Financial Regulations had last been updated in

April 2015 and had been rewritten in line with the Council's commitment to continual review within the Annual Governance Statement.

The objective of the revision was to ensure that the Financial Regulations reflect the full scope of the Council's required governance arrangements; to remain secure in relation to risk and statutory compliance whilst incorporating changes in technology, service delivery and corporate priorities.

The revised Financial Regulations were aligned to the Council's Constitution, Contract Procurement Rules and Scheme of Delegation, all of which had been updated within the 2017/18 financial year.

The layout and structure of the Financial Regulations had been revised to facilitate ease of reading and clarity of understanding. Use of headings and sub headings had been enhanced to aid navigation of the regulations.

The following changes had been made to content:

- a. New section: Purpose and key principles overarching the regulations;
- b. New section: Statutory requirements, compliance and responsibilities are described and explained;
- c. Content of the previous Financial Regulations has been reordered under a "financial framework" inclusive of updated and enhanced governance criteria. The regulations were previously grouped under five themes.
- d. The Scheme of Virement has been revised to enable services to self manage budgets with a greater degree of autonomy, in line with the changes to the Executive approval threshold of £100,000 and minimising Management Board intervention.

The Scheme of Virement had been redesigned to enable service managers to be more proactive in managing budgets with minimal bureaucracy. A new electronic purchase ordering facility would be going live in the new year that limits managers to only commit expenditure within a pre-existing budget provision. Using electronic workflow approval process, managers would be able to identify and effect a virement within the approval limits on their directly controllable budgets. Full details are set out in Annexe 1 of the Financial Regulations.

The Committee noted that the document was much more reader-friendly. Members felt that the regulations provided a robust framework, ensuring that all checks and balances are in place without imposing any unnecessary delays. The Committee also found the glossary to be a very useful addition.

Cllr Frost was concerned that the Agresso system update hadn't been fully implemented as there was still no link with the housing maintenance system. Peter Vickers responded that work was under way in the background, being led by Walter Stockdale, Financial Services Manager, and that the full roll-out would be complete in January 2018.

The Committee agreed that this was a very important piece of work and asked that it be brought to the attention of all members, in particular the Executive, and that it

be suggested that they retain a copy of the document for easy reference. Officers would be arranging training sessions for managers on this in due course and Members suggested also inviting the Portfolio Holder to attend.

The Committee thanked officers for their hard work on producing such an accessible document and now

**RECOMMENDS that:**

**2. The revised Financial Regulations be approved and adopted.**

**PART II - MATTERS OF REPORT**

Background Papers

The background papers relating to the following report items in Part II are as specified in the agenda for the Committee.

33. ANNUAL AUDIT LETTER 2016/17 (Agenda item 5.)

Iain Murray from Grant Thornton presented the Annual Audit Letter 2016/17 to the Committee. The Letter provided a summary of the messages that the Committee had received at its meeting in July and didn't include any new information. The key areas to draw out were that the Council had successfully delivered its final accounts in accordance with the earlier timetable and that Grant Thornton had issued an unqualified Value for Money conclusion.

Cllr Gray, who had discussed the report with Cllr Mulliner prior to the meeting, noted that the level of materiality was £1,629k, which was 2% of the Council's gross revenue expenditure, and felt that this was quite high. Iain Murray responded that Grant Thornton used a number of thresholds to drive their audit work and this included setting a materiality benchmark. 2% was the highest level of materiality they set and this reflected the Council's good track record. Anything above the lower threshold of £81k would be reported to the Audit Committee in the Audit Findings Report; and anything below this would be considered trivial. Cllr Hyman asked how the lower threshold was calculated and Iain responded that this was 5% of the materiality figure.

In relation to the risks that had been identified in the 2016/17 audit plan, Cllr James asked how the valuation of plant, property and equipment was undertaken. Graeme Clark responded that the Council had three qualified valuers and so most of this work was done in house. If any specialist valuation was required then this would be procured on an ad hoc basis.

Cllr Hyman queried whether the ongoing audit into Waverley's Air Quality reporting would affect the Letter. Graeme Clark responded that if any governance issues were identified in the investigation then these would be reported through the Annual Governance Statement process. The audit was being undertaken by an independent auditor and the findings would be shared with Grant Thornton in due course. They would then decide whether this needed to be taken into account when preparing their Annual Audit Letter for 2017/18.

The Committee also noted that Homes and Communities Agency Compliance Audit was new for 2017/18 and queried how this had come about. Graeme Clark responded that the Council had received a financial contribution from the HCA for the development at Wey Court and a requirement of this was that the Council commission a third party audit. Iain Murray added that the low fee for this work was indicative of the minimal work involved.

Iain Murray also presented a progress report which updated the Audit Committee with the most recent progress on the 2016/17 and 2017/18 audits. The Trust Accounts Audit was complete, as was the HCA Audit. The Audit of Housing Receipts was ongoing, and a delay had been caused due to awaiting the terms of reference from DCLG. The Certification of Housing Benefits was on track to be delivered by the end of November. Grant Thornton was just starting to plan for the 2017/18 Audit and an initial timetable was set out in the report. The rest of the document signposted the Committee to useful publications for information.

Cllr Seaborne asked whether Waverley had access to the CFO Insights tool referred to in the report. Graeme Clark responded that the Council didn't have a subscription but did receive free alerts, and Waverley did subscribe to a CIPFA technical service instead.

The Committee RESOLVED that the Annual Audit Letter 2016/17 be received and the Grant Thornton Progress Report be noted.

34. ANNUAL GOVERNANCE STATEMENT 2017/2018 (Agenda item 7.)

The Committee received a report inviting members to comment on any emerging internal governance issues that they felt should be taken into account in the preparation of the Annual Governance Statement for 2017/18.

One area raised by Members was the Air Quality Audit and any governance issues that may be identified following that. Cllr Gray also suggested that the number of planning appeals could be included. However officers suggested that this would be considered as more of a risk rather than a governance issue. Members also noted that Environment O&S was monitoring this situation and making appropriate recommendations.

A further area was raised in relation to a potential safeguarding issue at one of the Council's properties. In view of the recently published Safeguarding policy, Cllr Seaborne felt that this could be a good opportunity to show that the governance procedures were working well. He also felt that it was important to know that policies in relation to Health and Safety reporting were working effectively. Members felt that the most effective way to measure this would be by way of a KPI to O&S and asked officers to look into the best way of monitoring and reporting this.

The Committee concluded that the AGS was a useful tool for promoting the good work of the Council and assuring members of the public that governance issues were being taken seriously. Members also agreed that there should be an opportunity at every meeting for the Committee to review emerging governance issues.

The Committee RESOLVED that:

1. The comments above be passed to officers for consideration in preparation of the 2017/18 Annual Governance Statement; and
2. A standing item be added to the Committee's agenda to consider any new potential internal governance issues or issues in the public domain that may have an impact on governance.

35. RISK MANAGEMENT UPDATE (Agenda item 8.)

The Committee received the latest version of the corporate risk register as refreshed by Heads of Service. The register set out 16 corporate risks, as well as a change log which highlighted the changes that had been made since the Committee last reviewed the register.

Peter Vickers informed the Committee that early next year officers would be working with representatives from Zurich to look at risk appetite, taking into account all emerging risks coming forward through the budget preparation process.

Cllr Frost suggested that the potential for a pandemic should be added as a risk, however officers advised that this was covered by the overarching business continuity risk set out in the report.

The Committee also felt that the risk relating to property investment should be given a higher impact rating and officers agreed to review this.

The Committee RESOLVED that the revised corporate register be noted the comments noted above be passed to officers for consideration.

36. AUDIT COMMITTEE TERMS OF REFERENCE 2017/18 (Agenda item 9.)

The Committee reviewed the proposed changes to its Terms of Reference and agreed that the amendments made the document easier to read and the Committee's remit clearer.

Members noted that the words 'if sought fit' had been removed from line 2.4 but were included within line 1.3 and suggested that these be removed for consistency.

The Committee RESOLVED to recommend to the Standards Committee that, subject to the amendment to line 1.3 set out above, the highlighted changes to the Committee's Terms of Reference be adopted by the Council.

37. INTERNAL AUDIT PLAN PROGRESS (Agenda item 10.)

The Committee received a report setting out the progress against the Internal Audit Plan for 2017/18. A change to the plan was proposed that would defer the Agresso review to the 2018/19 Audit Plan, and use the days allocated to review income streams instead. Gail Beaton, Internal Audit Client Manager, also reported that the contractor was making good progress and that some reports which were shown to be at draft stage were now final.

Cllr Frost expressed concern about the roll-out of Universal Credit and the effect this could have on rent collection. Members suggested that this could be included as a review in the 2018/19 Audit Plan and Gail agreed to meet with Hugh Wagstaff, Head of Housing Operations, and Nicky Harvey, Benefit Manager to discuss this further. Cllr Gray added that the Value for Money and Customer Service O&S Committee was also looking into the impact of Universal Credit.

The Audit Committee RESOLVED that:

1. The progress on the Internal Audit Plan 2017/18 be noted; and
2. The deferral of the review on the Approval of Invoices on Agresso be endorsed and the inclusion of the new review of Income Streams be approved.

38. PROGRESS ON THE IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS (Agenda item 11.)

The Committee received a report setting out the latest position on the implementation of overdue internal audit recommendations. At its last meeting the Committee expressed concern in relation to the amount of progress that had been made towards three recommendations regarding data protection. Officers provided an update that since the last meeting the Executive had approved £50,000 of resource to support GDPR implementation and an external consultant been appointed to complete an information audit. Additionally, an action plan was in place, GDPR 'champions' had been appointed across the organisation and briefings had been held for all staff. The Council would also be working in partnership with East Hampshire on technical issues.

The Committee thanked officers for the update and whether any further resources were required to progress this. Graeme Clark responded that the internal project manager and external specialist were working well, however in the long term there would be the requirement to appoint an Information Manager and this would be put forward as a growth bid from Robin Taylor, Head of Policy and Governance.

The Committee was generally pleased with the progress that had been made, but felt that the situation needed to be closely monitored going forward.

The Committee RESOLVED that:

1. The progress made on the project to implement the new GDPR requirements be noted; and
2. Officers be asked to bring an update to the next meeting on the progress made relating to the implementation of GDPR requirements.

39. FRAUD INVESTIGATION SUMMARY (Agenda item 12.)

The Committee received a report setting out the progress being made on fraud investigations, mostly relating to housing. The Committee noted that the financial value of the outcomes had increased in Quarter 2, and now included seven properties that had been relinquished and were now available to be re-let to tenants on the waiting list.

Cllr Hyman asked how long it took from being alerted to a potential fraud case to actually getting the keys to the property back. Gail Beaton responded that this had been approximately two years, but that new controls and procedures had been put in place to reduce this time. This would be achieved by working more closely with other teams within the organisation and ensuring that reporting mechanisms were easily accessible and straightforward to use.

The Committee was very pleased with the ongoing success of the work and felt that it was important that all opportunities for positive publicity were taken.

The Committee RESOLVED that the success of the investigation activity and the results achieved be noted.

40. COMMITTEE RECURRENT WORK PROGRAMME (Agenda item 13.)

The Committee RESOLVED to note its Annual Recurrent Work Programme.

41. CONSIDERATION OF WEBCASTING AUDIT COMMITTEE MEETINGS (Agenda item 14.)

The Committee discussed the positives and negatives of webcasting meetings of the Audit Committee, while also noting that there had been some recent technical difficulties with the system.

The Chairman then put to a vote the recommendation that meetings of the Audit Committee not be webcast at the current time, and that this be reviewed again in six months. The recommendation was carried with four members in favour and one against. Cllr Hyman requested that his vote against the recommendation be recorded in the minutes.

The Committee therefore RESOLVED that meetings of the Audit Committee not be webcast, and the situation be reviewed in six months' time.

**The meeting commenced at 7.00 pm and concluded at 9.06 pm**

**Chairman**

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Waverley Borough Council

# Financial Regulations

Approved by Council on 5 December 2017

Supersedes Financial Regulations extant 14 April 2015

<b>Version</b>	<b>Date</b>
1	21-Oct-17
1.1	06-Nov-17
1.2	10-Nov-17

Peter Vickers (Head of Finance), Vicki Basley (Senior Accountant)

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## 1. Purpose

These Financial Regulations set out the financial policies and a framework of financial management and accountability for the proper administration of Waverley Borough Council's (the Council's) financial affairs. Each of the financial regulations sets out the overarching financial responsibilities of officers. They link with other internal regulatory documents forming part of the Council's Constitution, for example the Scheme of Delegation and Contract Procurement Rules. They also ensure robust procedures are in place to provide the necessary assurance to the Council about the adequacy of the finance and governance arrangements underpinning the Annual Governance Statement. Financial Regulations apply to everyone involved in financial transactions and managing resources for the Council and any organisation over which the Council performs a role of stewardship.

## 2. Key principles

- The Financial Regulations are approved by Full Council.
- The Financial Regulations comply with all extant laws and statutes.
- All financial business conducted is lawful within the powers of a local authority.
- Rules and procedures should be proportionate and not unnecessarily bureaucratic.
- Due diligence is exercised in all financial transactions.
- Financial Regulations enable the Council to conduct business efficiently.
- Financial governance is always considered.
- All expenditure shall be within an identified budget, there is no authority to spend without or beyond an approved budget.
- Value for Money is considered in all transactions undertaken.
- Only goods, works and services legitimately required by the Council are purchased.
- All income due shall be collected, recorded, held securely and banked promptly.
- All expenditure is properly recorded and accounted for correctly.
- Economical, efficient and effective use of resources.
- Assets are safeguarded.
- Authorisation processes protect against self-certification.
- Officers shall not enter into any credit arrangements, such as leasing agreements, without the prior approval of the Section 151 officer.
- Officers cannot commit the Council to on-going contracts without budget approval.
- Investment/divestment is appropriately scrutinised and supported by a business case.
- Financial records will be kept in accordance with the Council's prevailing documents retention policy.
- Risk management procedures and controls are in place.

### **3. Statutory Requirements, Compliance and Responsibilities**

#### **Statutory Requirements**

##### **Section 151 Local Government Act 1972**

- 3.1 Section 151 of the Local Government Act 1972 requires that the Council makes arrangements for the proper administration of its financial affairs. Financial regulations are the means by which the Council meets this requirement by setting out a clear regulatory and accountability framework for the use of its resources.

##### **Section 114 Local Government Act 1988**

- 3.2 Section 114 Local Government Finance Act 1988 requires the Section 151 Officer to report to Full Council and external audit if the Council or one of its officers:
- has made or is about to make a decision which involves the Council incurring expenditure which is unlawful;
  - has taken or is about to take unlawful action which has resulted or would result in a loss or deficiency to the Council; or
  - is about to make an unlawful entry in the Council's accounts.
- 3.3 Section 114 of the 1988 Act also requires:
- the Section 151 Officer to nominate a properly qualified member of staff to deputise should he or she be unable to perform the duties under section 114 personally; and
  - the authority to provide the Section 151 Officer with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under section 114.

#### **Compliance**

- 3.4 Financial Regulations apply to everyone involved in financial transactions and managing resources for the Council and any organisation over which the Council performs a role of stewardship. The purpose of these Financial Regulations is to ensure transparency and protection of the Council's resources and individual officers.
- 3.5 Where the regulations are not specific, officers shall refer to the Section 151 Officer for guidance.
- 3.6 Failure to comply with the Financial Regulations, or the instructions issued under them, may constitute gross misconduct. Breaches of Financial Regulations shall be reported to the Council's Internal Audit Client Manager who will make arrangements for investigation and recommendations for action to be taken.

## **Responsibilities**

- 3.7 The Financial Regulations identify the financial responsibilities of all officers, or anyone acting on their behalf, and Members of the Council. Officers and Members shall comply with the financial regulation relevant to the transaction they are undertaking and have a responsibility for taking reasonable action to provide for the security of the resource or assets under their control.
- 3.8 The responsibilities are sub-delegated out to officers through the Scheme of Delegation. Without delegated authority no officer of the Council shall commit the Council to expenditure.
- 3.9 All officers have a duty to ensure all actions and decisions taken represent value for money.

### **The Full Council**

- 3.10 The responsibilities of the Full Council are set out in the Constitution. In terms of the Financial Regulations the Full Council is responsible for approving and monitoring compliance with the Council's overall framework of accountability and control as set out in the Constitution. The Full Council is also responsible for approving the annual budget and any subsequent changes subject to section 4.

### **The Executive**

- 3.11 The Executive is responsible for proposing the policy framework and budget to the Full Council. In doing so it shall take account of legal and financial implications and risk management issues that may arise from decisions.

### **Audit Committee**

- 3.12 The Audit Committee reports to the Full Council. It brings independent and effective assurance into the Council's corporate governance arrangements. The Audit Committee is responsible for overview of the Financial Regulations and proposing amendment to Full Council.

### **Section 151 Officer**

- 3.13 The Council shall approve an officer post to be the statutory Section 151 Officer. The Strategic Director – Finance and Resources is the statutory Section 151 Officer and is ultimately responsible for the proper administration of the Council's financial affairs. The Section 151 Officer shall ensure the responsibilities, as set out within these Financial Regulations, are met through formal delegation to appropriate officers in accordance with the Scheme of Delegation.

### 3.14 Section 151 Officer General Accountabilities:

- Set appropriate financial management processes for the Council which comply with the Council's policies and proper accounting practices and monitor compliance with those processes.
- Advise on the corporate financial position and on the key financial controls necessary to secure sound financial management.
- Provide financial information.
- Determine the accounting records, procedures and the retention of financial documents requirements for the Council.
- Ensure proper professional practices are adhered to through communication and training for all officers involved in financial transactions.
- Act as head of profession in relation to the standards, performance and development of finance staff.
- Report, where appropriate, breaches of the Financial Regulations to the Audit Committee.
- Protect against Money Laundering.
- Ensure controls are in place to deter and detect fraud and error.
- Ensure that adequate accounting systems exist and recommend subsequent changes.
- Ensure that adequate systems exist for holding/organising personal data.
- Receive Government circulars, orders, sanctions, approvals and regulations affecting the finances of the Council.
- Maintain an overview of the Financial Regulations and recommend revision as required having regard to the Annual Governance Statement.
- Maintain and promote the Corporate Risk Strategy and Risk Register.

### **Directors and Heads of Service**

3.15 Directors and Heads of Service have delegated responsibility for the management of the financial transactions and use of resources in their service areas. This responsibility can be formally delegated to specific officers under the Scheme of Delegation devised for each Head of Service. They are also responsible for ensuring all their staff are aware of, and comply with, the Financial Regulations and other internal regulatory documents.

### 3.16 General responsibilities:

- Complying with appropriate budget management and delegation arrangements to maintain budgetary control.
- Effective use of resources, safeguarding of assets and the operation of a system of appropriate internal controls in their service areas.
- Advising members of the Council and the Section 151 Officer of the financial implications of all proposals.
- Complying with the delegated authorised signatory list for signing contracts on behalf of the Council (see also Contract Procurement Rules).
- Seeking approval, in conjunction with the Section 151 Officer, on new proposals

or on any matter liable to have an effect on Waverley's finances, before any commitments are incurred for proposals, that:

- create financial commitments in future years;
  - change existing policies, initiate new policies or cease existing policies; and
  - materially extend or reduce the Council's services.
- Preparing budgets in accordance with the guidance issued by the Section 151 Officer.
  - Maintaining budgetary control in their service area and ensuring all income and expenditure is properly accounted for and recorded.
  - Ensuring spending remains within budget and that individual budget heads are not overspent by monitoring the budget and taking corrective action.
  - Reviewing performance of services in conjunction with budgets to determine if they are operating effectively.
  - Obtaining approval from the Section 151 Officer before making any changes to financial records and procedures.
  - Promoting excellent financial management standards in their service area and to monitor adherence to the standards, ensuring that relevant training is provided to those staff with financial management responsibilities.
  - Contributing to the development of corporate and service targets and objectives and performance information.
  - Ensuring value for money is achieved in every transaction undertaken.
  - Ensuring compliance with the Council's Contract Procurement Rules.

## **4. Financial Management**

4.1 Objective – to ensure that the Council's budgets and accounting are accurate, timely and meet all statutory and corporate requirements.

### **4.2 Key Controls**

- Review and development of a Medium Term Financial Plan.
- Instructions for the development of forward budgets will be issued each year in line with the Medium Term Financial Plan.
- Budget process is planned and communicated.
- Specific budget approval for all income and expenditure – expenditure can only be committed against an approved budget.
- Accurate financial management and forward projections of income and expenditure.
- Corrective action is taken at the earliest opportunity to address deviation from budget.
- A single Budget Manager accountable for each budget and the level of service to be delivered.
- Expenditure is allocated to the correct cost centre and account code and authorised within the scheme of delegation and authorised signatory list.

## Authorisation and Delegation

- 4.3 The Section 151 Officer shall make provision for the maintenance of an Authorised Signatory List.
- 4.4 Heads of Service shall approve the inclusion and addition of officers to the Authorised Signatories List in writing, clearly specifying the scope of their delegated authorities and ensure the Authorised Signatory List is up to date. Officers who are given specific financial responsibilities must familiarise themselves and comply with these Financial Regulations.
- 4.5 Heads of Service shall approve appropriate officer access to the finance and information systems.
- 4.6 Authorised officers shall ensure another appropriately authorised officer, within the service at an appropriate level of seniority, can act as a substitute for carrying out financial management and administration duties in the event of absence or a vacancy.

## Financial Planning Framework

### Medium Term Financial Plan

- 4.7 The Medium Term Financial Plan (MTFP) is the Council's key financial planning document which takes into account various factors and influences that may impact on the Council over a period of years. It shall cover the forecast financial prospects and requirements for a period considered adequate to understand the Council's future financial position and include strategic action plans to ensure the finances remain robust.

### Budgets

- 4.8 It is a legal requirement that the Council ring-fence and separately manage the following financial resources and expenditure:
- Housing Revenue Account income and expenditure
  - Capital expenditure and financing
  - The Collection Fund
  - Trusts being managed on behalf of their trustees
  - Any other ring-fenced budget coming into effect after the publication of these rules
- 4.9 Revenue budgets cover the day-to-day running costs (expenditure and income) of the Council. Budget Holders shall be responsible for ensuring that they do not exceed the budget approved.



- 4.10 Capital budgets are for the acquisition or enhancement of assets which have a long term value to the Council and are usually of a one-off nature. Capital expenditure shall be accounted for in accordance with the relevant statutory definition. The Finance Team can provide advice on whether an item can be treated as expenditure for capital purposes.
- 4.11 On-going revenue implications of capital projects shall be identified within the capital bid process.
- 4.12 Budgets shall be consistent with the Council's Corporate Strategy and MTFP and integrated into Service Plans.
- 4.13 The Section 151 Officer shall issue guidance for the preparation of budgets which will detail the form and methods to be adopted.
- 4.14 The guidance shall support the best use of resources and value for money by asking service managers to identify opportunities to improve economy, efficiency and effectiveness, propose savings options and consider financial aspects of service planning.
- 4.15 The detail behind the budgets for income and expenditure shall be adequately documented to enable a clear understanding of the purpose and nature of the budget.
- 4.16 Budget Managers preparing budgets shall have regard to:
- Spending patterns and pressures revealed through the budget monitoring process (see 4.22) and the MTFP.
  - Legal requirements.
  - Policy requirements as defined by the Full Council in the approved policy framework.
  - Initiatives already underway.
  - Capacity to deliver service and projects.
  - Lead-in times for delivery.
- 4.17 The Annual Council Budget shall be taken through the Committee process to be approved at Full Council in the February meeting, before the statutory deadline for council tax setting, for the following financial year.

## **Budget Management**

- 4.18 The Section 151 Officer shall ensure financial monitoring and governance arrangements are in place that are commensurate with the size, risk, complexity and volatility associated with particular revenue budgets and capital schemes.
- 4.19 Budget Holders shall be accountable for revenue and capital programme

management within the budget totals allocated to them.

- 4.20 Revenue and capital budget transfers shall comply with the Virement and Budget Realignment Rules set out below.
- 4.21 Any report prepared by officers for consideration by the Executive which has financial implications should be prepared in consultation with the Section 151 Officer.
- 4.22 Budget Management shall consist of:
- Use of the designated Finance System to track and forecast spend against budget.
  - Periodic review of budgets, as determined by the Section 151 Officer, to include income and expenditure forecasting to the financial year end and impact on future years.
  - A Budget Management report submitted to the Management Board and the Executive in a format to be determined by the Section 151 Officer which shows the impact of changes in service spend and the associated risks, mitigations and resolutions.
  - A monitoring process that reviews service delivery and capital projects against budget and, if necessary, reports measures for corrective action.
  - Investigation and reporting by budget managers of significant variances from approved budgets as soon as they become known.
  - Production of a recovery plan for inclusion in the Budget Management report where a service is forecast to overspend.
  - Requests for virements in accordance with the Scheme of Virement.

### **Scheme of Virement**

- 4.23 All expenditure, including expenditure covered by external funding, shall be funded by a budget before an expenditure commitment can be made. A virement is the movement of an uncommitted budget from its intended purpose to another purpose to fund expenditure.
- 4.24 A virement shall not increase the Council's overall budget.
- 4.25 Virements shall not cross a ring-fenced account such as the General Fund, Housing Revenue Account or a Trust.
- 4.26 The rules and authorities for Virement are listed in the **Scheme of Virement** in **Annexe 1** to these Financial Regulations.

### **Supplementary Estimates**

- 4.27 A Supplementary Estimate is a request for additional unfunded budget that will

increase the Council's overall budget and be funded from reserves. Supplementary Estimates up to £100,000 shall be approved by the Executive and, if over £100,000, Full Council.

### **Carry forwards of Budget**

- 4.28 The policy for the carry forward of budgets shall be determined by the Section 151 Officer.
- 4.29 Carry forwards shall not be allowed unless there is a robust case for non delivery in the financial year with a firm expectation for delivery in the following financial year and in exceptional circumstance.
- 4.30 Budget carry forward shall be approved by the Executive.
- 4.31 Where a budget or one-off surplus is carried forward, it shall not be used to commit the Council to new or additional expenditure that is ongoing and requires continued funding in future years.

### **Accounting Procedures**

- 4.32 Maintaining proper accounting records, systems and procedures are essential to an effective framework of accountability and control for stewardship of public resources.
- 4.33 The Council has a statutory responsibility to prepare and publish its Annual Financial Report, which includes the Statement of Accounts and Annual Governance Statement, in accordance with statutory deadlines and to present fairly its operations during the year.
- 4.34 The Statement of Accounts shall be subject to external audit which provides assurance that the accounts are free from material mis-statement and presents fairly the financial position of the Council.
- 4.35 The Audit Committee shall be responsible for approving the Statement of Accounts.
- 4.36 The following requirements shall be followed in preparation of the Statement of Accounts:
- The Council's Statement of Accounts shall be prepared and published in accordance the Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) supported by International Financial Reporting Standards in accordance with the statutory timetable.
  - Accounting policies shall be selected by the Section 151 Officer and applied consistently and appropriately and be subject to annual review by External

#### Audit.

- Judgements and estimates shall be made that are reasonable and prudent.
- Year end guidance shall be issued to Heads of Service and officers, informing them of timescales and guidelines for the supply of information.
- Year end guidance shall be complied with.
- A detailed project plan for the completion of the Statement of Accounts shall be agreed with the officers involved in the Statement of Accounts process.
- Proper arrangements shall be made for the audit of the Statement of Accounts in accordance with the Accounts and Audit Regulations.
- Material changes to the Statement of Accounts shall be discussed with External Audit in advance of the year end.

#### 4.37 Reserves

- Reserves shall be maintained in accordance with the CIPFA Code of Practice on Local Authority Accounting and as agreed in the MTFP.
- Reserves shall only be used for the purpose for which they are intended.
- Revenue and capital reserves shall be maintained separately.

#### 4.38 Grants (Revenue or Capital)

- Grants shall be accounted for in compliance with the CIPFA Code of Practice on Local Authority Accounting.
- Grants received towards expenditure shall be applied in the year the expenditure is incurred.
- Any grant funding received but not applied shall be carried forward to the financial year in which the expenditure will take place.
- Grants shall be accounted for in accordance with the terms of the agreement with regard to any conditions, restrictions or stipulations attached.
- Budget Holders shall ensure that “exit strategies” are in place to support the winding up of any service provision that is financed from time limited specific grants or third party contributions.

#### 4.39 Reconciliations

- A Reconciliations Checklist shall be maintained for all control accounts within the Finance system that represent activity in other systems.
- Reconciliations shall be completed at least monthly and signed off by the officer completing the reconciliation.
- All reconciliations shall be reviewed and countersigned by the Financial Services Manager or delegated officer.
- All unreconciled items shall be resolved as soon as practically possible and fully investigated and explained.
- Reconciliation of income between the Finance system and external information, Terriers, charging schedules or other databases shall be undertaken monthly by the officers responsible for service delivery.
- All reconciliations shall be undertaken at the latest by the end of the month

following the reconciliation period.

#### 4.40 Government Returns

- All Government returns for grant claims, consultations, statistical information and financial information shall be submitted by the relevant deadline.
- All returns relating to grants and financial statistics shall be completed in consultation with the Section 151 Officer or delegated officer.
- The Section 151 Officer or delegated officer shall be satisfied as to their correctness before they are submitted to any Government Department.
- The Section 151 Officer or delegated officer shall be notified and receive copies of all Government or other circulars, orders, sanctions, approvals and regulations affecting finance which are received by the Council.

## 5. Purchase orders, goods receipting and payment of invoices

### 5.1 Key Controls

- All commitments to expenditure undertaken by officers shall comply with the Contract Procurement Rules.
- Financial checks shall be undertaken of prospective suppliers in accordance with the Contract Procurement Rules.
- All Council commitments to expenditure should be made using a purchase order unless they fall into the Exemptions Schedule.
- A purchase order shall not be raised without sufficient budget. If necessary the virement process should be used in accordance with Annexe 1 or a Supplementary Estimate approval should be obtained in advance of creating a commitment to expenditure.
- Only authorised officers on the Authorised Signatory List shall approve purchase orders.
- Officers shall not approve their own purchase orders (no self-certification).
- No officer alone shall be responsible for all stages of the “purchase to pay” process, ie ordering, receipting, payment authorisation, including the BACS payment set up and release.
- The authorising of a purchase order signifies:
  - the goods/services are necessary for discharging the functions of the Council; and
  - in all respects the Financial Regulations have been complied with.
- Purchase orders shall be ‘goods receipted’ to verify that goods or services have been received at the correct price, quantity and quality standards before payment of invoice.
- All invoices shall be submitted as soon as possible to the Finance Team for inclusion on the accounts ledger.
- Prior to settlement, checks shall be undertaken to safeguard against duplicate payment of invoices.
- New suppliers and changes of details to an existing supplier shall be validated

by a positively verified contact for the supplier.

- Officers shall document supporting proof of verification and obtain approval from the Head of Finance or delegated officer.

5.2 Every officer of the Council involved in engaging, supervising or having any other official relationship with contractors or potential contractors shall declare all relationships of a private or domestic capacity with those contractors to their line manager in accordance with Code of Conduct.

5.3 Members shall declare such relationships on the Members Register of Interests.

5.4 Records shall be kept to evidence compliance with the Contract Procurement Rules for all purchase orders raised.

5.5 Records shall not be disposed of other than in accordance with arrangements approved by the Section 151 Officer.

5.6 Payment process:

- Payment of invoices shall be against an original invoice or certified copy invoice only.
- Payment requisition forms shall be accompanied by supporting information.
- Payment shall be made in accordance with the agreed payment terms and in compliance with the invoice payment performance indicators.
- Payment should normally be by BACS but in exceptional circumstances cheque or CHAPS.
- New suppliers and changes of details to an existing supplier shall be validated by a verified contact for the supplier.
- Officers shall document supporting proof of verification and obtain approval from the Head of Finance or delegated officer.
- Payments to contractors shall be on the certificate of the appropriate Head of Service, and include details of the value of work, retention money, amounts previously certified and amounts now certified.
- Any outstanding expenditure for work completed but not yet invoiced by the end of the financial year shall be reported to the relevant service accountant to be accrued into the correct financial year in accordance with the year end closedown instructions.

5.7 Payment without an invoice, (including the transfer of funds to bank imprest accounts, online shopping accounts and prepaid or top-up cards) shall be made using systems and protocols determined by the Section 151 Officer.

5.8 Set up and use of online shopping accounts shall be approved by the Section 151 Officer. Normal purchasing procedures are still required with the exception of raising a purchase order in the Finance System.

#### 5.9 Value Added Tax (VAT):

- VAT returns shall be made to HMRC with the appropriate payments or claims in accordance with HMRC regulations.
- The Council's partial exemption position shall be regularly assessed.
- The effect on the partial exemption position for all new transactions shall be considered.
- Officers shall ensure that the correct VAT liability is attached to all expenditure paid and income due and that all VAT shown as recoverable on purchases complies with HMRC regulations.
- The Section 151 Officer shall be consulted for VAT advice prior to implementing changes to service provision, new capital schemes and purchase of any assets.

#### 5.10 Construction Industry Scheme (CIS):

- CIS tax returns shall be made to HMRC with the appropriate payments in compliance with HMRC regulations.
- Spending officers shall be aware of CIS rules and ensure they have sufficient knowledge to collect the relevant information from suppliers.
- Where construction and maintenance works are undertaken, Officers shall request the necessary CIS tax deduction information from the supplier.

#### 5.11 Off-payroll working through an intermediary (HMRC IR35):

- All procurement of agency staffing and consultancy work of any kind shall be tested against the HMRC IR35 rules for off-payroll working by the appointing service officer prior to engagement.
- The Employee Services team shall be informed of all appointments.

#### 5.12 Petty Cash:

Petty cash covers the use of 'cash' from the petty cash imprest to purchase minor items of expenditure not exceeding such sums as determined by the Section 151 Officer.

- Set up of any petty cash imprest account shall be approved by the Section 151 Officer.
- A log of officers responsible for petty cash floats shall be maintained by exchequer services.
- Responsible officers shall comply with petty cash imprest administration guidance notes.
- Officers requesting reimbursement of expense incurred on behalf of the Council, including travelling expenses shall put a request through the payroll system.
- No cheques shall be cashed from money held in petty cash imprests.
- The petty cash imprest holder shall obtain a signature and supporting documentation, including a VAT invoice for all purchases.
- The petty cash imprest holder shall reconcile the imprest and, when requested by the Section 151 Officer, present the imprest account for audit.

- The petty cash imprest account shall be reconciled if the holder leaves or changes.
- If the petty cash imprest account is no longer required it shall be relinquished to the Section 151 Officer.

## **6. Payment of salaries, wages, pensions, travelling and subsistence allowances and Members Allowances**

### **6.1 Key Controls**

- An annual staffing budget shall be prepared.
- An annual Members Allowances budget shall be prepared.
- Monthly monitoring of staff activity and spend shall be reconciled to payroll.
- Staffing budget shall not be exceeded.
- Employee Services team shall be notified of all matters affecting payment of employees and former employees including appointments, resignations, dismissals, suspensions, secondments, transfers and other absences apart from approved leave.
- Appointments shall be made in accordance with the Council's recruitment policy.
- The Job Evaluation process shall be used for determining the remuneration of a job.

### **Payments to Staff and Members**

- 6.2 Payment of salaries, pensions, compensation and other emoluments to staff or former employees shall be through the Council's payroll system.
- 6.3 All adjustments to the payroll shall be supported by documentary evidence and approved by an authorised signatory.
- 6.4 Payments through payroll shall only be made to:
- bona fide employees;
  - with a valid entitlement; and
  - who have a contract of employment.
- 6.5 Income tax, national insurance, pensions and other deductions shall be accurately recorded and accounted for in line with statutory legislation.
- 6.6 All Inland Revenue returns regarding PAYE shall be completed in accordance with HMRC published guidance.
- 6.7 Staff records and pay documents shall be maintained in the payroll system.
- 6.8 Payments of Members' Allowances shall be made in accordance with the Members' Allowances scheme.



## Travel and Subsistence Claims

- 6.9 Travel and Subsistence Claims shall only be paid for authorised journeys and expenses incurred in the course of Council business.
- 6.10 Employees claims shall be made in accordance with the Employee Handbook and Contracts of Employment.
- 6.11 Members claims shall be made in accordance with the Members Allowance Scheme.
- 6.12 Claims (with receipts attached) shall be submitted, verified and authorised through the payroll system.

## 7. Collection of income including External Funding and writing off of debts

### 7.1 Key Controls

- All income due to the Council shall be identified and charged correctly in accordance with the approved fees and charges.
- The collection and recording of all money due to the Council follows approved procedures for collection and money received by an officer on behalf of the Council shall be passed to the Finance team without delay.
- All income shall be recorded through the Council's income system.
- Fees and charges income shall be reconciled at all times to customer records by the service provider.
- Cash holdings on premises shall be kept to a minimum and securely in accordance with insurance requirements.
- A security firm shall be used to collect money from the Council offices as a minimum once a week to be paid into the Council's general bank account.
- Action shall be taken to pursue non-payment in accordance with the recovery process.
- Debt considered for write-off shall only be that which is uneconomic to collect or recovery is legally restricted.
- Formal approval for debt write-off shall be obtained in line with the debt write-off procedures.
- New electronic methods of income collection shall be agreed with the Section 151 Officer.
- Credit notes, for full or partial debt cancellation, shall be adequately documented and approved by an authorised signatory.

7.2 The fees and charges shall be:

- reviewed as part of the budget process or, where appropriate, more frequently.
- approved by Full Council unless covered by a delegated authority.
- Budget Holders shall ensure that up-to-date fees and charges are published.

7.3 Income shall only be collected using methods and channels approved by the Section 151 Officer.

7.4 Income shall be collected at the point of service wherever possible, by the most cost effective approved means.

7.5 Value Added Tax (VAT) shall be added to charges where statutorily required and be itemised separately on the receipt in line with HMRC requirements. It is the budget holder's responsibility to ensure that the correct VAT is applied.

7.6 Officers who process card transactions shall comply with the Council's Payment Card Security Policy and Procedures.

7.7 Refunds of debit/credit card payments shall be processed back to the card used to make the payment.

7.8 Refunds shall not be made by the officer taking the original payment, unless supervised and checked by an officer independent of the transaction.

7.9 Income due for the financial year should be collected or invoiced in advance of year end. Where income is still due but not received or invoiced the income shall be accrued in accordance with the year end closedown guidance.

7.10 Budget Holders shall be responsible for collection of all income due to their service area, inclusive of grants, contributions, commuted sums, sales, fees, charges and rents, in cash or credit form.

7.11 Debts originated by the service are the responsibility of that service and shall be pursued in accordance with the Council's debt recovery procedure.

### **Debts Write-off**

7.12 The write off levels for individual debt that is uneconomic to collect, where there is no prospect of collection or legally restricted are:

- Up to £7,500 – Section 151 Officer; and
- Over £7,500 Executive.

7.13 Write-off schedules of uncollectable debt shall be taken to the Executive for noting or approval as appropriate.

## External Funding

- 7.14 External funding shall only be applied for or accepted if it meets the corporate priorities and the Financial Regulations.
- 7.15 The costs, risks and obligations associated with preparing a bid shall be fully identified and not outweigh the benefits of receiving additional funding.
- 7.16 Matched-funding requirements going into future years shall be considered prior to entering into the agreement to ensure funds are available to meet future obligations.
- 7.17 The Section 151 Officer shall be notified of all external bids and confirmation of funding.
- 7.18 Copies of original documentation confirming funding allocations shall be forwarded to the Section 151 Officer.
- 7.19 In securing external funding officers shall ensure that:
- All costs associated with bidding are financed from the relevant service budget unless the Executive has specifically approved alternative funding arrangements.
  - The matched funding or sponsoring organisation scheme requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.
  - The external funder's audit requirements are fully understood and are achievable to ensure conditions of funding and any statutory requirements are complied with.
  - Funds are received from only appropriate sources and that their purpose is clearly documented.
  - The project to be sponsored by the funding is properly project planned and progress reported in accordance with the project plan.
  - Expenditure is properly incurred in accordance with the funding documentation.
  - Organisations making donations or providing sponsorship are registered with the Head of Policy and Governance for transparency.
  - All claims for funds are made by the due date.
  - All funding notified by external bodies is received and properly recorded in the Council's accounts.
  - The funding is applied in accordance with the agreed criteria and that all expenditure is properly incurred and recorded.
  - Internal Audit Client Manager is consulted before accepting external funds.
- 7.20 Community Infrastructure Levy (CIL)/Section 106 receipts
- All receipts received shall be held and accounted for in accordance to the stipulations, conditions and restrictions in each individual agreement.

- The collecting service shall notify the Section 151 Officer of the receipt of money and forward the individual agreements to the Finance Team.
- Receipts shall only be used for the permitted purpose.
- CIL/Section 106 agreements shall be recorded on a register and regularly reviewed for action.
- CIL/Section 106 receipts shall only be transferred to a third party for qualifying expenditure and with a Terms of Application Agreement signed by the third party and the Council.

## 8. Security of assets

### 8.1 Key Controls

- The Estates and Valuation Manager shall maintain a property database for all land and buildings owned or leased by the Council.
- Officers shall be responsible for the care and custody of all buildings, vehicles, equipment, furniture, stock, inventories, cash and information under their control.
- Officers shall record a description and location in an inventory in the form required by the Section 151 Officer.
- Officers shall be responsible for the proper security of all assets and ensuring they are appropriately marked as Council property and included in the Council's insurance schedule.
- Officers shall complete a check and reconciliation of their stock and inventories at year end and, as requested by Section 151 Officer, verify location, condition and reasonableness levels.
- Surpluses or deficiencies shall be dealt with in consultation with the Section 151 Officer.
- No Council owned asset shall be available for personal use by an officer without authority of the Section 151 Officer.

### Land and Buildings

- 8.2 Land and Buildings shall be included in the Council's Asset Register where the assets have a value in excess of the Council's de-minimis levels as set out in the Accounting Policies, otherwise registered on the de-minimis register.
- 8.3 Land and Buildings shall be valued in accordance the CIPFA *Code of Practice on Local Authority Accounting in the United Kingdom*.
- 8.4 Land and Buildings assets shall be valued by a Royal Institute of Chartered Surveyors (RICS) qualified valuer.

### Leases

- 8.5 Lessees and other prospective occupiers of Council land and buildings shall not be

given possession or gain entry without a lease agreement.

- 8.6 A Lease Register shall be maintained and updated on a regular basis and at least annually.
- 8.7 The Lease Register shall identify whether the lease is an operating lease or a finance lease.
- 8.8 Lease terms shall be renegotiated and/or terminated prior to expiry.
- 8.9 Lease income shall be reconciled to the Lease Register at all times.
- 8.10 Contracts entered into shall be reviewed for lease implications.
- 8.11 Any leases within a contract shall be reported to the Finance Team.

## **Acquisitions and Disposals**

- 8.12 Acquisitions and Disposals of Land and Buildings shall be made in accordance with the Section 151 Officer determination with supporting evidence of best value consideration being documented.

## **9. Risk Management and Insurance**

- 9.1 All officers have a role in the identification of risks in the planning and delivery of services.

### **9.2 Key Controls**

- Procedures and controls are in place to identify, assess, prevent or contain material known risks and these procedures are operating effectively throughout the Council.
- A monitoring process is in place to regularly review the effectiveness of risk procedures and controls.
- Managers are responsible for managing relevant risks in accordance with the risk policy.
- Acceptable levels of risk are determined and insured against where appropriate.
- Provision is made where appropriate for losses that might result from unmitigated risks.
- Procedures are in place to investigate claims within required timescales.
- The Council has identified business continuity plans for implementation in the occurrence of an event that results in significant loss or damage to its resources.

### **9.3 Officers Responsibilities:**

- To consult the Section 151 Officer and the Borough Solicitor on the terms of any

indemnity that the authority is requested to give.

- Not to admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.
- To ensure that all contractors or consultants employed have adequate insurance in place, as defined by the Section 151 Officer and the Borough Solicitor, to cover the risks associated with the contract.
- To take responsibility for risk management within their service area, having regard to advice from the Section 151 Officer and other specialist officers and ensure there are regular reviews of risk.
- To notify the Section 151 Officer of all:
  - new risks, properties or vehicles that require insurance
  - any alterations affecting existing insurances
  - loss, liability or damage that may lead to a claim against the Council.
- To identify, evaluate and report on key risks associated with policy decisions and service developments, and in the preparation of service plans, in accordance with the Council's agreed risk framework within the Risk Management Policy.
- To identify and evaluate risks before entering any form of partnership with organisations or individuals.

## **Insurance**

- 9.4 Insurance cover shall be through the Council appointed external insurance provider.
- 9.5 An annual review and assessment shall be done to ascertain the amount of insurance cover to be maintained, taking specialist advice as necessary.
- 9.6 Heads of Service shall keep suitable records to ensure that inspections of engineering plant under their control are carried out by the Insurance Company within the periods prescribed and shall take any necessary action arising there from.
- 9.7 Any failure by the Council's insurers to carry out such inspections shall be notified to the Section 151 Officer.
- 9.8 Heads of Service shall ensure that employees or anyone covered by the Council's insurance, are aware that they should not admit liability or make an offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

## **10. Banking arrangements**

### **10.1 Key Controls**

- Electronic banking systems administration access shall be independent from system users.
- Access to passwords and controlled stationery shall be secured.

- An approved list shall be maintained of officers authorised to undertake bank transactions and release money by other methods of payment (including BACS runs).
- An authorised list of nominated officers fulfilling the role of bank signatory shall be maintained.
- Bank accounts shall not be opened or closed without the authorisation of the Section 151 Officer.
- Bank accounts shall be held in the name 'Waverley Borough Council'.
- An audit log of bank authorisations shall be reviewed regularly by the Head of Finance.

#### 10.2 The Section 151 Officer shall:

- Maintain an overview of the banking arrangements and services;
- Approve the opening of all bank accounts;
- Approve signatories and authorisers for all Council operated bank accounts;
- Approve corporate credit cards together with instructions for their use;
- Approve the use of payment cards and online shopping accounts;
- Approve new merchants for cash collection;
- Approve the use of new ways of cash-less transacting; and
- Approve arrangements for the secure transit of cash and cheques.

#### 10.3 Credit Cards:

- The corporate credit cards shall only be used in exceptional circumstances and only up to the limit on the account.
- Supporting documentation, including a VAT invoice where possible, shall be provided to the Section 151 Officer.
- Normal purchasing procedures still apply with the exception of raising a purchase order in the Finance System.

## 11. Treasury Management (Investments, borrowing and trust funds)

### 11.1 Key Controls

- Treasury Management Strategy documenting the policies, objectives and approach to risk management of the Council's treasury management activities.
- All treasury management decisions taken in accordance with the Treasury Management Strategy, CIPFA's Standard of Professional Practice on Treasury Management and the Prudential Code.
- Approval of transactions limited to bank authority list.
- Regular treasury management investment reviews.
- Audit log of treasury management investments reviewed regularly by the Head of Finance.

## **Investments and Borrowing**

- 11.2 The Section 151 Officer shall be responsible for:
- all external financing arrangement for borrowing and leasing.
  - maintaining a record of all the Council's borrowing.
  - making arrangements for the registration of any stocks, bonds and mortgages.
- 11.3 Loans to and from third parties as part of treasury management shall comply with the Treasury Management Strategy and Prudential Code.
- 11.4 Loans to third parties shall have the approval of the Executive, after consultation with the Section 151 Officer.
- 11.5 Loans to third parties shall be based on a statement of conditions, if applicable, attaching to the assistance.
- 11.6 Officers shall satisfy themselves that the recipient has received appropriate advice about their obligations.
- 11.7 Officers shall have regard to the ability of the applicant to meet the loan repayments or conditions.
- 11.8 Loans for capital assistance shall comply with 'Local Authorities (Capital Finance and Accounting)(England) Regulations 2003'.
- 11.9 The interest rate, if applicable, shall be determined by the Section 151 Officer.
- 11.10 The Council shall not offer any type of consumer credit which would require specific registration with the Financial Conduct Authority.
- 11.11 Acquisitions in companies, joint ventures, shares or other enterprises shall be in accordance with the approval of Executive and Section 151 Officer.

## **Trust funds and funds held for third parties**

- 11.12 Trust funds, where possible, shall be held in the Council's name.
- 11.13 All Officers acting as trustees by virtue of their official position shall deposit securities etc. relating to the Trust with the Solicitor to the Council, unless the deed otherwise provides.
- 11.14 Funds held on behalf of third parties shall be securely administered as approved by the Section 151 Officer, with records of all transactions maintained.
- 11.15 Trust funds shall be operated within any relevant legislation and the specific



requirements for each trust according to their intended purpose and as set out in the trust deed.

11.16 Where applicable Charity Commission guidance shall be followed in the preparation of Annual Financial Reports and deadlines for the submission of information to the Commission.

## 12. Partnerships

### 12.1 Key Controls

- Partnership agreements and arrangements shall support the corporate objectives, provide value for money and not impact adversely on the services provided by the Council.
- Approval of the Section 151 Officer shall be obtained before entering into a partnership working arrangement.
- All agreements and arrangements entered into with external bodies shall be fully documented and entered on the Council's Register of Partnerships maintained by Democratic Services.
- Review and monitoring arrangements shall be in place.

12.2 Prior to the Council committing to enter a service, contractual or financial partnership, the risks involved in the following items shall be considered:

- the responsibilities and commitment of the Council;
- any financial obligations entered into;
- the governance arrangements; and
- any liabilities or insurance requirements.

12.3 The Financial Regulations shall take precedence over any financial regulations of the external body unless specifically sub-ordinated by any explicit regulations in the partnership agreement and the agreement of Full Council.

12.4 The Section 151 Officer shall be consulted on the key elements of funding a partnership project including:

- a scheme appraisal for financial viability in both the current and future years;
- risk appraisal and management;
- resourcing, including taxation issues (especially VAT);
- audit, security and control requirements;
- balance carry-forward arrangements;
- ensuring accounting arrangements are satisfactory; and
- exit strategy and financial implications.

## 13. Work for Third Parties

### 13.1 Key Controls

- Proposals shall be costed properly and approved by the Section 151 Officer.
- No work shall be entered into without seeking the advice of the Borough Solicitor to check it is within the Council's legal powers and that there is a clear economic case for doing the work.
- The contract shall be prepared by the Borough Solicitor or, if the other party insists on preparing the contract, the advice of the Borough Solicitor is sought.
- Appropriate insurance cover shall be arranged for any potential liabilities as a result of the agreement.

13.2 The Section 151 Officer shall issue guidance with regard to the financial aspects of third party contracts.

13.3 Any work done under the third party's contractual terms of engagement rather than the Council's shall be agreed by the Section 151 Officer.

13.4 No contract entered into shall be subsidised by the Council.

## 14. The powers and duties of Internal Audit

Internal Audit is an independent and objective appraisal function established by the Council for reviewing the system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

### 14.1 Key Controls

- Internal Audit Charter.
- Annual Audit Plan.
- Set of internal controls for systems and processes that are agreed by Internal Audit and reviewed regularly for effectiveness.
- Process for investigating, reporting and subsequent action regarding any suspected irregularity.
- An effective internal audit function that is properly resourced.

14.2 Internal Audit Client Manager shall:

- Prepare the annual Internal Audit Plan which takes account of the characteristics and relative risks of the activities involved.
- Report to Audit Committee on the progress against the annual Internal Audit Plan.
- Review, appraise and report on the extent of compliance with, and effectiveness of, relevant policies, plans and procedures (internal controls).
- Review the adequacy and application of financial and other related management

controls.

- Make arrangements for investigation, reporting and subsequent action regarding any suspected irregularity.
- Ensure that all internal audits are documented in a written report.
- Require officers to implement all agreed actions in a timely and efficient manner.
- Report non compliance with agreed audit recommendations to the Audit Committee.

#### 14.3 Internal Audit has authority to:

- Access all Council premises, records, documents, and correspondence and control systems.
- Require any officer or Member to supply information and explanation considered necessary concerning any matter under consideration in the course of undertaking internal audit investigations.
- Require any officer to account for cash, stores or any other authority asset under their control.
- Access records belonging to third parties, such as contractors, when required.
- Request and receive explanations as necessary concerning any matters under consideration.

#### 14.4 Officer's responsibility:

- All officers have a personal responsibility with regard to the protection and confidentiality of information.
- To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- To notify the Section 151 Officer immediately of any suspected fraud, theft, bribery, irregularity, improper use or misappropriation of Waverley Borough Council's property or resources. Pending investigation and reporting, the Director and Service Head shall take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- To ensure that new or changes in the form of systems for maintaining financial or personal records, or records of assets are agreed by the Internal Audit Client Manager and Section 151 Officer prior to implementation.
- To ensure they have a clear understanding of the benefits of sound controls and their responsibilities in compliance.

## 15. Fraud and Corruption

### 15.1 Key Controls

- Anti-fraud, Bribery and Corruption Policy.
- Process for investigating, reporting and subsequent action regarding any suspected fraud and corruption.

### 15.2 The Section 151 Officer shall be responsible for maintaining an Anti-fraud, Bribery

and Corruption Policy.

- 15.3 Heads of Service shall ensure their staff are aware of, and comply with, the Anti-fraud, Bribery and Corruption Policy.
- 15.4 Officers shall notify the Section 151 Officer immediately of any suspected fraud, theft, bribery, irregularity, improper use or misappropriation of Waverley Borough Council's property or resources.
- 15.5 Pending investigation and reporting, the Director and Service Head shall take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- 15.6 The Section 151 Officer shall notify the Audit Committee chair immediately of any suspected fraud, theft, bribery, irregularity, improper use or misappropriation of Waverley Borough Council's property or resources.

## **16. Declarations of Interest, Gifts and Hospitality**

### **16.1 Key Controls**

- Full requirements and guidance for Members and officers are set out in the relevant Codes of Conduct.
- Registers of interests are maintained for Members and officers.
- Registers of gifts and hospitality are maintained for Members and officers.
- Registers are inspected at least annually by audit.

16.2 Members and officers shall report financial or other inducements, offered or received from an individual or organisation trying to influence the business of the Council to the Section 151 Officer and Internal Audit Client Manager.

16.3 Member and officers shall record any interests or gifts and hospitality received or declined in the Gift register maintained by Democratic Services.

16.4 The Section 151 Officer and Heads of Service shall ensure staff are aware of the requirement and the guidance for registering interests, gifts and hospitality.

16.5 Investigations that indicate improper behavior may result in disciplinary action.

## **17. Anti Money Laundering**

### **17.1 Key Controls**

- Full requirements and guidance for Members and officers are set out in the Anti Money Laundering Policy.
- Head of Finance is the designated Money Laundering Reporting Officer ("MLRO") to receive disclosures from employees of money laundering activity

(their own or anyone else's).

- There is a procedure in place to enable the reporting of suspicions of money laundering.

17.2 The Council and its employees shall establish internal procedures to prevent the use of their services for money laundering as set out in Proceeds of Crime Act 2002, the Terrorism Act 2000 and the Money Laundering Regulations 2007.

## Glossary

Accounting record	Accounting records are key sources of information and evidence used to prepare, verify and/or audit the financial statements. They also include documentation to prove asset ownership for creation of liabilities and proof of monetary and non monetary transactions.
Annual Financial Report	A comprehensive report on the Council's activities for the preceding financial year including the Section 151 Officer's commentary, Statement of Accounts, Annual Governance Statement and Audit opinion.
Annual Governance Statement	A statement describing how the Council's corporate governance arrangements have been working over the financial year.
Asset	Any object, tangible or intangible, that is of value to its owner. Tangible assets include land and buildings, plant and machinery, fixtures and fittings & stock. Intangible assets include goodwill, patents, licences, copyrights and trademarks.
Asset Register	A schedule of all Council assets including asset information and values.
Authorised limit	A limit that sets the level up to which an officer has authority to undertake the activity.
Authorised Signatory List	List of officers authorised to make financial transactions. Head of Service approval is required before an officer may be included in the List.
BACS	Bank Automated Credit Service, electronic funds transfer process.
Budget	A sum of money allocated for a particular purpose or an expectation of income for a defined period of time.
Budget monitoring	Periodic review of the budget to ensure that total income and expenditure planned at the budget stage is adhered to as far as possible during the budget period.
Carry forward	The approved transfer of an unspent budget into a future financial year.

CHAPS	Clearing House Automated Payment System (CHAPS) is a method of transferring money between bank accounts electronically.
CIPFA	The Chartered Institute of Public Finance and Accountancy
Contract	This term is used to refer to any procurement transaction or planned procurement transaction.
Contractor	A provider or potential provider of goods, works or services. Once a Contract has been placed with a supplier, that supplier may be more precisely referred to as a Contractor.
Contract Procurement Rules (CPRs)	A set of rules that set out the minimum requirements the Council must follow when procuring and/or entering into Contracts for the supply of goods, works and services including consultants.
Customer	The recipient of a Council service.
Exceptions Schedule	A list of spend for which a purchase order is not required or is not appropriate.
Financial obligation	Money that a person or organisation owes and must pay at a particular time.
Financial Regulations	This refers to the set of rules that govern the way the Council's finances are administered and controlled. They are maintained by the Section 151 Officer.
Financial year	The Council's financial year runs from 1 April to 31 March
Financial viability	The ability to generate sufficient income to meet operating payments, debt commitments and, where applicable, allow for growth.
HMRC	Her Majesties Revenue and Customs, government taxation department.
Governance	The processes by which organisations are directed, controlled, led and held to account.
Job evaluation	A systematic way of determining the value/worth of a job in relation to other jobs in the Council.
Lease	A contractual arrangement calling for the lessee (user) to pay the lessor (owner) for use of an asset.
Material/Materiality	Materiality relates to the significance of transactions, balances and errors. Financial information is material if its omission or misstatement could influence the users of the accounts.
Medium Term Financial Plan (MTFP)	The bringing together of all known factors affecting the Council into one plan covering a period of a few years into the future.
Member	An elected Councillor
Officer	A member of staff
Other systems	In addition to the Finance system there are other systems used by the Council that contain financial information, these include systems for: <ul style="list-style-type: none"> <li>• Housing - to collect tenants rent and manage the</li> </ul>

	<ul style="list-style-type: none"> <li>repairs and maintenance of council dwellings</li> <li>• Council Tax</li> <li>• Business Rates</li> <li>• Planning</li> <li>• Payroll</li> <li>• Income</li> <li>• Housing Benefits</li> <li>• Land Charges</li> </ul>
Partnership	An arrangement in which the Council enters into with an external individual or organisation to share the benefits and liabilities of the venture.
Prudential Code	CIPFA Code of Compliance for treasury management
Purchase Order	An official order issued by a purchaser to a seller indicating types, quantities and prices for products or services. It is used to control the purchasing from external suppliers.
Reserve	An amount of money kept for a particular purpose or future use.
Scheme of Delegation	This term refers to the council's Scheme of Delegation, which specifies the extent to which the conduct of the council's affairs is delegated to council officers.
Section 151 Officer	The officer ultimately responsible for the proper administration of the Council financial affairs.
Supplier	A provider or potential provider of goods, works or services. Once a Contract has been placed with a supplier, that supplier may be more precisely referred to as a Contractor.
Terms of Application Agreement	Rules, conditions or stipulations by which the parties involved must abide by to receive funds.
Terrier	Register of properties.
Virement	A virement is the movement of existing uncommitted budget to aid in the management of budgets where there is insufficient available in another area.
Write Off	A cancellation of a debt or worth of an asset.

## Scheme of Virement

## Annexe 1

Virements must be:

- Proactive (agreed before spending takes place)
- double-sided
- in year
- with commentary

	Budget description	Approval levels
Revenue	<p><b>Centrally controllable budgets:</b></p> <ul style="list-style-type: none"> <li>• Recharges</li> <li>• Depreciation</li> <li>• Insurance</li> <li>• Business Rates Income</li> <li>• Council Tax Income</li> <li>• Utilities</li> <li>• Housing Benefits subsidy</li> </ul>	<p>Virements can only be done between cost centres within the budget (account code) heading.</p> <p>Virement restricted to Accountants</p> <ul style="list-style-type: none"> <li>• Up to £5,000 - Accountant</li> <li>• Over £5,000 – Accountant with approval of Financial Services Manager</li> <li>• Not between revenue and capital</li> <li>• Not between HRA and General Fund revenue</li> </ul>
Revenue	Non centrally controlled budgets <b>within</b> a Budget Holders remit	<ul style="list-style-type: none"> <li>• Up to £5,000 - Budget Holder</li> <li>• £5,001 to £100,000 – Head of Service and Section 151 Officer</li> <li>• Over £100,000 – Executive</li> </ul>
Revenue	Non centrally controlled budgets <b>between</b> Budget Holder remits	<ul style="list-style-type: none"> <li>• Up to £5,000 – agreement of Budget Holders</li> <li>• £5,001 to £100,000 – agreement of affected Heads of Service and Section 151 Officer</li> <li>• Over £100,000 – Executive</li> </ul>
Salaries	Establishment Authorisation process must be followed and Revenue virement rules apply	All budget movements to go through the Finance Team
Income	An increase in an expenditure budget can only be met from additional income subject to approval.	<ul style="list-style-type: none"> <li>• Up to £5,000 – Head of Finance</li> <li>• Over £5,000 - Section 151 Officer</li> </ul>
Capital	Within project	<ul style="list-style-type: none"> <li>• Up to £100,000 – agreement of Head of Service</li> <li>• Over £100,000 Executive</li> </ul>
Capital	Across projects	<ul style="list-style-type: none"> <li>• Up to £100,000 – agreement of Section 151 Officer</li> <li>• Over £100,000 Executive</li> </ul>