

AUDIT AND STANDARDS COMMITTEE

THURSDAY 20TH SEPTEMBER 2012

**AT 6.00PM
IN COMMITTEE ROOM 3
THE COUNCIL HOUSE
DUDLEY**

If you (or anyone you know) is attending the meeting and requires assistance to access the venue and/or its facilities, could you please contact Democratic Services in advance and we will do our best to help you

**JOSEF JABLONSKI
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You can view information about Dudley MBC on
www.dudley.gov.uk**

IMPORTANT NOTICE

MEETINGS IN DUDLEY COUNCIL HOUSE

Welcome to Dudley Council House

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There is to be no smoking on the premises in line with national legislation. It is an offence to smoke in or on these premises.

Please turn off your mobile phones and mobile communication devices during the meeting.

Thank you for your co-operation.

Your ref: Our ref: Please ask for: Telephone No.
 20/09/12 Mr J Jablonski 01384 815243

13th September, 2012

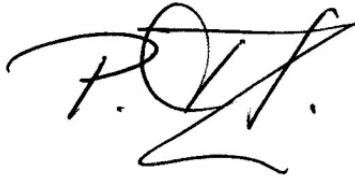
Dear Member

Audit and Standards Committee – Thursday 20th September, 2012.

You are requested to attend a meeting of the Audit and Standards Committee to be held on Thursday 20th September, 2012 at 6.00pm in Committee Room 3 at the Council House, Dudley to consider the business set out in the Agenda below.

The agenda and reports for this meeting can be viewed on the Council's internet site www.dudley.gov.uk and follow the links to Meetings and Decisions.

Yours sincerely



Director of Corporate Resources

A G E N D A

- 1 APOLOGIES FOR ABSENCE

 To receive apologies for absence from the meeting.

2. APPOINTMENT OF SUBSTITUE MEMBERS

 To report the appointment of any substitute members serving for this meeting of the Committee.

3. DECLARATIONS OF INTEREST

 To receive Declarations of Interest in accordance with the Members' Code of Conduct.

4. MINUTES

To approve as a correct record and sign the Minutes of the meeting of the Committee held on 3rd July, 2012 (copy attached).

5. AUDIT COMMISSION AUDIT AND STANDARDS COMMITTEE UPDATE (PAGES 1 - 16)

To consider a report of the Treasurer

6. AUDITOR'S ANNUAL GOVERNANCE REPORT (PAGES 17- 48)

To consider a report of the Treasurer

7. CODE OF CONDUCT FOR EMPLOYEES (PAGES 49 - 64)

To consider a report of the Director of Corporate Resources

8. STATEMENT OF ACCOUNTS 2011/12 (PAGES 65 - 68)

To consider a report of the Treasurer

9. TREASURY MANAGEMENT REPORT (PAGES 69 - 78)

To consider a report of the Treasurer

10. FINANCIAL REGULATIONS (PAGES 79 - 157)

To consider a report of the Treasurer

11. TO ANSWER QUESTIONS UNDER COUNCIL PROCEDURE RULE 11.8 (IF ANY)

PRIVATE SESSION

In accordance with Paragraph 10 of Schedule 12A to the Local Government Act 1972, the Proper Officer has determined that there will be no advance disclosure of the following reports because the public interest in disclosing the information set out in the following items is outweighed by the public interest in maintaining the exemption from disclosure

12. RESOLUTION TO EXCLUDE THE PUBLIC

To consider the adoption of the following resolution:-

That the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A to the Local Government Act 1972 as indicated below:-

<u>Agenda Item No</u>	<u>Description of Item</u>	<u>Relevant Paragraph(s) of Part I of Schedule 12A</u>
13	Reports required under Standing Orders	2 and 7
14	Annual Audit Report in relation to the Directorate of the Urban Environment	2 and 7
15	Audit Services Interim Performance Report	2 and 7

13. REPORTS REQUIRED UNDER STANDING ORDERS (PAGES 158 - 161)

To consider a report of the Treasurer

14. ANNUAL AUDIT REPORT IN RELATION TO THE DIRECTORATE OF THE URBAN ENVIRONMENT (PAGES 162 - 211)

To consider a report of the Treasurer

15. AUDIT SERVICES INTERIM PERFORMANCE REPORT (PAGES 212 - 224)

To consider a report of the Treasurer

To: All Members of the Audit Committee Committee, namely:

Arshad	Branwood	Burston	Cowell	Hill
Taylor	Tyler	Mrs Westwood	Zada	

AUDIT AND STANDARDS COMMITTEE

Tuesday, 3rd July, 2012 at 6.00 p.m.
in Committee Room 3, The Council House, Dudley

PRESENT:-

Councillor Zada (Chair)
Councillor Arshad (Vice-Chair)
Councillors Branwood, Burston, Cowell, Hill, Taylor, Tyler and Mrs. Westwood.

Officers

Treasurer, Head of Audit Services, Chief Executive; Director of Corporate Resources, Assistant Directors of Corporate Resources (Law and Governance) and (HR and Organisational Development), Audit Manager and Principal Auditors (All Directorate of Corporate Resources); Assistant Director Policy and Improvement (Chief Executive's Directorate) and Mr. J. Jablonski.

Also in Attendance

Ms. Pik Ling Ho, Team Leader – Audit Commission.

1 **DECLARATIONS OF INTEREST**

No Member made a declaration of interest, in accordance with the Members' Code of Conduct, in respect of any matter to be considered at this meeting.

2 **MINUTES**

RESOLVED

That the minutes of the meetings of the former Audit Committee held on 19th April, 2012 and of the former Standards Committee held on 8th March, 2012 be approved as correct records and signed.

3 **AUDIT COMMISSION AUDIT COMMITTEE UPDATE**

A report of the Treasurer was submitted on a report published by the Audit Commission updating Audit Committee members across Local Government. A copy of the Audit Committee update was attached as an Appendix to the report submitted.

Following a brief introduction and comments by Ms Pik Ling Ho, a Team Leader with the Audit Commission, it was

RESOLVED

That the information contained in the report, and Appendix to the report, submitted on an Audit Committee Update published by the Audit Commission, be noted.

4 INTERNAL AUDIT SERVICES ANNUAL PERFORMANCE REPORT_2011/2012

A report of the Treasurer was submitted on an overview of the performance of the Dudley Audit Services in the year to 31st March, 2012 and also on the opinion of the Head of Audit Services on the effectiveness of the Council's system of internal control.

Following a presentation of the content of the report and related Appendices to the report submitted, lettered A to E, members were complimentary as to the performance of Audit Services contained in the report, and Appendices to the report, submitted.

RESOLVED

That the information contained in the report, and Appendices to the report, submitted on the performance of Internal Audit Services in 2011/12, be accepted together with the opinion of the Head of Audit Services on the effectiveness of the Council's system of internal control as set out at Appendix F to the report submitted.

5 ANNUAL REVIEW OF INTERNAL AUDIT

A report of the Treasurer was submitted on the Annual Review of the effectiveness of Internal Audit that will form part of the Annual Governance Statement for the financial year 2011/2012.

Arising from consideration of the report, and the Appendices to the report, submitted members made particular comments on the comparison of costs for Internal Audit, set out at paragraph 9 of Appendix 1 to the report, and complimented the officers concerned for the favourable comparisons shown in relation to this Council.

RESOLVED

That the information contained in the report, and Appendices to the report, submitted on the review of the effectiveness of Internal Audit be accepted.

6

ANNUAL GOVERNANCE STATEMENT

A report of the Treasurer was submitted on the Annual Governance Statement that was to accompany the accounts for the financial year 2011/2012.

RESOLVED

That approval be given to the Annual Governance Statement, as set out in Appendix C to the report submitted, and that it be referred to the Leader of the Council and the Chief Executive for signature.

7

LOCALISM ACT, 2011 – THE NEW STANDARDS ARRANGEMENTS

A report of the Monitoring Officer was submitted on necessary actions to implement the new standards arrangements arising from the enactment of the Localism Act, 2011 on 15th November, 2011.

Attached as an Appendix to the report submitted were a draft Members' Code of Conduct and a draft form entitled Register of Members' Disclosable Pecuniary and Other Interests.

The Monitoring Officer outlined the content of the report, and Appendices to the report, submitted and in doing so updated the Committee on the position regarding the appointment of Independent Persons. He reported that, arising from interviews held on 25th June, 2012, he would recommend that a Mr. Fred Bell and a Mr. Thomas Turner be appointed as Independent Persons under the provisions of the Localism Act and that, pursuant to transitional provisions contained in Regulations made under the Act, the Bishop of Dudley, and Mrs. Valerie Ainsworth, Independent Members of the former Standards Committee, be appointed as Independent Persons for the period ending with the Annual Meeting of the Council on 16th May, 2013.

Regarding the provision of training in respect of the new arrangements it was reported that three dates for the holding of training had been agreed and that these were 19th July, 22nd August and 11th September, 2012.

It was also likely that a fourth date would be added in due course.

Consideration was also given to the appointment of a Standards Sub-Committee, with proportionality waived, comprising four members of this Committee, two from each political group, and in this connection Councillors Cowell, Taylor, Mrs. Westwood and Zada agreed to serve on the Sub-Committee.

RESOLVED

1. That the Council be recommended to:-
 - a Adopt a new local Members' Code of Conduct as set out in Appendix 1 to the report submitted.
 - b (i) Appoint the Bishop of Dudley and Mrs. Valerie Ainsworth as Independent Persons for the period ending with the Annual Meeting of the Council on 16th May, 2013, pursuant to the transitional provisions contained in Regulations made under the Localism Act, 2011.
(ii) Appoint from Mr. Fred Bell and Mr. Thomas Turner as Independent Persons under the provisions of the Localism Act, 2011, for a four year period ending with the Annual Meeting of the Council in May, 2016.
 - c Endorse the arrangements for registering and declaring interests as referred to in the Code of Conduct and the form set out in the Appendix.
 - d Authorise the Monitoring Officer to make consequential amendments to the Constitution and Procedure Rules to include references to the revised arrangements for the disclosure of Members' Interests.
 - e Authorise the Monitoring Officer, in consultation with an Independent Person and the Chair of the Audit and Standards Committee, to grant dispensations to Councillors and Co-opted Members from requirements related to interests set out in the Members' Code of Conduct and to individual requests being referred to the Standards Sub-Committee in appropriate circumstances.

- f Authorise the Monitoring Officer to produce local arrangements and procedures for dealing with standards allegations and complaints made under the Members' Code of Conduct.
 - g Approve the provision of mandatory training to all Members of the Council and Co-opted Members on the provisions of the local Members' Code of Conduct.
2. That a Standards Sub-Committee be established to hear and determine complaints against Members and Co-opted Members under the provisions of the Members' Code of Conduct and in accordance with the local procedures and that the Sub-Committee comprise four Elected Members, two from each political group represented on the Committee, with proportionality waived as to Membership, and that Councillors Cowell, Taylor, Mrs. Westwood and Zada comprise the membership of the Sub-Committee.

8

EXCLUSION OF THE PUBLIC

That the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Local Government Act, 1972, as indicated below: and that in all the circumstances, the public interest in disclosing the information is outweighed by the public interest in maintaining the exemption from disclosure.

<u>Description of Item</u>	<u>Relevant Paragraph of Part I of Schedule 12A</u>
Suspensions under the provisions of the Employee Improvement and Disciplinary Procedure	1
Annual Audit Report in relation to the Chief Executive's Directorate	2 & 7
Annual Audit Report in relation to the Directorate of Corporate Resources	2& 7

9

SUSPENSIONS UNDER THE PROVISIONS OF THE EMPLOYEE_ IMPROVEMENT AND DISCIPLINARY PROCEDURE

A report of the Director of Corporate Resources was submitted on the number of employees suspended pending an investigation into allegations of gross misconduct during the financial year 2011/12 with comparisons with previous years.

Arising from the presentation of the report submitted and responses given to questions raised by Members, Members were asked to contact the Assistant Director HR and Organisational Development direct should they have any further questions they would wish to raise in particular regarding the table giving details of Disciplinary Suspensions set out at paragraph 15 of the report submitted.

RESOLVED

That the information contained in the report submitted be noted.

10 ANNUAL AUDIT REPORT IN RELATION OT THE CHIEF EXECUTIVE'S DIRECTORATE

A report of the Treasurer was submitted on the audit work undertaken in the Chief Executive's Directorate for the financial year 2011/12 and incorporating details of the more important findings.

RESOLVED

That the findings of the 2011/2012 audit work be accepted.

11 ANNUAL AUDIT REPORT IN RELATION TO THE DIRECTORATE OF CORPORATE RESOURCES

A report of the Treasurer was submitted on the audit work undertaken in the Directorate of Corporate Resources for the financial year 2011/12 and incorporating details of the more important findings.

Arising from the presentation of the report submitted the Head of Audit Services undertook to provide Councillor Taylor with the further details requested at the meeting in relation to audit findings in respect of HR First.

In relation to audit findings in respect of Corporate Risk Management it was noted that the Head of Audit would prepare a report on benchmarking of Audit Committee agendas within the West Midlands for consideration by the Chair.

RESOLVED

That the findings of the 2011/12 audit work be accepted.

The meeting ended at 8.05 p.m.

CHAIRMAN

Audit and Standards Committee – 20th September 2012

Report of the Treasurer

Audit Commission Audit and Standards Committee Update

Purpose of Report

1. The Audit Commission have published a report to update Audit and Standards Committee members across local government, and the Audit Manager will be available at the meeting to deal with any issues.

Background

2. The Audit Commission have issued Audit Committee update reports to Audit Committee members in the NHS for some time and have decided to issue a similar report to local government Audit Committee members.
3. The report includes a series of questions that the Audit Commission believes Audit & Standards Committee members should consider, and these are listed below together with management responses:
 - a. Has the Committee asked officers the questions set out in the Audit Commission's National Fraud Initiative briefing for elected Members? Is the Committee satisfied with the answers?

The briefing is attached to the Interim Performance Report submitted to this meeting of the Committee and the report also includes the questions for Councillors and associated management responses.

- b. Have officers considered the Audit Commission's briefing paper on local payment by results agreements?

Payment by results contracts are those where a significant amount of payment is withheld until the results are delivered and where payment is directly related to the level of success. Initial work has been undertaken to consider the use of social impact bonds (a form of payment by results contract) to fund the cost of preventative work with children at risk of being taken into care.

Finance

4. There are no resource implications as a consequence of the report.

Law

5. Legislation appertaining to Local Authority Audit and Accounts is contained in the Local Government Act 1999, the Audit Commission Act, 1998, and regulations made

Equality Impact

6. There are no direct implications for children and young people.

Recommendation

7. That Members note the Audit and Standards Committee Update report.



.....
Iain Newman
Treasurer

Contact Officer : Les Bradshaw
Head of Audit (ext. 4853)

Audit and Standards Committee update

Dudley MBC

Audit 2011/12

The Audit Commission is a public corporation set up in 1983 to protect the public purse.

The Commission appoints auditors to councils, NHS bodies (excluding NHS foundation trusts), police authorities and other local public services in England, and oversees their work. The auditors we appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.

We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.

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Introduction

1 The purpose of this paper is to provide the Audit and Standards Committee with a report on progress in delivering our responsibilities as your external auditors. It includes an update on the externalisation of the Audit Practice.

2 This paper also seeks to highlight key emerging national issues and developments which may be of interest to members of the Audit and Standards Committee. The paper concludes by asking a number of questions which the Committee may wish to consider in order to assess whether it has obtained sufficient assurance on emerging issues.

3 If you require any additional information regarding the issues included within this briefing, please contact me or your Audit Manager using the contact details at the end of this update.

4 Finally, please also remember to visit our website (www.audit-commission.gov.uk) which now enables you to sign up to be notified of any new content that is relevant to your type of organisation.

Tony Corcoran

District Auditor

September 2012

Progress report

Financial statements and VFM conclusion

5 Progress on our work on the financial statements and VFM conclusion is detailed in our separate Annual Governance Report.

Other areas of work

6 We have started our programme of work on certification of claims and returns. Most claims and returns for 2011/12 should be certified by 31 October 2012 which is the date on which Audit Practice staff transfer to the incoming audit firms. Following consultation with audit suppliers, the Audit Commission has put in place arrangements to facilitate the smooth transfer of part-completed claims and returns work for 2011/12 from the Audit Practice to incoming audit firms so that they can maximise reliance on the work of the Audit Practice and complete the work expeditiously.

Update on outsourcing the work of the Audit Practice

7 Following the award of geographical contracts for the audit of principal local authorities and NHS bodies, the Audit Commission has held meetings in each contract area to introduce the winning firms to audited bodies.

8 It has in parallel consulted on the appointment of auditors to individual bodies. Firms will take up audit appointments for the 2012/13 audit year from 1 September 2012 when the interim appointment of the current auditor will come to an end.

Update on the residual Audit Commission

9 The Commission is reducing and reshaping its workforce so that it can deliver its remaining core functions of audit regulation, contract management and sector support.

10 The Department of Communities and Local Government has advertised for a new Chairman of the Audit Commission to lead through the period of transition and downsizing, in advance of its proposed abolition. The new Chairman will take up post following the end of the term of office of the current Chairman in September 2012.

Other matters of interest

2012/13 audit fees

Fee scales for 2012/13 audits of local government and NHS bodies

11 Following a consultation exercise, the Audit Commission has agreed the work programme and fee scales for 2012/13 audits of local government and NHS bodies. It sent out letters notifying organisations of the new fees on Wednesday 11 April 2012.

12 As previously advised, the outsourcing of the Audit Commission's in-house Audit Practice means that these fees will be fixed for a five-year period, irrespective of the rate of inflation.

Fee scales for 2012/13 National Fraud Initiative

13 The Audit Commission's consultation on its proposals for the 2012/13 National Fraud Initiative (NFI) work programme and scale of fees ended in March 2012 and the results of this exercise were published on 30 May 2012.

14 The Commission did not propose to introduce any new mandatory data matches in the NFI for 2012/13, so the main work programme will remain unchanged from 2010/11.

15 In recognition of the financial pressures that public bodies are facing in the current economic climate, the scale of fees for mandatory participants will also remain the same as for NFI 2010/11.

2010/11 National Fraud Initiative

16 In May 2012 the Audit Commission published the results of the NFI for 2010/11.

17 The NFI is a data matching exercise which is hosted on a secure website. It compares information held by around 1,300 organisations including councils, the police, hospitals and 77 private companies. This helps to identify potentially fraudulent claims, errors and overpayments.

18 When there is a 'match', there may be something that warrants investigation and examples of the data matches the NFI undertakes are set out in the Table below.

Table 1: **Examples of data matches covered by the NFI**

Data Match	Possible fraud or error
Pension payments to records of deceased people.	Obtaining the pension payments of a deceased person.
Housing benefit payments to payroll records.	Claiming housing benefit by failing to declare an income.
Council tax records to electoral register.	A council taxpayer gets single person discount whilst living with other countable adults and thus being ineligible.
Payroll records to other payroll records.	An employee is working for one organisation while being on long-term sick leave at another.

The latest NFI in England identified almost £229 million of fraud, overpayments and errors. This is made up of £139 million for 2010/11 plus £90 million not previously reported from earlier exercises. Over the same period, £47 million was identified in Scotland, Wales and Northern Ireland, raising the UK-wide total to £275 million.

20 The highest value categories identified in England continue to be pensions (£98 million), council tax single person discount (£50 million) and housing benefit (£31 million).

21 The latest report is accompanied by a series of case studies from the private and public sectors and a briefing for elected members. The briefing includes a series of questions that members can put to officers.

22 Since the initiative's start in 1996, the programme has helped detect £939 million, taking it a step closer to achieving a £1 billion payback to the public purse.

Public Sector Internal Audit Standards

23 The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (IIA) announced a formal collaboration in May 2011.

24 This collaboration has recently led to the formation of the UK Internal Audit Standards Advisory Board, which will provide oversight and challenge to the development of UK-wide Public Sector Internal Audit Standards.

25 The new unified set of internal audit standards will be based on the mandatory elements of the IIA's International Professional Practices Framework and it is proposed that they will apply across the UK to central and local government and the NHS (excluding foundation trusts).

Payment by results

26 The Audit Commission published *Local payment by results* on 5 April 2012. This is a briefing paper which considers potential issues arising from local authorities using payment by results (PbR) as a method of commissioning and paying for services.

27 PbR is a new approach, where commissioners pay service providers according to how well they achieve specified outcomes, rather than by outputs or volumes of service. These outcomes may be social, economic, financial, or a combination of all three. PbR is not the only contract type that rewards good performance, and commissioners should always consider other options alongside PbR to choose the most suitable approach.

28 What sets PbR apart from other contract types is that a significant amount of payment is withheld until the results are delivered. The payment is directly related to the level of success.

29 National PbR schemes are developing quickly. Some early schemes include reducing reoffending; diverting young offenders from custodial sentences; helping the unemployed to find work; preventing children from being taken into care; keeping frail older people in their own homes; and improving the management of chronic health conditions.

30 The briefing sets out to help councils understand what PbR might entail. As most schemes are at an early stage, the Audit Commission has identified a range of issues that local commissioners should consider if they are to use PbR successfully, drawing on some national and international examples.

31 The briefing suggests that there are five principles that any PbR scheme needs to meet if it is likely to succeed:

- a clear purpose;
- a full understanding of the risks;
- a well-designed payment and reward structure;
- sound financing; and
- effective management and evaluation.

32 The Audit Commission has sent the briefing to council chief executives and other key stakeholders.

The rights of local electors

33 The Audit Commission has published an updated version of *Council accounts: a guide to your rights*. The publication aims to help local electors by explaining their rights and how to engage with auditors in relation to the accounts. It also points electors to other sources of advice and more information where they have concerns that are not about the accounts.

34 The publication is accompanied by a Notice of an Objection form designed to assist electors wishing to present their objection to an item or items of accounts to the auditor.

35 Members of the Audit and Standards Committee may find it helpful to familiarise themselves with the document which can be found on the Audit Commission's website.

NAO role in local VFM studies

36 The NAO currently carries out around 60 VFM studies on central government initiatives and programmes each year. From next year, it will produce an increasing number of studies focusing on the local government sector.

37 A new Local Government Reference Panel has been set up to give councils an input to the NAO's programme of local government value for money studies. The panel, which will meet twice a year, includes representatives from nine local authorities as well as from CIPFA, Community Service Volunteers and the University of Birmingham.

38 The programme comprises three studies in 2012/13, the first being communication between central and local government, rising to four in 2013/14 and six in 2014/15.

39 Subject to Parliamentary approval, the NAO eventually expects to assume the Audit Commission's role in setting the framework for local audit, through a code of audit practice.

CIPFA's brief guide to Local Government Finance reforms

40 As the Local Government Finance Bill enters its concluding stages in the House of Commons, CIPFA has published a guide to some of the proposed changes.

41 CIPFA's *Brief Guide to Local Government Finance Reforms* seeks to answer some common questions that local government officers and elected members may have surrounding the localisation of support for council tax and business rate retention.

42 The guide explains the purpose of the proposals and their impact. It includes simplified examples of the proposed changes. At the time of writing, all the legislation and guidance has yet to be published, so the guide represents the latest known position. CIPFA will publish additional guidance once the detail becomes known.

Key considerations

43 The Audit and Standards Committee may wish to consider the following questions in respect of the issues highlighted in this briefing paper:

- Has the Committee asked officers the questions set out in the Audit Commission's NFI briefing for elected members? Is the Committee satisfied with the answers?
- Have officers considered the Audit Commission's briefing paper on local payment by results agreements?

Contact details

44 If you would like further information on any items in this briefing, please contact either your District Auditor or Audit Manager.

45 Alternatively, all Audit Commission reports - and a wealth of other material - can be found on our website: www.audit-commission.gov.uk.

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0844 798 7070

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- any director/member or officer in their individual capacity; or
- any third party.



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August 2012

Audit and Standards Committee – 20th September 2012

Report of the Treasurer

Auditor's Annual Governance Report 2011/12

Purpose of Report

1. To present the auditor's Annual Governance Report to the Audit and Standards Committee for consideration and approval, and to invite the Audit and Standards Committee to approve the formal Management Representation Letter to the Auditor.

Background

2. The Audit Commission's Code of Audit Practice 2005 requires external auditors to report to those charged with governance on the results of their work. The Council has delegated the responsibility for the approval of the Statement of Accounts, and all audit matters, to the Audit and Standards Committee.
3. The Accounts and Audit Regulations 2011 set out the responsibility of members of local authorities for the adequacy of financial management.
4. Towards the end of each audit of the annual accounts, the Treasurer provides a management representation letter (sometimes known as a letter of comfort), confirming the completeness and reliability of the information and records supplied to the auditors. The Audit Commission request that this letter should also be signed by the Chairman of this meeting, to evidence members' acknowledgment of responsibility for financial management. A copy of this letter is attached to the Annual Governance Report.
5. We have now been formally notified of the appointment of Grant Thornton UK LLP as the Council's external auditor from 1 September 2012. The firm is appointed for five years from 2012/13 and will also complete any outstanding works from prior financial years that remains outstanding at 31 October 2012.

Annual Governance Report 2012

5. The Report is attached, and will be presented by the District Auditor, Mr. Tony Corcoran. It includes findings from the audit of the 2011/12 accounts, and opinions on the Council's arrangements for securing value for money.

Finance

6. This report refers to various aspects of financial management, but does not give rise to any direct costs.

Law

7. Legislation appertaining to Local Authority Audit and Accounts is contained in the Local Government Act 1972, part 2 of the Audit Commission Act, 1998, and regulations made thereunder.

Equality Impact

8. The proposals take into account the Council's Policy on Equality and Diversity..

Recommendation

9. It is recommended that the:-
- Committee considers the Annual Governance Report, and the auditor's comments.
 - Committee approves the Letter of Representation.
 - Chairman of the Committee signs and dates the Letter of Representation to give evidence of the approval above.



.....
Iain Newman

Treasurer

Contact Officer: Jan Szczechowski

Telephone: 01384 814805

Email: jan.szczechowski@dudley.gov.uk

List of Background Papers

Annual Governance Report 2011/12

Annual governance report

Dudley Metropolitan Borough Council

Audit 2011/12



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Key messages

This report summarises the findings from the 2011/12 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements

As at 20 September I expect to issue an unqualified audit opinion. The adjustments needed to the Council's financial statements as a result of the audit were relatively few in number and none of them had any impact on the Council's overall financial position. The Council provided its financial statements for audit on 20 June, in advance of the statutory deadline of 30 June. The Council's officers, as in previous years, have answered audit queries promptly and consequently the audit has run very smoothly.

Value for money (VFM)

I expect to conclude that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources. My review of the Council's medium-term financial plan, including arrangements for HRA self-financing, and budgetary control arrangements has not identified any significant issues to bring to your attention.

Certificate

Alongside my work on the financial statements, I also review and report to the National Audit Office on your Whole of Government Accounts return. As at 20 September I have not completed the procedures specified by the National Audit Office. I expect to complete my report by 30 September and hence expect to issue my certificate by this date.

Before I give my opinion and conclusion

My report includes only matters of governance interest that have come to my attention in performing my audit. I have not designed my audit to identify all matters that might be relevant to you.

Independence

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence.

I am aware of the following relationship that might constitute a threat to independence and that I am required to report to you. I have therefore put in place the following safeguard to reduce the threat.

Table 1: **Threats and safeguards**

Threat	Safeguard
The spouse of one member of the audit team is a school governor at Gigmill Primary School.	To ensure that there is not any threat to our independence the auditor will not have any involvement in any audit work in respect of Gigmill Primary School.

The Audit Commission's Audit Practice has not undertaken any non-audit work for the Council during 2011/12.

I ask the Audit Committee to:

- take note of the adjustments to the financial statements included in this report (appendix 2);
- approve the letter of representation (appendix 3), on behalf of the Council before I issue my opinion and conclusion; and
- agree your response to the proposed action plan (appendix 5).

Financial statements

The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As elected Members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

Corrected errors

During the audit, management agreed to a number of adjustments to the financial statements. Most of these adjustments were in respect of disclosures made in the notes to the statements and none of them had any impact on the Council's usable reserves. The most significant of the adjustments made are detailed further in appendix 2. The following adjustments have been made to the financial statements.

- A number of assets were incorrectly classified as community assets, eg Dudley Museum and Art Gallery. These assets have been re-classified and revalued where necessary. As a result, the value of community assets has decreased by £2,001k whilst the value of other land and buildings has increased by £832k and the value of infrastructure has increased by £216k.
- The Council's investment in Birmingham Airport has been revalued upwards by £2,079k to reflect its fair value as at 31 March 2012. A corresponding adjustment has been made to the available for sale financial instruments reserve.
- The value of cash and cash equivalents on the balance sheet has been increased by £6,654k so that cash balances held by the Council on behalf of trust funds are included. A corresponding increase of £6,654k has been made to the short term creditors balance to recognise that these cash balances are repayable by the Council to the trust funds.
- The capital adjustment account was credited with £16,650k upon recognition of heritage assets at 1 April 2010. This credit entry should have been made to the revaluation reserve.

Uncertainty

There is an uncertainty arising from the non-application of component accounting in 2010/11. I am satisfied that this has not resulted in the material misstatement of the financial statements. This issue is detailed further in table 2 below.

Significant risks and my findings

I reported to you in my 2011/12 Audit Plan the significant risks that I identified relevant to my audit of your financial statements. In Table 2 I report to you my findings against each of these risks.

Table 2: **Risks and findings**

Significant risks	Findings
<p>HRA reform</p> <p>The government plans to reform local authority housing finance by adopting a self-financing model from 1 April 2012. This will be through a one-off settlement payment to central government on or before 28 March 2012. This will increase the Council's debt by £335 million. Due to the complexity, magnitude and timing of the HRA reform there is risk that the financial statements will be materially misstated.</p>	<p>I have reviewed management's oversight of HRA reforms and transactions required by the Council. I have also performed tests of detail on the settlement payment. I have not identified any significant issues to bring to your attention.</p>
<p>Unequal pay</p> <p>The Council has made provision for outstanding settlements with current and former employees in respect of actual or potential claims under equal pay legislation. The process for settling these claims is underway and so the amounts involved and the payment timescale remain uncertain. Due to the magnitude and complexity of this issue there is a risk that the financial statements will be materially misstated.</p>	<p>I have reviewed the Council's controls over establishing an estimate for the unequal pay provision. I have also performed tests of detail on the unequal pay provision. I am satisfied that the provision of £44,788k is not materially misstated.</p>

Significant risks

Termination benefits

The Council is continuing to make a large number of redundancies in 2011/12. The Code requires disclosure of termination benefits where the nature and amount of the expense is material. Due to the sensitivity and complexity of this issue there is a risk that the financial statements will be materially misstated

Heritage Assets

The 2011/12 Code adopts the requirements of FRS 30 Heritage Assets. There is a risk that the Council may be unable to identify and account for all heritage assets and accurately distinguish between 'heritage assets' and 'community assets'. A heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. For the Council this is likely to include the collections of assets and artefacts either exhibited or stored in the Dudley Museum and Art Gallery, the glass collections at the Redhouse Cone and Broadfield House, and the archive material, currently held in Coseley.

Valuation of property, plant and equipment (PPE)

The Council is required to value PPE at fair value (with some exceptions). The valuation is usually an estimate and as such, the figures are inherently subjective. Moreover the monetary values presented under these line items can mean that even relatively modest changes in the assumptions and variables informing the valuation can have a material impact on the financial statements. Therefore, there is a risk that the valuation reported in the financial statements may be materially misstated.

Findings

I have reviewed the Council's controls over paying termination benefits. I have also performed tests of details on termination benefits. I have not identified any significant issues to bring to your attention.

I have evaluated the management controls you have in place to recognise and value heritage assets. I have also performed testing to check that the Council has accounted for heritage assets in accordance with FRS 30 and the Code and that the financial statements are not materially misstated. I have not identified any significant issues to bring to your attention.

I have reviewed the Council's controls over establishing estimates, including arrangements for instructing the valuer and controls over information provided to the valuer. I have performed procedures for relying on the work of the valuer. I have also performed tests of detail on valuations and associated depreciation calculations. I have not identified any significant issues to bring to your attention.

Significant risks

Academy schools

A number of the borough's schools have become academies during 2011/12. There may be a risk of material misstatement arising from incorrect accounting treatment of income and expenditure transactions in respect of these schools

Component accounting

The CIPFA Code of Practice on Local Authority Accounting (the 'Code') requires the Council to identify significant components of an asset that have a shorter life than the asset itself and to depreciate them separately. This is needed to ensure that the annual depreciation charge fully reflects the use of the asset. This requirement to componentise assets applies only to assets acquired, enhanced or revalued since 1 April 2010. Officers considered these assets and concluded that no componentisation was required for 2010/11 as the effect on depreciation was not material. Officers concluded that, in practice, the Council does not replace major components of buildings at less than 30-year intervals, and there was no reason to expect this period to shorten. For all assets which have a life of 30 years or under there was no change to depreciation as it would either be the same (for assets with a life of 30 years) or it would be incorrect to charge less depreciation when valuers had identified a total asset life below 30 years. Officers calculated that even if half of all components in these assets had a life of only 10 years then depreciation would only be understated by £1,630k. Officers estimated the financial impact of depreciating components within assets which have a life of over 30 years would be an increase in depreciation of £540k. I reviewed the Council's approach for 2010/11 and was satisfied that the Council's decision not to componentise assets and depreciate them accordingly did not result in a material error in the 2010/11 financial statements.

Findings

I have reviewed the Council's controls over the accounting treatment of schools which became academies in 2011/12. I have performed tests of detail on the accounting treatment of schools which became academies in 2011/12. I have not identified any significant issues to bring to your attention.

The Council has commenced component accounting from 2011/12. I have reviewed the Council's approach to component accounting and have not identified any significant issues to bring to your attention.

Significant risks

However, I recommended that this issue would need to be revisited for the 2011/12 financial statements.

Findings

Significant weaknesses in internal control

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. My responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

I have tested the controls of the Council only to the extent necessary for me to complete my audit. I am not expressing an opinion on the overall effectiveness of internal control. I have reviewed the Annual Governance Statement and can confirm that:

- it complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
- it is consistent with other information that I am aware of from my audit of the financial statements.

The following weaknesses in internal control are only those I have identified during the audit that are relevant to preparing the financial statements.

Table 3: **Internal control issues and my findings**

Description of weakness	Potential impact	Management action
<p>Internal audit testing found that there were weaknesses in the Council's controls for ensuring that there is appropriate authorisation of:</p> <ul style="list-style-type: none">■ changes to the payroll; and■ timesheets.	<p>This prevented me from placing reliance on your controls in this area and I had to perform further testing as a result. Management have informed me that HR First was established to help address issues such as the one identified by internal audit's testing and that they expect authorisation processes to be far more robust in future.</p>	<p>Management should continue to test whether changes to the payroll and timesheets are appropriately authorised and take remedial action if any errors are found.</p>
<p>The Council has an IT disaster recovery plan in place. However, the Council has not undertaken tests involving restoration of key application systems, such as Agresso.</p>	<p>Undertaking regular restoration tests for key application systems will provide assurance on the robustness of the backup and disaster recovery arrangements.</p>	<p>Management should introduce a programme of regular restoration tests for key application systems.</p>

Recommendations

- R1** Management should continue to test whether changes to the payroll and timesheets are appropriately authorised and take remedial action if any errors are found.
- R2** Management should introduce a programme of regular restoration tests for key application systems.

Other matters

I am required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Council's financial reporting process including the following.

- Qualitative aspects of your accounting practices.
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions.
- Other audit matters of governance interest.

The matter I wish to report is detailed in table 4 below.

Table 4: **Other matters**

Issue	Finding
<p>Fair value of borrowing</p> <p>Note 16 discloses the fair value of the Council's borrowing from the Public Works Loans Board (PWLB). The figures disclosed in the note have been obtained from the Council's treasury management advisors and uses new borrowing rates as the discount factor in estimating the fair value of the loans. The PWLB has provided the Audit Commission with their estimates of the fair value of the borrowing which uses premature repayment rates as the discount factor. The PWLB's estimate of the fair value of the loans is £128 million higher than the estimate which is reported in Note 16.</p>	<p>Members of the Audit and Standards Committee should note the difference in valuation of the fair value of borrowing which arises from using different valuation methodologies.</p>

Issue

Finding

I am satisfied that the figure disclosed in Note 16 is a reasonable estimate but this difference in valuation is being reported so that members of the Audit and Standards Committee are aware of the difference in valuation which arises from using different valuation methodologies.

Whole of Government Accounts

Alongside my work on the financial statements, I also review and report to the National Audit Office on your Whole of Government Accounts return. As at 20 September I have not completed the procedures specified by the National Audit Office. I expect to complete my report by 30 September.

Value for money

I am required to conclude whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is the value for money conclusion.

I assess your arrangements against the two criteria specified by the Commission. In my 2011/12 Audit Plan I reported to you the significant risks that were relevant to my conclusion. I have set out below my conclusion on the two criteria, including the findings of my work addressing each of the risks I identified.

I intend to issue an unqualified conclusion stating that the Council has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. I include my draft conclusion in appendix 1.

Table 5: **Value for money conclusion criteria and my findings**

Criteria	Risk	Findings
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2011/12:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p> <p>2. Securing economy efficiency and effectiveness</p> <p>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p>	<p>The Council faces significant challenges arising from the impact of the economic downturn and reductions in grant funding.</p>	<p>I have reviewed:</p> <ul style="list-style-type: none"> ■ the Council's medium-term financial plan, including arrangements for HRA self-financing, and the arrangements around developing, monitoring and adapting this plan; and ■ budgetary control arrangements.

Criteria

Focus for 2011/12:

The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Risk**Findings**

I have not identified any significant issues to bring to your attention.

Fees

I reported my planned audit fee in the 2011/12 Audit Plan.

I will complete the audit within the planned fee.

Table 6: Fees

	Original scale fee (£)	Planned fee 2011/12 (£)	Expected fee 2011/12 (£)
Audit	296,961	296,961	296,961
Claims and returns		90,000	90,000
Non-audit work		0	0
Total		386,961	386,961

Appendix 1 – Draft independent auditor’s report

Independent auditor’s report to the members of Dudley Metropolitan Borough Council

Opinion on the Council’s financial statements

I have audited the financial statements of Dudley Metropolitan Borough Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Dudley Metropolitan Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Dudley Metropolitan Borough Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I report to you if :

in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;

- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

Conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Council and the auditor

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Council has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Dudley Metropolitan Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

I certify that I have completed the audit of the accounts of Dudley Metropolitan Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Tony Corcoran

District Auditor

Audit Commission

1st Floor

No. 1 Friarsgate

1011 Stratford Road

Solihull

B90 4EB

XX September 2012

Appendix 2 – Corrected errors

I identified the following errors during the audit which management have addressed in the revised financial statements.

Table 1 – adjustments affecting CIES and balance sheet		Comprehensive income and expenditure statement (CIES)		Balance sheet	
Item of account	Nature of error	Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
CIES and balance sheet	A number of assets were incorrectly classified as community assets, e.g. Dudley Museum and Art Gallery. These assets have been re-classified and revalued where necessary.	1506	553	953	953
Balance sheet	The Council's investment in Birmingham Airport has been revalued upwards to reflect its fair value as at 31 March 2012. A corresponding adjustment has been made to the available for sale financial instruments reserve. This adjustment was needed because the revaluation of the investment was provided to the Council after it had prepared and submitted the financial statements for audit.			2,079	2,079

Table 1 – adjustments affecting CIES and balance sheet		Comprehensive income and expenditure statement (CIES)		Balance sheet	
Item of account	Nature of error	Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
Balance sheet	The value of cash and cash equivalents on the balance sheet has been increased so that cash balances held by the Council on behalf of trust funds are included. A corresponding increase has been made to the short term creditors balance to recognise that these cash balances are repayable by the Council to the trust funds.			6,654	6,654
Balance sheet	The capital adjustment account was credited upon recognition of heritage assets at 1 April 2010. This credit entry should have been made to the revaluation reserve.			16,650	16,650

Table 2 – adjustments affecting the format of the CIES, cash flow statement, housing revenue account, notes to the core statements and prior year comparatives	
Item of account	Nature of error
CIES	The following sub-headings had to be added to the CIES to ensure that the format of the CIES complied with the requirements of the CIPFA Service Reporting Code of Practice: <ul style="list-style-type: none"> ■ Education and Children's Services ■ Housing Services ■ Central Services
Cash flow statement	The line 'net cash flows from interest & dividends' was reported below the sub-heading 'net cash flows from operating activities' but is now reported above it. This line reports net cash flows from interest & dividends of £10,695k in 2011/12 and £15,926k in 2010/11

Table 2 – adjustments affecting the format of the CIES, cash flow statement, housing revenue account, notes to the core statements and prior year comparatives

Item of account	Nature of error
Note 16 – financial instruments	The note has been adjusted to omit statutory debts totalling £182,188k and statutory creditors totalling £1,068k which are not financial instruments.
Note 27 – cash flow statement (non-cash movements and other movements)	The note was adjusted to disclose non-cash and other movements separately. This adjustment was made to improve the clarity of the note.
Note 28 – amounts reported for resource allocation decisions	Total income and total operating expenses in respect of the housing revenue account were adjusted so that they were consistent with the figures reported in the explanatory foreword. As a result, both total income and total operating expenses decreased by £3,756k.
Note 36 – grant income	The analysis of grant income credited to services has been adjusted to correct errors identified in how income had been classified between the bodies which provided the grants to the Council. The largest adjustment was in respect of the 'other' category which decreased by £1,395k.
Note 39 – leases (authority as lessor – operating leases)	The future minimum lease payments receivable under non-cancellable leases for later than five years was amended from £17,757k to £32,236k. The error arose because future lease payments in respect of the Crown Centre were mistakenly excluded.
Housing revenue account (HRA)	The revaluation loss on housing stock of £50,448k was disclosed as an exceptional item in the HRA. This was inconsistent with its treatment in the CIES as it was not disclosed as an exceptional item in the CIES. The HRA has been amended so that the revaluation loss is no longer disclosed as an exceptional item.
HRA	Prior year comparatives have been added to Notes 2, 4, 5, 6, 7, 8, 9 and 10 to the HRA .

Appendix 3 – Draft letter of management representation

Dudley Metropolitan Borough Council - Audit for the year ended 31 March 2012

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other directors of Dudley Metropolitan Borough Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2012.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Council, for the completeness of the information provided to you, and for making accurate representations to you.

Uncertainty

The effects of the uncertainty in respect of component accounting reported in Table 2 are not material to the financial statements, either individually or in aggregate.

Supporting records

I have made available all relevant information and access to persons within the Council for the purpose of your audit. I have properly reflected and recorded in the financial statements all the transactions undertaken by the Council.

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

For unequal pay, the long term investment in Birmingham Airport and fair values of borrowings, I confirm:

- the appropriateness of the measurement method, including related assumptions and models, and the consistency in application of the method;
- the assumptions appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the Council, where relevant to the accounting estimates and disclosures;
- the disclosures relating to the accounting estimate are complete and appropriate under the Code; and
- that no subsequent event requires the Council to adjust the accounting estimate and related disclosures included in the financial statements.]

Related party transactions

I confirm that I have disclosed the identity of the Council's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the Code.

Subsequent events

I have adjusted for or disclosed in the financial statements all relevant events subsequent to the date of the financial statements.

Signed on behalf of Dudley Metropolitan Borough Council

I confirm that the this letter has been discussed and agreed by the Audit and Standards Committee on 20 September 2012

Iain Newman

Treasurer

Dudley Metropolitan Borough Council

Date

Appendix 4 – Glossary

Annual Audit Letter

Letter issued by the auditor to the Council after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

Annual Governance Report

The auditor's report on matters arising from the audit of the financial statements presented to those charged with governance before the auditor issues their opinion [and conclusion].

Annual Governance Statement

The annual report on the Council's systems of internal control that supports the achievement of the Council's policies aims and objectives.

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor.

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England.

Ethical Standards

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

Financial statements

The annual statement of accounts that the Council is required to prepare, which report the financial performance and financial position of the Council in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

Group accounts

Consolidated financial statements of a Council and its subsidiaries, associates and jointly controlled entities.

Internal control

The whole system of controls, financial and otherwise, that the Council establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality

The APB defines this concept as 'an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor's report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement

within the financial statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects’.

The term ‘materiality’ applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

Significance

The concept of ‘significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the financial statements. Significance has both qualitative and quantitative aspects.

Those charged with governance

Those entrusted with the supervision, control and direction of the Council. This term includes the members of the Council and its Audit Committee.

Whole of Government Accounts

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Council must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its financial statements.

Appendix 5 – Action plan

Recommendations

Recommendation 1

Management should continue to test whether changes to the payroll and timesheets are appropriately authorised and take remedial action if any errors are found.

Responsibility	Payroll Manager
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Priority	High
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Date	
-------------	--

Comments	
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Recommendation 2

Management should introduce a programme of regular restoration tests for key application systems.

Responsibility	Head of ICT Services
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Priority	High
-----------------	------

Date	
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Comments	
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- any director/member or officer in their individual capacity; or
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September 2012

Audit and Standards Committee – 20th September 2012

Report of the Director of Corporate Resources

Code of Conduct for Employees

Purpose of Report

1. To consider the current position concerning the Code of Conduct for Employees.

Background

2. On 13th October, 2011, this Committee approved the current position concerning the Code of Conduct for Employees.
3. Following an internal review which has taken place over the last 10 months the Code of Conduct for Employees has now come under the umbrella of the HR & Organisational Development division in line with other policies and procedures relating to employees. As a result of a review of the Code a number of suggested amendments are included in the attached Appendix 1 (in bold italics) to address the following points:-
 - To clarify the expectations of Council employees and that a breach of the Code of Conduct may lead to disciplinary action (see paragraph 3).
 - To strengthen the link that a breach of another HR policy may also lead to a breach of the Code of Conduct where necessary.
 - To clarify that an employee's private life may impact on their working life, particularly in relation to social networking. There are also links to the Social Media Policy (see paragraphs 17, 18, 19 and 20).
 - To reinforce the Principal Statement of Employment by aligning it with the Code of Conduct (see paragraphs 6, 7, 10 and 55).
 - To clarify the standards of behaviour expected of Council employees (see paragraphs 2, 3, 4, 5 and 6).
 - To clarify the requirements of employees in roles that require CRB clearance should they be charged or convicted during employment. The Council's policy for 3 yearly CRB renewals is also reinforced (see paragraphs 9, 10, 11 and 12).
 - To clarify the standards set by professional bodies and its relationship to the standards set by the Council (see paragraphs 8 and 49).

- To clarify that documents written by employees in the course of employment for the Council are owned by the Council (see paragraph 56).
 - To confirm the correct procedures when public communication on behalf of the Authority is required (see paragraphs 57 and 58).
4. The Code of Conduct for Employees has been consulted on with the HR Policy Group, AD's Group, Corporate Equality and Leadership Group, Trade Unions and Corporate Board.
 5. It is important that employees are aware of the contents of the policy and of the implications of not following it, as it may be used for disciplinary purposes. HR will therefore communicate the new Code of Conduct to Directorate Management Teams in November for an implementation date of 1st December 2012. The following means of communication will also be utilised:
 - a. Team Meetings
 - b. Message of the Day
 - c. Yourself message
 - d. Message on payslips
 - e. New principal statements being issued
 - f. Use of established communication channels set up with employees who do not have access to ICT
 - g. Executive Summary for Noticeboards
 6. All previously agreed amendments to the Code have been implemented and incorporated in the Constitution and these will be.
 7. The Localism Act 2011 has made no separate provisions affecting the Council's Officer Code of Conduct. Subject to the recommended amendments in this report, the existing Code for Employees will therefore remain operational until such time as any national code or other amendments are introduced.

Finance

8. There are no financial implications arising from this report.

Law

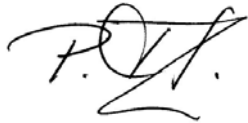
9. Section 111 of the Local Government Act 1972 enables the Council to do anything that is calculated to facilitate or is conducive or incidental to the discharge of its various statutory functions.

Equality Impact

10. Paragraph 64 of the Code refers to equality and there are no particular issues arising from this report with regard to children and young persons.

Recommendation

11. That the Committee consider the amendments to the Code of Conduct for Employees and recommend the Council to adopt the revised Code as set out in Appendix 1.



.....
Philip Tart
Director of Corporate Resources

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List of Background Papers
The Council's Constitution

Code of Conduct for Employees

Introduction

The public is entitled to expect the highest standards of conduct from all employees of Dudley Council. It is therefore important that you understand your roles and responsibilities whilst at work. It is also important, where necessary for you to understand how your behaviour and activities outside work may impact upon your ability to do your work during working hours.

This Code of Conduct is based on the Council's Standing Orders and Financial Regulations, the provisions of the general law as well as your conditions of service.

As the Code applies to all employees, please take time to read it fully and ensure that your conduct is at all times consistent with its requirements. This document forms part of your contract of employment and you are required to comply with its contents. School staff employed by Governors will be subject to separate rules. Democratic local government can not be taken for granted – all of us involved in the service have to make a special effort to retain public confidence. Compliance with the Code will help maintain the reputation of local government in Dudley.

I am sure I can rely on you all to play your part in up-holding the highest standards in public life.

John Polychronakis
Chief Executive

Standards

- 1 Dudley Council's employees are expected to give the highest possible standard of service to the public and where it is part of their duties, to provide appropriate advice to Elected Members and fellow employees with impartiality. Employees will be expected, through agreed procedures and without fear of recrimination, to bring to the attention of the appropriate level of management any deficiency in the provision of service. Employees must report to the appropriate manager any impropriety or breach of procedure.

In summary employees are required to:

- Attend work in a condition where they are able to carry out their duties safely and effectively
- Act honestly
- Act with dignity and treat all others with dignity and respect
- Be committed to delivering quality services to service users
- Understand and act in accordance with the Council's vision and values as set out in the Council Plan, policy and procedures
- Work in accordance with the terms and conditions of their principal statement of employment and job description
- Understand and apply the Council's rules, policies and procedures applicable to them and their role

Standards of Behaviour

Personal conduct and behaviour in the workplace

- 2 Employees are expected to treat members of the public, Elected Members and colleagues, with dignity and respect, this is expected in the manner in which they communicate whether verbal or written.

More specifically employees must:

- Ensure that their conduct is not discriminatory, bullying or harassing to others
- Ensure that their behaviour and performance meets workplace standards at any time that they are at work, representing the Council or are likely to be identified or associated with their role as a public official (whether or not they are working at the time)
- Make sure that they are familiar with and follow the Council's equality policies and aim to advance equality of opportunity and foster good relations.

Misconduct

- 3 The Code of Conduct acts as a guide for employees on the standards expected of them when acting in good faith. This document forms part of their contract of employment and

employees are required to comply with its contents. Failure to comply with the Code of Conduct may be considered to be gross misconduct and may lead to disciplinary action under the Employee Improvement and Disciplinary Procedure, including dismissal.

Alcohol and Drugs

- 4 Employees must not consume alcohol, use illicit drugs or illegal substances while at work or prior to attending work if likely to impact on their ability to do their job. When an employee is on call or standby they must ensure that any alcohol consumption is within the legal limit for driving in the event that they are recalled to work. Any alcohol consumed outside of work must not affect the employee's ability to do their work.
- 5 If an employee is taking legally prescribed or over-the-counter medication, they must ensure that the use of them does not affect their work performance and the safety of themselves and others. Where an employee is prescribed medication that affects their work performance their line manager should liaise with HR to consult with Occupational Health. Further guidance is available in the Substance Misuse Policy and Procedure http://insidedudley/corporate/info&res/policiesguidanc_/personnelpolici_/substancemisuse/default.htm.

Health, Safety and Well-being

- 6 All employees must comply with the Health and Safety Work Act 1974 and associated regulations, Guidance or Approved Codes of Practice. Employees are required to comply with the Corporate Health and Safety Policy and take reasonable care for the health and safety of themselves and of other persons who may be affected by their acts or omissions. For specific details of the responsibilities for employees and managers reference to the Corporate Health & Safety Policy must be made http://insidedudley/corporate/info&res/healthsafety_/safetymanagemen_/safetypolicy/default.htm.

Protecting the Council and its employees

Other Employment and conduct outside working time

- 7 Employees paid at grade 8 to 15 have conditions of service which require them to obtain written consent to take any outside secondary employment. This will be detailed in the employee's principal statement of employment. All employees should be clear about contractual obligations and must not take outside employment which conflicts with their position or with the Council's interests. Any additional employment must be in accordance with any legislation that may apply such as the Working Time Regulations (1998) (as amended). They must also ensure that Council time and/or resources are not utilised in connection with any approved private employment.
- 8 Generally, what an employee does outside work is of their own concern (unless professional standards state otherwise), but they must avoid doing anything that might adversely affect the reputation of the Council or impact on the Council's or their

profession's confidence in their ability to do their job. This includes use of social media and the Internet. If in doubt, employees should seek the advice of the Council's Monitoring Officer, Head of Communications and Public Affairs.

Employees should be aware of the "Guide for Councillors and Officers on Organisations Outside the Council".

Criminal charges and convictions

- 9 Unless covered by the Rehabilitation of Offenders Act, all applicants are required to disclose any live criminal convictions or charges. Certain positions are exempt from the Rehabilitation of Offenders Act and require CRB clearance before the applicant is offered a post. Where a post is subject to a CRB clearance, employees in the post will be required to participate in further CRB checks in line with regulatory requirements and/or the Council's Policy. Please refer to the CRB Policy for further guidance.
- 10 If during the course of employment with the Council an employee is charged, convicted of a crime or receives a caution or other form of reprimand in relation to a criminal offence, even if the offence does not relate to their employment, they must report the charge, conviction or caution or other form of reprimand within 5 working days to their line manager or the HR team. If they are on leave when they receive the charge, conviction or caution or other form of reprimand they must report it within 5 working days on their return from leave. Failure to notify the Council within the specified timescale may lead to disciplinary action under the Employee Improvement and Disciplinary Policy and Procedure.
- 11 Where an employee is charged, convicted of a crime, receives a caution or other form of reprimand the line manager will consult with the HR team and the Assistant Director for HR and Organisational Development, who will consider the impact upon the employee's position and if there has been a breach of Council Policies and Procedures, and whether disciplinary action under the Employee Improvement and Disciplinary Procedure should be invoked, including dismissal.
- 12 Dependent upon the employee's position, consideration must be given to whether the employee poses a risk to children, or young people or to adults who access any health and social care services and a referral through safeguarding procedures may be necessary.

Use of Council property, facilities and equipment

- 13 Council facilities are to be used for Council business and for no other purpose unless the employee has their Assistant Director's approval beforehand.
- 14 Reasonable use of telephones and photocopiers is allowed in exceptional circumstances provided the employee has been authorised to do so by their manager. However, no paid or non council work may be carried out in the Council's time, or on the Council's premises or with the use of the Council's equipment.

- 15 Employees may use the internet for incidental and occasional personal use, as a recognition that familiarity with this technology is imperative to the Modernisation of Local Government. Consequently employees will be able to use the Internet during their own time for personal use i.e. during lunch breaks. Further guidance can be found in the Internet Access and Use of Emails Code of Conduct <http://insidedudley/corporate/info&res/corporatepolici /corporateictpol /dmbcstaffintern/default.htm>.
- 16 Misuse of the internet may lead to disciplinary action taking place under the Employee Improvement and Disciplinary Policy and Procedure. <http://insidedudley/corporate/info&res/policiesguidanc /personnelpolici /employeeimprove-1/default.htm>
- Use of Social Networking Sites**
- 17 For most employees the use of social networking sites is prohibited in the workplace. However, such restrictions do not apply when employees are using their own equipment in their own time. Employees must not use council equipment to access social media for personal use, unless equipment is specifically provided for this purpose.
- 18 Comments and messages posted on the internet are available to millions of users worldwide to view and employees of Dudley Council should be aware of this when posting information or making comments that might relate directly or indirectly about their work, customers of the council and work colleagues. Employees who do not directly identify themselves as a Dudley Council employee when using social media for personal purposes at home, should be aware that the content they post on social media websites could still be construed as relevant to their employment at Dudley Council. For example employees **must not** write or report on conversations, meetings or matters that are meant to be private or internal to Dudley Council. The Council has a duty of care towards its employees and would therefore treat any comments or messages posted on websites which cause offence seriously. This includes messages and comments posted in the employees own time that relate to fellow colleagues and the workplace.
- 19 Care should be taken to ensure that there is nothing posted that could bring the Council into disrepute or would be potentially dangerous. Posting of defamatory or potentially damaging comments about the Council, its employees or clients would be considered gross misconduct. Posts of either nature on to the internet or social networking sites may lead to disciplinary action for misconduct/gross misconduct under the Employee Improvement and Disciplinary Procedure. A referral through safeguarding procedures may also be necessary.
- 20 Employees must not accept friendships with any children, young people who access Dudley MBC services, or adults who access any health or social care services provided by Dudley MBC, on social networking sites. This is potentially a breach of confidence and trust as well as being unprofessional. Any inappropriate relationships within social networking sites that are brought to the Council's attention will be fully investigated and may lead to

disciplinary action for misconduct/gross misconduct under the Employee Improvement and Disciplinary Procedure.

Further information can be found in the Social Media Policy on the following link:

<http://idudley/idudley/policies-and-guidance/social-media-policy/>

Use of Authority

- 21 Employees must not use their official position, status, powers or authority to seek to improperly influence a decision or action.
- 22 Employees are expected to provide honest, impartial and comprehensive advice regardless of their personal feelings on a matter. If an employee's personal views conflict with the performance of their official duties or if they believe they cannot act impartially, they should contact their line manager and attempt to resolve the conflict.
- 23 In their role of Council employee or personal capacity, employees must not allow their personal interests to conflict with the Council's requirements or use their position to improperly confer an advantage or disadvantage on any person.
- 24 When exercising a discretionary power, employees should ensure that the power is being used properly, impartially, equitably and is consistent with relevant legislation, delegations, procedures or guidelines. In exercising any power associated with their employment, employees must ensure that they are either statutorily authorised to do so or that they have been delegated the power by a person with the necessary authority to issue the delegation.

Use of Financial Resources

- 25 Employees must ensure that they use public funds entrusted to them in a responsible and lawful manner. They must strive to ensure value for money to the local community and to avoid legal challenge to the Council. Employees with budgetary/purchasing control must ensure that they understand and comply with the Council's Standing Orders and Financial Regulations. Employees must ensure that any expenditure is within the limits that they are personally authorised to incur. Failure to comply with the Council's Standing Orders and Financial Regulations may lead to disciplinary action under the Employee Improvement and Disciplinary Procedure. Standing Orders can be found on the following link:
http://insidedudley/finance/purchasing/info&res/standingorders_/standingordersj-1/default.htm
And Financial Regulations can be found on the following link:
http://insidedudley/finance/audit/documents/financialregula_/financialregula-3/default.htm.

Contractors

- 26 Employees are reminded of the requirements of paragraph 5.1. of Contract Standing

Orders which states that:-

“No..... officer nor any company, partnership or firm in which any officer has an interest nor any employer, nominee, spouse or other close relative of an officer, shall undertake the execution of works on behalf of the Council or shall accept an order for the supply or disposal of goods or materials from the Council or shall provide services for the Council unless such works or order for goods or materials or services have been offered or secured or provided by competitive Tender or Quotation

“Other close relative” includes a person cohabiting on a similar basis to a spouse, a civil partner, a parent, grandparent, uncle, aunt, son, daughter, grandson, grand-daughter, brother, sister, niece or nephew of the officer or their spouse or cohabitee whether the relationship is through blood, marriage or adoption.

- 27 All such relationships of a business or private nature with external contractors, or potential contractors, must be declared to Legal and Democratic Services (using a pro forma provided for this purpose) who will notify the relevant Assistant Director (or in the case of a school, the Headteacher) and any other appropriate employee of this declaration. The requirement to make a declaration under this paragraph also applies to employees who engage or supervise contractors or have any other official relationship with contractors and have previously had or currently have a relationship in a private or domestic capacity with a contractor.
- 28 Orders and contracts must be awarded on merit by fair competition and no special favour may be shown to any business run by, for example, friends, partners or relatives, in the tendering process. No part of the local community may be discriminated against.

Separation of Roles During Tendering

- 29 Employees involved in the tendering process and dealing with contractors need to be clear of the separation of client and contractor roles within the Council. Senior employees who have both a client and contractor responsibility must be aware of the need for accountability and openness.
- 30 Employees in contractor or client units must exercise fairness and impartiality when dealing with all customers, suppliers, other contractors and sub-contractors.
- 31 Employees who are privy to confidential information on tenders or costs for either internal or external contractors must not disclose that information to any unauthorised party or organisation.
- 32 Employees contemplating a management buyout must, as soon as they have formed a definite intent, inform the appropriate manager and withdraw from the contract awarding processes.

- 33 Employees must ensure that no special favour is shown to current or former employees or their partners, close relatives or associates in awarding contracts to businesses run by them or employing them in a senior or relevant managerial capacity.

Conflict of Interest

- 34 Where an employee faces a conflict between their private interests and public duties they must resolve the conflict in favour of their public duties. Where a conflict of interest is likely to occur due to their personal or immediate family private interests the employee must inform their manager, who will ensure that the Council is not compromised. This is particularly pertinent where the employee is involved in making decisions affecting contracting, tendering or regulatory functions.

Examples of possible conflicts of interests are as follows:

- Employees with access to computer databases of customers updating their own personal records or those of close relatives
- Employees being contracted to provide services to the Council outside their paid employment
- In a purchasing capacity liaising with a supplier who employs a close relative
- Generating work which involves travel to provide an opportunity to visit friends
- A supervisor who is in a position to approve higher duties or provide other benefits to a subordinate where a close personal relationship exists
- Involvement with an interview panel when a relationship exists with one of the applicants.

Personal Interests

- 35 Employees must declare to Law and Governance (using a pro forma provided for this purpose) any financial or non-financial interests, whether direct or indirect, which could conflict with the interests of the Council. This would include any cases where the employee is a company director, company secretary or voluntary organisation trustee. Law and Governance will notify the relevant Assistant Director (or in the case of a school, the Headteacher) and any other appropriate employee of this declaration.

Appointment and Other Employment Matters

- 36 Employees involved in appointments must ensure that these are made on the basis of merit. It would be unlawful for an employee to make an appointment which was based on anything other than the ability of the candidate to undertake the duties of the post. In order to avoid any possible accusation of bias, employees must not be involved in an appointment where they are related to an applicant, or have a close personal relationship outside work with him or her.
- 37 Similarly, employees must not be involved in decisions relating to discipline, promotion or pay adjustments for any other employee who is a relative, partner, etc.

Gifts and Hospitality

- 38 Employees must be aware that it is a serious criminal offence for them to corruptly receive or give any gift, loan, fee, reward or advantage for doing, or not doing, anything or showing favour, or disfavour, to any person in their official capacity as a Council employee. If an allegation is made it is for the employee to demonstrate that any such rewards have not been corruptly obtained.
- 39 Employees must only accept offers of hospitality if there is a genuine need to impart information or represent the Council in the community. Offers to attend purely social or sporting functions must be accepted only when these are part of the life of the community or where the Council must be seen to be represented. They must be properly authorised and recorded in the Gifts and Hospitality Register maintained for this purpose by each Directorate.
- 40 When the hospitality has to be declined those making the offer need to be courteously but firmly informed of the procedures and standards operating within the Council.
- 41 Employees may accept insignificant items of token value [i.e. less than £10] such as pens, diaries, chocolates and flowers. Gifts other than pens and diaries and similar office/stationery items [valued less than £10] must be recorded in the Gifts and Hospitality Register.
- Employees must not accept significant personal gifts from contractors and outside suppliers and they should notify their Director or Assistant Director of any such offers.
- 42 When receiving authorised hospitality employees need to be particularly sensitive as to its timings in relation to decisions which the Council may be taking affecting those providing the hospitality.
- 43 Acceptance by employees of hospitality through attendance at relevant conferences and courses is acceptable where it is clear the hospitality is corporate rather than personal, where the Director or Assistant Director gives consent in advance and where the Council is satisfied that any purchasing decisions are not compromised. Where visits to inspect equipment, etc. are required, employees must ensure that the Council meets the cost of such visits and any meals to avoid jeopardising the integrity of subsequent purchasing decisions. All such matters should be recorded in the Gifts & Hospitality Register.
- 44 Employees who are bequeathed gifts or money in the will of a service user that they know from their working capacity must not accept the gifts or money unless they are insignificant items of token value (i.e. less than £10). When the gifts/money has to be declined the executor of the will needs to be courteously but firmly informed of the procedures and standards operating within the Council.

Sponsorship – Giving and Receiving

- 45 Where an outside organisation wishes to sponsor or is seeking to sponsor a local government activity, whether by invitation, tender, negotiation or voluntarily, the basic conventions concerning acceptance of gifts or hospitality apply. Particular care must be taken when dealing with contractors or potential contractors.
- 46 Where the Council wishes to sponsor an event or service neither an employee nor any partner, spouse or relative must benefit from such sponsorship in a direct way without there being full disclosure to an appropriate manager of any such interest. Similarly, where the Council through sponsorship, grant aid, financial or other means, gives support in the community, employees must ensure that impartial advice is given and that there is no conflict of interest involved.

Political Neutrality

- 47 Employees serve the Council as a whole. It follows they must serve all Elected Members and not just those of the controlling group, and must ensure that the individual rights of all Elected Members are respected.
- 48 Employees, whether or not politically restricted, must follow every lawful expressed policy of the authority and must not allow their personal or political opinions to interfere with their work. They must be seen to be able, to remain unbiased in the performance of their duties. Failure to follow this may lead to disciplinary action under the Employee Improvement and Disciplinary Procedure.

For further information on politically restricted posts and restrictions applied to these posts please refer to the policy on the attached link

http://insidedudley/corporate/info&res/policiesguidanc_/personnelpolici_/politicallyrest-1/default.htm.

Professional and Trade Union Activity

- 49 Members of professions are expected to uphold the standards of performance and conduct set by the relevant professional association and this Code of Conduct. Employees are expected to raise any concerns they may have regarding a conflict of interest between their role at the Council and the standards of their profession.
- 50 When speaking in the capacity of workplace or trade union representative or profession association, it must be made clear that the opinion is made on behalf of the union or association represented and not the Council.

Disclosure of Information

- 51 It is generally accepted that open government is best. The law requires that certain types of information must be available to members, auditors, government departments, service

users and the public. The Council itself may decide to be open about other types of information. Employees must be aware of which information their Council is and is not open about, and act accordingly.

- 52 In the course of their employment employees may obtain information that has not been made public and is still confidential. Employees must never disclose confidential information given in confidence by anyone, or information which they acquire which they believe may be confidential in nature, without the consent of a person authorised to give it unless they are required to do so by law.
- 53 Employees must not use any information obtained through their work for the Council for personal gain or benefit, nor may they pass it on to others who might use it in such a way. Any particular information received by an employee from a councillor which is personal to that councillor and does not belong to the authority must not be divulged by the employee without the prior approval of that councillor, except where such disclosure is required or sanctioned by the law.
- 54 Employees have legal obligations towards privacy and security whilst processing personal information relating to any living individual. Such information must be processed in accordance with the Council's Data Protection Code of Practice and Freedom Of Information Act 2000. Breach of confidentiality may be considered a disciplinary offence under the Employee Improvement and Disciplinary Policy and Procedure.
- 55 In the event that, during the course of their employment with the Council an employee has been employed within a traded services area and/or during their employment acquired access to confidential information relating to the trade then the following principles will apply:
- The employee shall not for 6 months after the end of their employment, solicit or endeavour to entice away from the Council the custom of a client/customer with whom they have had contact with during the period of their employment, with a view to providing goods or services to that client/customer.
 - The employee shall not for 6 months after the end of their employment offer to employ or engage or otherwise endeavour to entice away from the Council and person employed or engaged by the Council who was involved in any capacity within the traded services area and with whom they have dealt with.

Intellectual Property

- 56 Under copyright law the Council owns any material made by the Council or under its direction. As an employee or contractor, any material produced in the course of work belongs to the Council unless otherwise explicitly provided for in the contract of employment. Therefore, to use any work owned by the Council the employee must seek permission from their Assistant Director.

Public communication

- 57 All media requests for information and enquiries that relate to policy and procedures and operational activities must be responded to by the Communications and Public Affairs Team.

When making a public comment in an official capacity employees must:

- Ensure that it is part of their official role
- Ensure that the facts are not misrepresented
- Ensure that the Data Protection Act is not contravened
- Respect the confidentiality of information that has not been approved for release either by Cabinet or through official Council channels.

- 58 As private citizens employees have the same rights as members of the public to openly discuss or comment on community and social issues. Employees must make it clear that when commenting in this capacity that it is their personal opinion and not that of the Council and they are not abusing their position of knowledge gained from their role as a council officer.

Internal Audit

- 59 Where an internal audit is conducted on a function all employees are required to contribute to this work. Where an employee has been identified in an agreed action plan to carry out some work, it is their responsibility to ensure that it is undertaken within the agreed timescale.

Ways of Working

Working with Elected Members

- 60 Employees are responsible to the Council through its senior managers. For some, their role is to give advice to Elected Members and senior managers and all are there to carry out the Council's work. Mutual respect between employees and Elected Members is essential to good local government.

Employees dealing with Elected Members should be aware of the "Protocol for Relationships between Members and Officers of Dudley MBC" as set out in the Constitution.

Working with Local Community and Service Users

- 61 Employees must always remember their responsibilities to the community they serve and ensure courteous, efficient and impartial service delivery to all groups and individuals within that community as defined by the policies of the Council.

Agile Working

- 62 Through modernisation of the Council's workforce and working arrangements, the relationship between the Council and its employees relies ever more heavily upon trust and the management of outcomes rather than presence at an office base, where applicable. Any abuse of the policies, procedures, guidance and or flexibility afforded will be fully investigated and may lead to disciplinary action being taken. Please refer to the Agile Working Policy for further information.

Whistleblowing

- 63 Since 1999 the Council has had a policy on confidential reporting, i.e., whistleblowing. Under this policy employees who have serious concerns about any aspect of the Council's work are encouraged to come forward and voice those concerns. A copy of the policy can be obtained from your directorate or the Director of Corporate Resources or on the attached link.

http://insidedudley/corporate/info&res/policiesguidanc_/otherpoliciespr_/confidentialrep-1/default.htm

The policy explains the procedure for raising concerns internally or, if preferred, employees may seek free independent and confidential help from the charity, Public Concern at Work.

Equality Issues

- 64 All Dudley Council's employees must ensure that our policies and practices relating to equality issues are complied with in addition to the requirements of the law. All members of the local community, customers and other employees have the right to be treated with fairness and equity.

Interpretation

- 65 If an employee is unsure about any aspect of the Code of Conduct they must raise this with their line manager immediately. Employees of the Council who disagree with the interpretation of this document (as it may affect them) have the right to raise the matter through the Council's Official Grievance Procedure.

Audit and Standards Committee – 20th September 2012

Report of the Treasurer

Statement of Accounts 2011/12

Purpose of Report

1. To present the Statement of Accounts to the Audit and Standards Committee for consideration and approval and to inform the Audit and Standards Committee of the outcome of the audit of the accounts. The Statement of Accounts, and the audit of them, are the main formal and public report on the financial standing of the authority.

Background

2. The Accounts and Audit Regulations 2011 give the requirements for approving and publishing the Council's annual accounts as follows:
 - Annual unaudited accounts are to be certified by the Treasurer as the Responsible Financial Officer no later than 30 June; and
 - Annual audited accounts are to be re-certified by the Responsible Financial Officer and formally approved by Members, then published no later than 30 September
3. The audited Statement of Accounts is attached as Appendix 1. There have been a number of changes from the unaudited accounts arising from the audit and/or from new information becoming available after the balance sheet date. These are highlighted in the auditor's Annual Governance Report. None of these changes affect the general fund balance.
4. These accounts are prepared under International Financial Reporting Standards (IFRS) as adopted for local authorities by the Code of Practice on Local Authority Accounting published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

General Fund outturn

5. I reported the General Fund outturn to Cabinet on 20th June 2012 as £238.490m. The Statement of Accounts presented to this Committee is consistent with this outturn position. A reconciliation of the outturn to the Statement of Accounts is included in the explanatory foreword to the Statement of Accounts.

Statement of Accounts

6. The layout of the Statement of Accounts is as last year, with the Movement in Reserves (MiRS), which sets out a summary of the changes to General Fund Balance, Housing Revenue Account (HRA) balance and other reserves over the year, presented as the first key statement.
7. For 2011/12 the Code has adopted the requirements of Financial Reporting Standard 30 (FRS30) on Heritage Assets. Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. The reason for including such items in the accounts is to acknowledge their real value to the community, even if that value is hard to quantify. Details are given in the accounting policies, and in Notes 13, 49, 50 and 51. Under IFRS, when a new policy is adopted, the comparative figures from the previous years are restated as if the new policies had always been applied.
8. A number of minor amendments have been made to accounting policies and to notes, to reflect the permanent state of IFRS adoption. In addition, a new table on exit packages has been added to Note 33 on Officers' Remuneration, and the Trust Funds Note has been re-instated.
9. A summary of the key financial statements is detailed below:

Movement in Reserves Statement (MiRS)

10. This statement shows the movements on the Authority's reserves, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves.
11. The Surplus or Deficit on Provision of Services shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement (CIES). Other Comprehensive Income and Expenditure shows unrealised valuation gains and losses on property, on shares in Birmingham Airport, and on pension assets and liabilities which only affect the unusable reserves.
12. The accounting charges in the Surplus or Deficit above are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and rent setting purposes. Adjustments between accounting basis and funding basis under regulations reverse out the accounting charges (such as depreciation) and insert the statutory ones, such as provision for the repayment of debt.

13. After transfers to and from earmarked reserves, the year end balance on the General Fund has increased by £3.032m from £9.172m to £12.204m. This is consistent with the outturn reported to Cabinet.

Comprehensive Income and Expenditure Statement (CIES)

14. This statement agrees to the change in value of the Balance Sheet. In order to be comparable across different authorities, it is based on the Service Reporting Code of Practice (SeRCOP) (which replaces the Best Value Accounting Code of Practice (BVACOP)), rather than the Council's directorate structure.
15. In 2011/12 there was an exceptional item shown separately on the CIES due to its significance. This was the payment of £335.6m to the government resulting from Housing Self Financing. This was financed by long-term borrowing from the Public Works Loan Board. This replaces the previous system of annual negative subsidy payments to the Government. The impact on the Housing Revenue Account was reported to Cabinet in February and June.
16. The net effect of income and expenditure items results in a deficit on the provision of services of £349.8m. This is a technical deficit intended to represent the Council's revenue position as it would be if calculated according to IFRS. As such it differs from the movement on the General Fund shown in the MiRS and in the outturn report. This is adjusted by Other Comprehensive Income and Expenditure items (balance sheet adjustments) to arrive at a total Comprehensive Income and Expenditure figure of £402.7m. This matches the fall in balance sheet net assets value from £687.8m to £285.1m.

Balance Sheet

17. The Balance Sheet shows that the value of total net assets has reduced by £402.7m between 31st March 2011 and 31st March 2012, largely as a result of the new HRA borrowing, and an increase in the intermediate valuation of pension liabilities due to changing economic conditions.
18. Heritage assets are shown at £21.7m. This includes some assets at valuation, and some at cost. Other assets have not been valued as the cost of obtaining a valuation exceeds the value to the users of the accounts, or the nature of the asset makes a market value improbable.
19. The lower half of the Balance Sheet summarises the usable and unusable reserves held by the Authority. The General Fund balance has increased by £3.032m as discussed above. HRA and Schools Reserves have increased, but general fund earmarked reserves have fallen. The changes in unusable reserves mirror the main changes described above.

Audit of the Accounts

20. The audit of the accounts for 2011/12 is substantially complete and the audited accounts are expected to be published by 30th September in accordance with regulations.

21. The Code of Audit Practice requires the auditors to report the results of their audit work to the approving body before signing their audit opinion. This report will be presented at this meeting of the Audit and Standards Committee.
22. A "letter of representation" is provided to the auditors each year, assuring auditors in some detail that all material information has been made available to them. This will be signed by the Treasurer, relying in some matters on assurances by the Director of Corporate Resources. Our auditors ask that the letter is also signed by the Chair of the Audit and Standards Committee. The text will be circulated with the committee papers for this meeting, and any queries members may have will be addressed beforehand or at the meeting.

Finance

23. This report is entirely financial in content, but does not give rise to any direct costs.

Law

24. Legislation appertaining to Local Authority Audit and Accounts is contained in the Local Government Act 1972, part 2 of the Audit Commission Act, 1998, and regulations made thereunder.

Equality Impact

25. The proposals take into account the Council's Policy on Equality and Diversity.

Recommendation

26. It is recommended that:-

- The Committee consider the Statement of Accounts.
- The Committee approve the Statement of Accounts.
- The Chair of the Committee signs and dates the Statement of Accounts to give evidence of the approval above.
- The Chair of the Committee signs and dates the Letter of Representation.



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Iain Newman
Treasurer

List of Background Papers

Working and supporting papers for the accounts.
Code of Practice on Local Authority Accounting in the UK 2011/12
Service Reporting Code of Practice.

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Audit and Standards Committee – 20th September 2012

Report of the Treasurer

Treasury Management

Purpose of Report

1. To outline treasury activity during the financial year 2011/12 and in the current financial year up to August.

Background

2. Treasury Management entails the management of the Council's cash flows, its borrowings and investments, the management of the associated risks and the pursuit of the optimum performance or return consistent with those risks
3. The Council undertakes treasury management activity on its own behalf and as administering authority for the West Midlands Debt Administration Fund (WMDAF). We are responsible for administering capital funding of approximately £769m on our own account and another £182m on behalf of other West Midlands councils in respect of the WMDAF. The treasury function is governed by the Council's Treasury Policy Statement and Treasury Management Practices.

Treasury activity in 2011/12 on the Dudley fund

4. Our treasury activities were undertaken in the context of the Treasury Strategy Statement 2011/12 approved by Audit Committee and Full Council in February 2011. The Strategy Statement stated:

“The primary factor in determining whether we undertake new long-term borrowing will be cash flow need. We may elect to borrow one or two years in advance of anticipated need if we judge that this is necessary in order to avoid being forced to borrow at higher rates at a later date.”

5. During 2011/12 our investments averaged around £42 million (with significant day to day variation as a result of cash flow). The average return on these investments was 0.85%. The majority of our investments were for less than one month or were in call accounts¹. All investments were placed with institutions that satisfied the criteria for credit-worthiness set out in the Treasury Strategy

¹ A call account is a deposit account with a financial institution without a fixed maturity date. The deposit can be "called" (withdrawn) at any time and deposits can also be made at any time. Call accounts and the specific terms associated with them differ depending upon the bank offering the account.

Statement 2011/12. Our investment activity for 2011/12 is set out in more detail in Appendix 1.

6. The average value of long-term borrowings in 2011/12 was £213 million for Dudley's debt (excluding loans taken out in March for Housing Self Financing). The average rate of interest on these borrowings was 5.33% and they were due to mature on dates ranging from 2013 to 2058. The rate for a 50-year maturity loan from the Public Works Loan Board (PWLB) has fluctuated in 2011/12 between 3.98% and 5.35%. In the light of these rates, together with forecasts for future rates and the availability of investment balances to meet cash flow, we did not enter into any new long-term borrowing during the year other than for HRA Self Financing (see below)
7. Due to cashflow requirements, it was necessary to undertake one short-term borrowing at the year end. This loan was for £7m at 0.4% for a duration of only 3 days.

Treasury activity in 2011/12 on the WMDAF

8. Our borrowing activities in 2005/6 placed us in a position where it was not necessary to undertake any new longer-term borrowing in the financial years from 2006/7 to 2011/12. Having consulted with our treasury advisors at Arlingclose, we did not identify any opportunities to improve our position by restructuring of debt.

Performance comparisons 2011/12

9. We have compared our performance, both for Dudley and the WMDAF, with four of our neighbours in the West Midlands. Two of the neighbours did not send their performance data in time for this report. The results are summarised in the following table:

West Midlands performance comparisons 2011/12

	Dudley	WMDAF	West Midlands average
Gross average borrowing rate (the cost of borrowing, ignoring the return on investments)	5.51%	6.47%	5.10%
Investment return rate (the return on investments, ignoring the cost of borrowing)	0.85%	0.73%	0.82%
Net average borrowing rate (a combination of the above, representing the cost of borrowing net of the return on investments)	6.64%	6.48%	5.69%
Lender's Option Borrower's Option (LOBO)² loans as a proportion of all borrowing	2%	5%	9%

10. Our cost of borrowing in 2011/12 was higher than the average and the return on our investments was slightly higher than the average of our neighbours. We were less exposed than the average of our neighbours to the potential volatility of LOBO loans (see footnote). The cash flow position during the year constrained both our investment and borrowing activities and our policy on investments has been very cautious. The performance figures for the four other councils included in the performance comparisons are detailed individually in appendix 4 in an anonymised format.
11. In respect of the WMDAF we have been constrained by the statutory timetable for closure of the fund (March 2026) and have not been able to take advantage of very cheap long-term debt that has been available in recent years.
12. It should be remembered that treasury performance measurement is not an exact science. These statistics represent the cumulative effect of decisions dating back over many years and the performance of our neighbours may have been achieved in circumstances different from our own.

Prudential indicators 2011/12

13. The 2003 Prudential Code for Capital Finance in Local Authorities sets out a framework for the consideration and approval of capital spending plans. In so doing, it requires the Council to set a number of prudential indicators, some of which concern matters of treasury management. Appendix 2 outlines those indicators for 2011/12. In all cases, actual outturn was within the targets and limits set by the Council.

² The lender has the option (at regular intervals stipulated in the loan agreement) to vary the rate of interest. The borrower then has the option to either accept the new interest rate or repay the loan.

Treasury activity 2012/13 to August

14. Treasury activities in the current year have been undertaken in the context of the Treasury Strategy Statement 2012/13 approved by Audit Committee and Full Council in February of this year. In that document we anticipated that long term borrowing would be required in the next 12 months due to cash flow need.
15. Our investments up to the end of August have averaged around £31 million (with significant day to day variation as a result of cash flow). The average return on these investments was 0.67%. All investments were placed with institutions that satisfied the criteria for credit-worthiness set out in the Treasury Strategy Statement 2012/13. Our investment activity for 2012/13 is set out in more detail in Appendix 3.
16. Consumer and business confidence levels are generally low and it is not easy to see potential for significant economic growth in the short term. As a result, there is unlikely to be a base rate increase in the short-term. Market sentiment towards the Eurozone has remained volatile as successive rescue packages have first raised, and then disappointed, expectations.
17. The past few months have seen Moody's downgrade a number of UK banks, namely Royal Bank of Scotland, Barclays, HSBC and Lloyds due to significant exposure to the volatility in the world's financial markets. The numerous credit rating downgrades have led to local authority lending lists being severely restricted. In order to mitigate this situation, officers are working to open up a Custodian account which will allow the Council to diversify its strategy by buying up Treasury Bills, Certificates of Deposits (CD's) and UK Government Gilts.
18. In the Chancellor's Budget on March 21, a reduction in the PWLB interest rate was announced. The reduction was to be applicable for those councils that provide 'improved information and transparency' on 'borrowing and associated capital spending plans'. The rate would then be reduced by 20 basis points from the current rate of 1% above central government's own borrowing to 0.8% above gilts from 2012/13. The government has also raised the prospect of those councils deemed to be the 'most efficient' being given access to even lower borrowing rates, however the details of these proposals are not yet known. There is no immediate effect on the Council from the above announcements. However, this will impact on future decisions that the Council may make to borrow from the PWLB
19. The average value of long-term borrowings up to the end of August has been £543.4 million of which £335.6 million relate to Housing Self Financing (see below). The average rate of interest on Dudley's loans is 4.11%. The maturity dates for the loans range from the current year to 2061. It has not as yet been necessary to undertake any new long-term borrowing in the current year, but we are monitoring interest rates and cash flow closely. We continue to anticipate that action may be required before the financial year end.
20. It has not been necessary to undertake any short-term borrowing in the current year to date. Daily cash flow has been managed through the use of call accounts.
21. There has been no change to the position on the WMDAF.

Housing Self Financing

22. The council housing finance system was reformed in the Localism Bill which was passed in November 2011. Under these reforms, the Housing Revenue Account (HRA) subsidy (negative in Dudley's situation) was abolished and replaced with a one-off redistribution of debt amounting to £335.6m. Although releasing councils from the HRA Subsidy system and offering much greater freedom, these reforms have resulted in a significant transfer of risk.
23. The Treasury Management report to Audit Committee on 9th February 2012, set out the strategy for this borrowing as well as the framework for allocating debt financing costs between the HRA and General Fund. Actual borrowing was carried out on 26th March 2012, The Council borrowed £335.6 million broken down as follows :

Variable	£13m
Fixed 1-10 years	£0m
Fixed 10-19 years	£20.6m
Fixed 20-29 years	£61.0m
Fixed 30-39 years	£104.0m
Fixed 40-50 years	£137.0m

The average rate of pre-existing HRA debt is 5.33% whilst the average rate of interest on the new Self Financing debt is 3.36%. The combined rate for all HRA debt is 3.90%

Finance

24. Forecasts of performance against budget for treasury management activities are highly sensitive to movements in cash flow and interest rates.

Law

25. These matters are governed by Part IV of the Local Government and Housing Act 1989 and Section 111 of the Local Government Act 1972, which empowers the Council to do anything which is calculated to facilitate or is conducive or incidental to the discharge of its various statutory functions.

Equality Impact

26. The treasury management activities considered in this report have no direct impact on issues of equality.

Recommendation

27. That the Committee:

- notes the treasury activities outlined in this report;
- refers all of the above for approval by full Council at its meeting on 8th October.



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Iain Newman
Treasurer

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List of Background Papers

- Treasury Policy Statement, Treasury Management Practices and Schedules to the Treasury Management Practices.

Investment Activity 2011/12

Counterparty name	Number of investments	Average value £ million	Average rate %	Average duration (days)
Barclays Treasury Direct	17	7.2	0.97	17
Debt Management Office	57	3.5	0.25	6
Nationwide Building Society	6	1.0	0.42	15
Bank of Scotland Call Account	N/A	5.7	0.75	Call
Yorkshire Bank	N/A	1.4	0.75	Call
Santander	N/A	10.0	0.8	Call
Nat West	N/A	7.4	0.8	Call
HSBC	N/A	2.9	0.32	Call
Yorkshire Bank	N/A	2.3	0.50	Call
Salford MDC	1	0.5	11.25	Matures in 2020

The table above includes investments that commenced during 2010/11 and matured in 2011/12. It also includes investments that commenced during 2011/12 and were due to mature in 2012/13.

There is also a fixed term deposit of £500,000.00 with Salford MDC at an interest rate of 11.25% that was made in 1985 and is due to mature in 2020.

Prudential indicators relating to treasury management 2011/12**External debt**

These indicators are intended to ensure that levels of external borrowing are affordable, prudent and sustainable. The authorised limit for external debt is a statutory limit (section 3 of the Local Government Act 2003) that should not be breached under any circumstances. The operational boundary is a lower threshold allowing for a prudent but not worst case scenario for cash flow.

	£m
Authorised limit for external borrowing	955.9
Operational boundary for external borrowing	787.7
Outturn - actual maximum external borrowing	753.9

CIPFA Code of Practice for Treasury Management in the Public Services

The Council adopted the Revised CIPFA Treasury Management in the Public Services Code of Practice in February 2010.

Interest rate exposures and maturity structure of borrowing and investments

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.

	Indicator	Outturn
Upper limit for fixed interest rate exposure	100%	97.6%
Upper limit for variable rate exposure	15%	2.4%
Upper limit of principal maturing in any one year for sums invested for over 364 days	£15m	nil
Maturity structure of fixed rate borrowing:-		
under 12 months	0-10%	2%
12 months and within 24 months	0-10%	2%
24 months and within 5 years	0-15%	5%
5 years and within 10 years	0-25%	13%
10 years and above	40-100%	78%

Investment Activity 2012/13 to August

Counterparty name	Number of investments	Average value £ million	Average rate %	Average duration (days)
Barclays Treasury Direct	9	4.2	0.51	14
Debt Management Office	31	7.5	0.25	9
Bank of Scotland Call Account	N/A	7.3	0.75	Call
HSBC	N/A	6.5	0.32	Call
Nat West	N/A	3.5	0.8	Call
Santander	N/A	1.4	0.8	Call
Yorkshire Bank	N/A	0.01	0.50	Call
Salford MDC	1	0.5	11.25	Matures in 2020

The table above includes investments that commenced during 2011/12 and were due to mature in the current year. It also includes investments that commenced in the current year before August and were due to mature after August.

There is also a fixed term deposit of £500,000.00 with Salford MDC at an interest rate of 11.25% that was made in 1985 and is due to mature in 2020.

West Midlands performance comparisons 2011/12

	Council					
	Dudley	WMDAF	A	B	C	D
Gross average borrowing rate (the cost of borrowing, ignoring the return on investments)	5.51%	6.47%	4.56%	4.84%	5.01%	5.16%
Investment return rate (the return on investments, ignoring the cost of borrowing)	0.85%	0.73%	0.96%	0.64%	1.07%	0.63%
Net average borrowing rate (a combination of the above, representing the cost of borrowing net of the return on investments)	6.64%	6.48%	4.92%	6.62%	5.27%	6.40%
Lender's Option Borrower's Option (LOBO) loans as a proportion of all borrowing	2%	5%	22%	16%	5%	8%

Audit and Standards Committee - 20th September 2012

Report of the Treasurer

Financial Regulations

Purpose of the Report

1. This report proposes amendments to the Council's and Schools' Financial Regulations.

Background

2. The Audit Committee and Section 151 Officer are charged with ensuring good financial management of the affairs of the Council.
3. Financial Regulations assists in ensuring good financial management by providing rules and guidance to Members and Officers on the operation of financial and management controls in all aspects of the Council's activities.
4. The current set of Financial Regulations were amended by the Audit Committee in June 2010.
5. Following consultation with relevant parties, it is now proposed that Financial Regulations are amended (see Appendix A) for the following:
 - Making it absolutely clear that electronic authorisation carries the same importance and responsibility as a manuscript signature (paragraph 1.12)
 - Clarifying the responsibility in relation to internal trading (paragraph 11.7)
 - Providing a link to more detailed guidance on when Council orders need not be raised (paragraph 14.3)
 - Providing further guidance where it is not considered practical or cost effective for two officers to collect cash income. (paragraph 16.10)
 - Revising the section on "Payments to Employees" to take account the changes being brought about by moving to more electronic systems i.e. the exploitation of PSEnterprise. (paragraphs 18.2 and 18.3)
 - Revising the section on "Travel and Subsistence" to take account the changes being brought about by moving to electronic systems i.e. the exploitation of PS Enterprise. (paragraphs 19.3, 19.8 and 19.9)
 - Inclusion of a paragraph on the responsibility for identifying and monitoring corporate risks. (paragraph 21.3)
 - Making clear the responsibility for inventory items (office furniture and standard computer equipment) within serviced accommodation rests with the Director of Corporate Resources. (paragraph 24.3)
 - Making clear Directors responsibility for adherence to the Corporate Security Strategy. (paragraph 24.6)

6. All amendments to the Council's Financial Regulations would also be replicated in the version for Schools. In addition it is proposed that School's Financial Regulations are amended (see Appendix B) for the following:

- Each school must have a Senior Information Risk Owner (SIRO) who will be responsible for looking into any actual or suspected breaches of information security. (26.5)

Finance

7. This report has no direct financial effect.

Law

8. Each local Authority is required to have a Constitution which details the governance arrangements and responsibilities of Members, Governors and Officers.

Equality Impact

9. This report does not raise any equal opportunities issues.

10. Children and young people were not consulted on, or involved, with the preparation of this report.

Recommendations

11. That the Committee approve the proposed amendments to Council and School Financial Regulations.



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Iain Newman
Treasurer

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APPENDIX A (amendments in italics and bold)

FINANCIAL REGULATIONS

WITH EFFECT FROM 20th September 2012

Ref	Description
1	Status of Financial Regulations
2	Responsibilities
3	Best Value/Effective Management
4	Assurance Statements
5	Financial Management
6	Accounting Systems, Financial Records and Returns
7	Taxation and Leasing
8	Financial Delegations
9	Audit
10	Public Accountability - Responsibilities
11	Purchasing Arrangements
12	Partnerships
13	Schemes Financed Partly or Wholly by External Funding
14	Orders for Work, Goods and Services
15	Payment of Accounts
16	Income and Debtors
17	Banking Arrangements
18	Payments to Employees
19	Travel and Subsistence
20	Imprests
21	Risk Management
22	Insurance
23	Stocks and Stores
24	Inventories
25	Management of Information
26	Treasury Management
27	Unofficial and Voluntary Funds
28	Controlled Stationery and Retention of Documents
29	Financial Assistance to Voluntary Bodies

1 Status of Financial Regulations

- 1.1 Financial Regulations provide the framework for managing the Council'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, support delivery of effective, efficient and economical services and minimise the risk of legal challenge to the Council.
- 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 unless the Treasurer is satisfied that Financial Regulations of an equivalent standard are in place. Where the Council is not the accountable body then the appropriate Director is responsible for ensuring propriety and proper processes are followed so that the Council's reputation is not at risk.
- 1.3 It is the responsibility of Directors to ensure that all staff in their Directorates are aware of the existence and content of the Financial Regulations and other internal regulatory documents, their responsibilities in relation to them and ensuring compliance.
- 1.4 All Members and officers have a general responsibility for taking reasonable action to provide for the security of the resources/assets under their control, and for ensuring that the use of these resources/assets is legal, is properly authorised and provides value for money.
- 1.5 To assist Members and officers, the Financial Regulations are set out in self-contained sections, each covering a specific area of control. Each section provides a contact point for further information or clarification.
- 1.6 Failure to comply with Financial Regulations, or procedures/policies issued under them, may lead to disciplinary action for officers and an investigation by the Section 151 and Monitoring Officer for Members and if necessary referral to the National Standards Board.
- 1.7 All financial decisions and decisions with financial implications must have regard to proper financial control. Any doubt as to the appropriateness of a financial proposal or correctness of a financial action must be clarified in advance of the decision or action with the Treasurer.
- 1.8 All Directors should ensure that any financial procedure/guidelines produced by their Directorate in support of financial control are fully compliant with these Financial Regulations.
- 1.9 These Financial Regulations should be read in conjunction with Standing Orders relating to Contracts and the Council's Constitution and they form part of the Council's Constitution.
- 1.10 ***The Treasurer in consultation with the Cabinet Member with responsibility for Finance has authority to allow specific exceptions to these Financial Regulations where in his/her opinion it is in the Council's interest. The Treasurer must keep a written record of such exceptions.***

- 1.11 Documents/policies/procedures that are referred to in this document should be seen as an integral part of Financial Regulations and must be complied with. ***Those polices/procedures that support Financial Regulations are listed at the end of this document.***
- 1.12 ***The Council operates a number of systems that call for electronic authorisation e.g. Agresso and Yourself. In order to remove any doubt electronic authorisation carries the same importance and responsibility as a manuscript signature.***
- 1.13 Financial Regulations will be reviewed on a regular basis.

CONTACT: Treasurer

2 Responsibilities

2.1 General Responsibilities of the Council

- 2.1.1 Any major organisation requires a set of clearly understood rules and regulations for the management of its financial affairs. Section 151 of the Local Government Act (LGA) 1972 places a duty on the Council to make arrangements for the proper administration of its financial affairs, including the requirement for an officer to be nominated to have responsibility for the administration. The Treasurer has been given this responsibility and is therefore the Section 151 Officer.
- 2.1.2 All elected Members and officers of the Council are responsible for ensuring that they use the resources and assets entrusted to them in a responsible and lawful manner.
- 2.1.3 These responsibilities apply equally to Members and officers when representing the Council on outside bodies.

2.2 Other Responsibilities

- 2.2.1 Any person charged with the use or care of the Council's resources and assets should ensure that they are aware of the Council's requirements under Financial Regulations. If anyone is in any doubt as to their obligations, then they should seek advice. Unresolved questions of interpretation should be referred to Audit Services.
- 2.2.2 All officers must report to their manager, supervisor or other responsible senior officer any actual or suspected illegality, fraud, impropriety, breach of procedure or serious deficiency in the provision of service. Officers are able to do this without fear of recrimination providing they act in good faith via the Council's Confidential Reporting Policy. Compliance with the Council's Anti-Fraud and Corruption Strategy and the Code of Conduct for Employees is mandatory for all officers.

- 2.2.3 Section 114 of the Local Government Finance Act (LGFA) 1988 requires the Treasurer to report to the Council if the Council, one of its committees, the Cabinet or one of its officers:
- Has made, or is about to make, a decision which has or would result in unlawful expenditure
 - Has taken, or is about to take, an unlawful action which has or would result in a loss or deficiency to the Council or
 - Is about to make an unlawful entry in the Council's accounts.

Section 114 of the LGFA 1988 also requires the Treasurer to nominate a properly qualified member of staff to deputise, should the Treasurer be unable to perform the duties under Section 114 personally. ***The nominated deputy is the Head of Accountancy.***

2.2.4 **The Council** for Financial Regulation purposes means the full Council which provides the political and strategic direction of the Authority. It approves the policies of the Authority, including those relating to strategy and the budget.

2.2.5 **The Cabinet** for Financial Regulations purposes means the leader of the Council and the Cabinet Members, who propose Council policy and budget strategies.

2.2.6 The **Treasurer (s151/s114)** and/or officers delegated by him/her are responsible for:

a) provision of financial advice for service delivery, strategic planning and policy making across the authority
b) provision of advice on the optimum use of available resources on the management of capital and revenue budgets
c) provision of financial management information
d) preparation of statutory and other accounts in accordance with legal requirements and professional accounting standards
e) provision of an effective internal audit function and assistance to management in providing safe and efficient financial arrangements
f) provision of effective financial management systems and procedures
g) provision of effective income collection and payments systems including payroll
h) treasury, investment and cash-flow management
i) advising on the safe custody of assets and insurance
j) co-ordination of the corporate risk management systems
k) maintaining a continuous review of the Financial Regulations and submitting any additions/changes necessary to <i>Audit and Standards Committee</i>
l) reporting, where appropriate, breaches of the Financial Regulations to the Council's Audit and Standards Committee
m) ensuring the Council sets a balanced budget that takes account of cost pressures and the impact of council tax and housing rents
n) ensuring that the requirements of the Prudential Code for Capital Finance in Local Government are complied with
o) regularly reviewing financial management arrangements to ensure that they are "fit for purpose"
p) provision of a training programme providing training on financial issues for Members and non-finance staff

q) ensuring that resources are allocated in accordance with Council priorities
--

2.2.7 **Directors/Chief Executive** and/or officers delegated by them are responsible for ensuring that Financial Regulations are observed throughout all areas under their control and shall:

- | |
|--|
| a) provide the Treasurer with such information and explanations as the Treasurer feels is necessary to meet his obligations under Financial Regulations and statutory requirements |
| b) consult with the Treasurer and seek approval on any matter liable to affect the Council's finances materially, before any commitments are incurred |
| c) ensure that executive Members are advised of the financial implications of all significant proposals and that the financial implications have been agreed by the Treasurer |
| d) inform the Treasurer of failures in financial control resulting in additional expenditure or liability, or loss of income or assets |
| e) inform the Treasurer immediately if any matter arises which may involve irregularities in any financial procedure |
| f) ensure the legality of their Directorate's actions |

2.2.8 For Financial Regulations purposes the description "Director" would include the Chief Executive.

2.2.9 The Director of Corporate Resources is the designated Monitoring Officer under Section 5 of the Local Government and Housing Act 1989.

2.2.10 **Budget Holder** is a Director or any officer who has been delegated by a Director to be accountable for a cost centre or a series of cost centres. Budget Holders must ensure:

- a) they understand the requirements of Financial Regulations
- b) their budget reflects the proposed income and expenditure
- c) they use adequate systems to enable them to monitor their budget
- d) they have explanations for significant budget variances.

2.2.11 Where a Director delegates responsibility for a function/action this must be recorded in writing and duly signed by the Director. A record should be held in an electronic directory that all appropriate staff can access; so staff are aware of what delegations are in place.

CONTACT: Treasurer

3 Best Value/Effective Management

3.1 The systems and processes operated by the Council must be managed effectively. Effective management will help the Council in providing the best value services for its customers.

3.2 Each Director and his/her employees must ensure they:

- a) provide customers and stakeholders with best value services
- b) follow the Council's policies and procedures
- c) comply with all laid down quality, professional, management, legal and ethical standards.

3.3 Each Director must ensure:

- a) there are adequate, appropriate and clear decision making and reporting lines in operation within their area of responsibility
- b) that decisions are appropriately recorded in an electronic directory that appropriate staff can access
- c) there is an open, honest, transparent and accountable culture in operation within their area of responsibility
- d) that all of their employees receive up to date training to properly perform their duties
- e) that actions are taken to achieve best value services and demonstrate that they have the necessary processes in place to identify, monitor and collect data against appropriate and challenging performance targets
- f) they identify the scope for efficiencies.
- g) adequate business continuity plans have been prepared

CONTACT: Head of Audit Services

4 Assurance Statements

4.1 Each Director must as part of the quarterly performance management arrangements complete a risk assurance protocol. By completing this protocol Directors are providing assurance, which includes that appropriate risks have been identified in line with the objectives of the Directorate and that mitigating actions are effective. As compliance with Financial Regulations will help to mitigate against certain risks, Directors must ensure that consideration is given to this when the risk assurance protocol is completed.

4.2 In preparing the protocol the Director must require all officers reporting directly to him/her to provide similar assurance for their area of responsibility.

4.3 The Chief Executive should ensure that processes are established to determine the sources of assurance required to support the Annual Governance Statement (AGS) and to review and approve the AGS. The Annual Governance Statement will be signed by the Chief Executive and the Leader of the Council.

- 4.4 The Director of Corporate Resources will ensure Action Plans are developed to address any significant governance issues reported in the Annual Governance Statement.

CONTACT: Head of Audit Services

5 Financial Management

5.1 General Framework

- 5.1.1 The Council is responsible for approving the budget (including Medium Term Financial Strategy), various plans and policies, which will be proposed by the Cabinet. These will include the policy framework, the budget (including the capital programme) and the Council Plan. See Budget and Policy Framework Procedure Rules within the Constitution.
- 5.1.2 The Treasurer shall, within the general direction of the Cabinet, produce forecasts of financial resources and advise upon the financial and economic implications of medium and long-term service development plans and programmes and budget strategies. In exercising this duty he/she shall be mindful of the Accounts and Audit Regulations 2006, the Prudential Code for Capital Finance in Local Government, current accepted local government accounting codes and will review levels of reserves and balances and ensure that a robust budget process has been undertaken.
- 5.1.3 The forecasts will indicate the likely changes to the Council's budget for the specified period both in terms of commitments arising out of statutory variations and Council policy and also the likely variations to funding from central or local sources.
- 5.1.4 The Cabinet, having considered the forecasts and options for the specified period, shall propose the overall budget strategy to the Council for approval after the consultation process as outlined in the Budget and Policy Framework Procedure Rules within the Constitution has been undertaken.
- 5.1.5 All matters relating to the financial administration of the Authority shall be kept under review by the Cabinet Member with responsibility for Finance.
- 5.1.6 Revenue and Capital budgets are cash limited and expenditure must be restricted to the amounts approved for each revenue service or capital scheme, unless there are exceptional circumstances.
- 5.1.7 In addition to the detailed arrangements set out below, any "key" decision by the Cabinet, Cabinet Member or Officer relating to the Revenue Budget or Capital Programme which is likely to result in the Council incurring expenditure or making savings of £250,000 or more (or which is likely to be significant in terms of its effects on communities living or working in one or more Wards in the Borough), must be included in the Forward Plan, as set out in the Constitution.

5.2 Medium Term Financial Strategy

- 5.2.1 The Council has produced a Medium Term Financial Strategy which:
- a) provides a strategic context for the Council's budgets, spending plans and financial matters in general to ensure that spending decisions are consistent with the Council's overall priorities and objectives
 - b) sets out how the Council plans to balance spending pressures and available resources over the medium term, taking into account risks and uncertainties and the level of Council Tax.
- 5.2.2 One of the key purposes of having a Medium Term Financial Strategy is to ensure that the Council's final budget is determined according to the Council's priorities as set out in the Community Strategy, Council Plan and Directorate/Service Strategies and that funding is allocated according to the corporate vision, aims and objectives.

5.3 Revenue Budget

- 5.3.1 The Revenue Budget shall be determined by the Treasurer in consultation with Directors within the general guidelines of the Cabinet and relevant professional requirements. The Revenue Budget shall be prepared annually before the start of the financial year.
- 5.3.2 The Cabinet shall consider a report on the Council's financial circumstances that would include a risk assessment prior to recommending a Budget and Council Tax to the full Council. This will include an indicative three year Revenue Budget and an updated Medium Term Financial Strategy. Each Select Committee will also be formally consulted on the budget proposed by the Cabinet.
- 5.3.3 As soon as the Council, at its Council Tax meeting has approved the revenue budget for each Directorate/Service, the appropriate Director will be accountable for managing within that budget. All spending must be on items of approved policy and incurred in accordance with Financial Regulations.

5.4 Virements

- 5.4.1 Each Director may in consultation with the Treasurer, vire resources from one budget to another within a Service's cash limit if this is necessary to facilitate effective and efficient service provision. This does not include the virement of resources which:
- a) enables new policies or strategies to be implemented
 - b) would result in a significant departure from existing policies and strategies
 - c) involves an increasing commitment in future years, which cannot be contained within existing approved budget allocations.

Where a virement relates to any of the issues listed above the matter must be referred to the Cabinet.

- 5.4.2 Virement may be necessary for several reasons. For example:
- a) unforeseen cost increases
 - b) demand for a particular service, in line with existing policies, exceeding estimates
 - c) a local requirement to provide a different service from that anticipated at budget time for a particular client or to meet a particular situation, or
 - d) utilising efficiency or other savings.
- 5.4.3 The Chief Executive, in conjunction with the Treasurer, will co-ordinate consultations regarding budget variations that relate to services provided by a Director on behalf of another Director.
- 5.4.4 Additional income can only be used to finance additional expenditure when the Treasurer is satisfied that the additional income would not be required to meet an overspending or potential overspending of the Director's approved budget limit.
- 5.4.5 Virements may involve consequential variations in budget composition for future years, provided always that the service revenue budget limit of the appropriate Director will not be exceeded in any year as a result of the proposal.
- 5.4.6 If it is considered that virement is inappropriate and additional money is required, then a request for extra resources must be submitted to the Cabinet. Additional money will not be made available unless approved by Cabinet.
- 5.4.7 The Budget Holder must not incur or commit expenditure unless he has the appropriate authority to do so as specified in the Council's Virement Policy.

5.5 Revenue Budgetary Control

- 5.5.1 The Corporate Financial Information System (Agresso) determined by the Treasurer is the Council's prime accounting record. It provides the mechanism for Directors, with the assistance of their Accounting Team, to monitor and control budgets.
- 5.5.2 Each Director will be provided with a monthly budget report showing actual position against budget and forecast outturn. Each Director is responsible for ensuring explanations are obtained for all significant variances.
- 5.5.3 Monthly reports will be produced by each Director in conjunction with the relevant accountant showing forecast outturn compared with approved budget for each division of service and explaining how any variances have arisen and how they will be dealt with. These reports will be countersigned by the relevant Cabinet Member and will be submitted to the Treasurer in accordance with an agreed timetable. The Treasurer will then report the overall summary position to Directors and the Cabinet quarterly as part of the Corporate Performance Management Report.

- 5.5.4 Directors have powers to incur expenditure in carrying out the functions allocated to them provided:
- a) the expenditure is lawful
 - b) Standing Orders relating to Contracts and Financial Regulations have been complied with
 - c) expenditure is within the approved revenue budget or capital programme provision
 - d) expenditure is in respect of Council policy
 - e) consultations, where appropriate, have taken place with appropriate Directors and/or Members of the Cabinet/Committee.
- 5.5.5 Nothing in these Rules should prevent a Director incurring expenditure essential to meet the needs of an emergency or which is referable to Section 138 of the Local Government Act 1972, subject to their action being reported at the earliest opportunity to the Cabinet and where appropriate the Council.
- 5.5.6 Each Director shall:
- a) monitor and control expenditure within their approved budget
 - b) keep the Treasurer informed of any actual or likely changes which will/may have a significant impact on current or future budgets.
- 5.5.7 The Treasurer shall also provide guidance on and co-ordinate the budget monitoring process and the form and basis of supporting information and timetable for the preparation thereof.
- 5.5.8 Generally all Council budgets are prepared on a cash limited (outturn) price base. This means that no supplementary estimates will be provided for inflation increases once budgets have been approved.
- 5.5.9 Unavoidable cost increase, e.g. public utilities, increments etc, for which insufficient allowance has been made at budget time will need to be met by equivalent reductions elsewhere.
- 5.5.10 All reports to Corporate Board or Members must be cleared by the Treasurer for financial implications and should be made available to the Treasurer in reasonable time before due for submission.
- 5.5.11 The Director will nominate an accountable officer (Budget Holder) for each cost centre. This officer will receive and review an appropriate budget report on a monthly basis. As part of this review process he/she would establish explanations for any significant variances.

5.6 Capital Budget

- 5.6.1 A co-ordinated and comprehensive capital programme monitoring system is in place to ensure that Members and Officers are kept fully aware of the constantly changing position and have the necessary information to enable them to make informed decisions about potential changes to approved programmes.

5.6.2 The Cabinet agrees individual schemes to be included in the Capital Programme. Individual schemes will be cash limited. Prior to inclusion in the Programme each Scheme proposal must be justified against the following criteria:

- a) contributes towards the delivery of the Council's strategic objectives e.g. Community Strategy and Council Plans
- b) contributes towards the achievement of a specific priority/objective (s) as set out in a Directorate Service Plan, and/or arises from agreed capital strategies e.g. HIP , LTP and/or assists the Council to meet its statutory objectives or respond to new legislative requirements and /or contributes to the achievements of "Best Value"
- c) can be supported by a coherent funding strategy, which will minimise the use of the Council's own resources
- d) has a clear and well thought out brief which defines the objectives of the project and specifies any issues which are time critical; is otherwise achievable within the financial year concerned
- e) has been fully evaluated against alternative methods of achieving the same objectives, and alternative funding sources.

5.6.3 It is the responsibility of Directors to ensure that prioritisation of individual capital schemes within the overall Capital Programme, within service programmes, and within budget headings is robust and stands up to scrutiny. Prioritisation will include formal scoring mechanisms or other objective methods wherever possible and appropriate.

5.6.4 Directors will identify a Lead Officer for each project who will take overall responsibility for co-ordinating all aspects of the project's implementation.

5.6.5 Following each relevant meeting of the Cabinet, each Director will be notified of the individual schemes approved together with any conditions that may be imposed, e.g. dependent on the sale of land, securing resources for revenue implications, reporting back to the Cabinet, etc.

5.6.6 All land and building projects (acquisition, disposal, works over £40k should be notified to the Corporate Property Group for a potential challenge before being presented to Cabinet/Committee or Director for approval.

5.7 Capital Budget Monitoring

5.7.1 For each service's capital projects, meetings will be arranged at regular intervals between Lead Officers and representatives from Finance and any relevant technical sections e.g. Corporate Property and engineers to monitor:

- a) progress of schemes
- b) problems and difficulties
- c) changes to original proposals e.g. revised costs or work programmes, delays, etc
- d) actual expenditure.

5.7.2 Following the above meetings, a monitoring report will be produced for the relevant Director and the Treasurer.

- 5.7.3 Reports will be submitted regularly to the Cabinet to agree the inclusion of new schemes in the Capital Programme.
- 5.7.4 Reports will be submitted regularly to Directors with regard to each capital project and the Cabinet with regard to overall progress with each Directorate's capital programme, giving details of the current position. Particular areas for concern will also be highlighted, such as:
- a) potential under-spend/overspend of schemes and how the situation can be resolved
 - b) changes in the financial resources available, e.g. due to an increase/decrease in usable capital receipts or grant funding.
- 5.7.5 The results of Post Completion Reviews of individual projects costing more than £155,000 will also be reported to the Cabinet, in line with Standing Orders relating to Contracts.

5.8 Reserves & Balances Policies

- 5.8.1 The Treasurer will report to the Council on the robustness of the estimates and the adequacy of reserves (when considering the budget for the following year), in accordance with the requirements of the Local Government Act 2003 and CIPFA guidance. The Treasurer must be satisfied that the decisions taken on balances and reserves represent proper stewardship of public funds.
- 5.8.2 Specifically, the report on reserves will include a statement on the adequacy of general reserves and provisions for the forthcoming year, linked to the medium term financial strategy.
- 5.8.3 Directorates may establish earmarked reserves from within their cash-limited budgets to fund future service developments (in line with Council priorities) or expenditure of an uneven nature (e.g. renewal of equipment).
- 5.8.4 Services operated on a trading basis (internal or external) may also establish reserves to balance profits and losses over the medium term.
- 5.8.5 As part of each year's budget review process, all earmarked reserves will be reviewed by Directors in consultation with Cabinet members. Any reserves no longer required for their original purpose will be transferred to General Balances.
- 5.8.6 A Corporate "Reserve of Last Resort" will also be maintained to cover unforeseen events that cannot be met from within cash-limited budgets, earmarked reserves, or uncommitted General Balances.
- 5.8.7 General Balances will be managed to enable spending pressures and resources to be balanced over the medium term.

5.9 Final Accounts and Year End Procedures

5.9.1 The Treasurer must make arrangements for the accurate and timely production of the Council's accounts. In doing so he must:

- a) prepare accounts in accordance with accounting principles and standards
- b) prepare the final accounts to meet the timetable provided by the Accounts and Audit Regulations 2006 and subsequent amendments
- c) have adequate reasons and evidence to justify all balances on any Control and Balance Accounts.

CONTACT: Head of Accountancy

6 Accounting Systems, Financial Records and Returns

6.1 Proper accounting records are one of the ways in which the Council discharges its responsibility for stewardship of public resources. The Council has a statutory responsibility to prepare its annual accounts to present fairly its operations during the year. These are subject to internal and external audit. This provides assurance that the accounts are properly prepared and proper accounting practices have been followed and that arrangements have been made for securing economy, efficiency and effectiveness in the use of the Authority's resource.

6.2 The Treasurer shall:

- a) determine accounting systems and procedures and the form of financial records and statements
- b) provide guidance and advice on all accounting matters
- c) monitor accounting performance to ensure an adequate standard for all Directorates
- d) certify financial returns, grant claims and other periodic financial reports required of the Council
- e) ensure there is a proper retention policy for financial documents
- f) establish timetables for budgets and closedown of accounts

6.3 Each Director shall:

- a) implement accounting procedures and adopt the form of financial records and statements as determined by the Treasurer
- b) pass to the Treasurer financial returns and other financial reports that require completion and certification
- c) maintain a proper separation of duties for staff with financial responsibilities
- d) be responsible for the completion and submission of grant financial returns
- e) ensure financial documents are kept in accordance with the retention policy
- f) ensure all key controls are consistently applied and appropriately evidenced

CONTACT: Head of Accountancy

7 Taxation and Leasing

Taxation

- 7.1 Like all organisations, the Council is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is therefore very important for all officers and Members to be aware of their roles and responsibilities.
- 7.2 It is the responsibility of Directors to ensure compliance with all tax regulations relating to their Directorates. This will include Income Tax, National Insurance, Value Added Tax and tax accounted for under the Construction Industry Scheme. Directors will be liable for any costs, including any penalties and interest charged for incorrect tax treatment.
- 7.3 ***Any queries in relation to taxation should be raised with the Treasurer (Principal Tax Accountant). Information can also be obtained from Accountancy Services intranet site.***

CONTACT: Principal Tax Accountant

Leasing

- 7.4 Leasing is a method of financing certain types of capital assets and allows the cost to be spread over several financial years through annual rentals. It is a specialised area of finance with complex legal and financial agreements. Leasing arrangements may only be entered into by the Treasurer or his designated officer if either of the following applies :
- a) the item would cost over £10,000 if the item was purchased outright.
 - b) the item being leased is a vehicle.

CONTACT: Group Accountant Corporate Finance

8 Financial Delegations

- 8.1 Each Director should delegate responsibility for specific financial responsibilities and tasks to appropriate officers within his/her directorate. In some cases delegations may have limits or restrictions attached. These delegations must be recorded, but the manner of recording is left to the discretion of Directors. ***These delegations relate not only to the authorisation of hard copy documentation by way of a manuscript signature but also to electronic authorisation levels set up within computer applications e.g. Corporate Financial System (Agresso) and the Payroll and Personnel System (PS Enterprise).***
- 8.2 Directors must ensure that prior to giving financial delegated authority to an officer that there is an appropriate separation of duty within the relevant system e.g. it should not be the same officer who authorises the order requisition or invoice (No-Order invoice) that acknowledges receipt of the goods or service.

- 8.3 Directors are responsible for bringing to the attention of all relevant officers the need to comply with the financial delegations for the Directorate.
- 8.4 Each Director must review his financial delegations at least annually against the demands of the service being delivered.
- 8.5 Only officers who have been given delegated powers may commit the Council to expenditure by:
- a) authorising order requisitions
 - b) certifying invoices (No-Order)
 - c) certifying expenses claims
 - d) authorising petty cash purchases
 - e) certifying timesheets and overtime claims
 - f) authorising the completion of personnel documentation
 - g) signing and awarding contracts
 - h) making purchase card payments
- 8.6 Financial delegations are also required in relation to the raising of debtor invoices and credit notes
- 8.7 The financial delegations should also include any delegations given with regard to Standing Orders relating to Contracts
- 8.8 The Treasurer can request details of a directorate's financial delegations. If the Treasurer considers that a delegation to an officer is inappropriate he can request that the delegation be changed or removed.

CONTACT: Head of Audit Services

9 Audit

Internal Audit

- 9.1 The Section 151 Officer under section 114 of the LGFA 1988 and the Accounts and Audit Regulations 2006 has a statutory responsibility for the overall administration of the Council's financial affairs. Section 6 of the Accounts and Audit Regulations 2003, says that the Council "shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices". The Section 151 Officer shall, therefore, in accordance with relevant legislation arrange for a continuous and current internal audit of all areas of Council activities.
- 9.2 "Proper practices" are defined in the regulations by the CIPFA publication - "Code of Practice for Internal Audit in Local Government in the United Kingdom". Audit Services will operate to this Code and any other relevant guidance. The definition of Internal Audit within the Code is:

Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment (comprising risk management, control and governance) by evaluating its effectiveness in achieving

the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

- 9.3 As the definition outlines Audit Services has a key role to play in reviewing the Council's arrangements for corporate governance, risk management and internal control. It contributes to the Council's Annual Governance Statement.
- 9.4 The existence of a continuous internal audit service does not in any way diminish the responsibility Directors for the management of divisions or sections under their control and their responsibilities in respect to the systems of internal control and the management of risk.
- 9.5 The Head of Audit Services shall ensure that Internal Audit remains independent in the planning and operation of the Council's internal audit activities. The Head of Audit Services is responsible for maintaining periodic audit plans which have due regard to the key strategic risks of the Council, the risks involved for each service area in delivering their services and the requirements of the External Auditor. The Head of Audit Services will consult with the Treasurer, Directors and the **Audit and Standards Committee** on the annual audit plan and the strategic audit plan.
- 9.6 It is the responsibility of Audit Services to review, appraise and report upon :-
- a) the soundness, adequacy and application of internal controls providing assurance within the Annual Governance Statement
 - b) the extent to which the Council's assets and interests are accounted for and safeguarded from losses of all kinds arising from
 - fraud and other offences
 - waste, extravagance and inefficient administration, poor value for money or
 - other cause
 - c) the suitability, reliability, integrity and completeness of financial and other management data developed within the organisation
 - d) the soundness and adequacy of the systems operating to collect and report on performance information
 - e) the corporate governance arrangements of the Council
 - f) the risk management processes of the Council both at Corporate, Directorate and Service Level
- 9.7 The Treasurer's authorised Internal Audit representatives shall be empowered to:
- a) enter at all reasonable times any Council premises or land
 - b) have access to all Council records, documentation and correspondence relating to any financial and other transactions as considered necessary
 - c) have access to records belonging to third parties such as contractors or partners when required (such rights of access shall be written into appropriate agreements)
 - d) require and receive such explanations as are regarded necessary concerning any matter under examination
 - e) require any employee or member of the Council to account for cash, stores or any other Council property under his/her control or possession.

- 9.8 All work carried out shall have due regard for the requirements of the Human Rights Act 1998, the Data Protection Act 1998, Freedom of Information Act 2000, Regulatory of Investigatory Powers Act (2000) and other legislation current at the time of the audit.
- 9.9 Audit Services should be consulted on any changes in financial, governance or risk management procedures and on the implementation of new or updated computer systems. **Significant changes in procedures and thus internal controls should also be discussed with Audit Services.**
- 9.10 Directors are responsible for responding to Audit Services reports in accordance with the agreed audit process flowchart. Recommendations should be implemented in accordance with the agreed timescale.
- 9.11 Audit Services will produce an annual management report on the work completed for each Directorate. This report will provide a conclusion on the effectiveness of the internal control, risk management and governance procedures.
- 9.12 It is the duty of any officer or Member to comply with the Corporate Anti-Fraud and Corruption Strategy. Any officer or Member who suspects that an irregularity involving cash, materials or any other property of the Council may have occurred must inform their Director who should report the matter directly to the Head of Audit Services or the Treasurer. Confidentiality will be respected in any dealings with Audit Services, wherever possible.
- 9.13 The Treasurer shall report material failures of financial control to the Chair of the **Audit and Standards Committee**, the appropriate Cabinet Member and the appropriate Director.
- 9.14 Where evidence of fraud, misappropriation or theft is discovered the Director of Corporate Resources shall decide after consultation with the Treasurer and relevant Director, whether to refer the matter to the Police. Where a Member is involved the Chief Executive, Monitoring Officer and where appropriate, the External Auditor, will be consulted.
- 9.15 Each Director shall:
- a) respond without undue delay to any enquiries or recommendations made by the Treasurer
 - b) inform the Treasurer as soon as possible of failures of financial control, including matters which involve, or may involve financial irregularity.
- 9.16 The Head of Audit Services has the authority to report, as appropriate, on any matter, without fear or favour, to all levels of the Council. This can include reporting directly to the Chief Executive, the Leader, Cabinet Member with responsibility for Finance Chair of the **Audit and Standards Committee**, Section 151 officer, Directors, the Monitoring Officer or the Council's External Auditors.

External Audit

- 9.17 The Treasurer is responsible for ensuring:
- a) that the External Auditors are given access at all reasonable times to premises, personnel, documents, assets that the External Auditors consider necessary for the purposes of their work
 - b) there is effective liaison between external and internal audit
 - c) that the full Council, Cabinet and Directors are advised on their responsibilities in relation to external audit.

CONTACT: Head of Audit Services

10 Public Accountability - Responsibilities

General

- 10.1 Members should ensure that they follow the Members' Local Code of Conduct, have read the Members' Handbook and declared any interests.
- 10.2 All officers should follow the Code of Conduct for Employees.
- 10.3 The Corporate Anti-Fraud and Corruption Strategy applies to all Members and officers of the Council and they should be aware of its contents whilst representing and working for the Council.

Gifts & Hospitality

- 10.4 Officers and Members should follow the advice given in the Members' Code of Conduct and the Code of Conduct for Employees.

CONTACT: Assistant Director Law and Governance

11 Purchasing Arrangements

- 11.1 These regulations should be read in conjunction with Standing Orders relating to Contracts and corresponding guidance.
- 11.2 Directors must ensure that any purchasing contracts comply with Standing Orders relating to Contracts, statutory requirements and European Directives.
- 11.3 Standing Orders relating to Contracts applies to:
- a) the purchase of goods, materials and related services
 - b) the execution of works
 - c) the provision of services.

This includes the award of work to an inhouse provider where there is a statutory requirement for competition or a Director has opted for a competitive process.

- 11.4 Officers should seek the advice of Procurement, Contract Management and Creditor Services (Corporate Resources Directorate), where appropriate. Procurement, Contract Management and Creditor Services shall be informed at the outset, either in writing or by e-mail, of all contracts, agreements, awards and other instruments involving the payment or receipt of money, of a value of £155,000 or over during the lifetime of the contract. These will then be included within the Forward Plan.
- 11.5 Before inviting Quotations or Tenders or entering into Negotiations in respect of any Contract, it must be established whether a Corporate Contract exists covering the proposals. If one does exist then the Corporate Contract must be used unless the appropriate Director is satisfied that there are special factors justifying a different course of action. Such special factors shall be recorded in writing and copied to the Head of Procurement.
- 11.6 ***Where legislation allows the Council to undertake work using its own work force such work shall be awarded to the Council's work force provided that the Director awarding the work is satisfied that the offer submitted by the Council's work force represents value for money and the Council's work force has sufficient resources to undertake the work.***
- 11.7 ***Where work has been provided internally the following controls should be in place:***
- the request for the work to be carried out should come from someone who has the appropriately delegated responsibility***
 - a quote for the estimated cost of the work should be provided where the value of the work is estimated to be more than £500.***
 - where the work is estimated to cost more than £500 any variations more than 10% or £100 whichever is the greater should be brought to the attention of the requesting officer***
 - once the work is completed the actual cost of the work is brought to the attention of the requesting officer***
 - the cost centre for where the cost should be posted is obtained from the requesting officer***
 - the cost of the internal work is recharged on a timely basis after the completion of the work.***
- 11.8 ***Consultation should be undertaken with the Treasurer (Head of ICT Services) prior to undertaking any ICT project.***
- 11.9 ***Consultation should be held with the Assistant Director Law and Governance for all purchases of land and buildings and the procurement of legal support.***
- 11.10 Consultation should be held with the Assistant Director of the Urban Environment (Environmental Management) for all vehicle purchases.

CONTACT: Head of Procurement

12. Partnerships

12.1 Partnerships are defined as a group of people from two or more organisations who work together to achieve agreed goals and objectives. The Council enters into a wide variety of different partnership arrangements. For the purposes of these Financial Regulations a Partnership is defined as a key strategic working partnership and/or where the Council has significant financial involvement.

12.2 The Treasurer is responsible for the following:

- a) confirming that appropriate Financial Regulations and Standing Orders relating to Contracts are in place
- b) assessing the financial viability of the partnership in the current and future years
- c) ensuring accounting/budgetary arrangements are satisfactory
- d) advising the partnership on financial matters including insurance, risk and taxation
- e) ensuring that the partnership is appropriately audited
- f) maintaining a record of partnerships where Dudley MBC is the accountable body

12.3 Directors are responsible for the following:

- a) ensuring that the work to be undertaken is in accordance with the Council's statutory powers
- b) carrying out an assessment of the benefits of undertaking the work in partnership prior to entering into partnership (feasibility study)
- c) ensuring that the partnership has adequate governance procedures in place
- d) ensuring that adequate risk management procedures are in place
- e) ensuring that the partnership has adequate systems/policies/procedures in place
- f) ensuring that the responsibilities of the partners are clearly defined and recorded
- g) notifying the Treasurer that a partnership is to be entered and whether Dudley MBC is the accountable body and any information that he/she requires
- h) evaluating the effectiveness of the partnership
- i) maintaining a register of all partnerships entered into
- j) approving the entering into of a partnership arrangement
- k) keeping records of all key correspondence between the funding partners, especially those relating to agreement of specification, roles, risks and responsibilities.
- l) keeping all appropriate documents in an electronic directory and evidence required to satisfy internal and external audit requirements. This directory should be accessible to all appropriate staff
- m) ensuring that the partnership is evaluated on a regular basis using the partnership evaluation tool
- n) ensuring partnership working agreements are in place before any activity for the scheme begins or a contract is let. These must be in writing, and as a minimum should cover:
 - A definition of who the funding bodies are and what they are

committed to under the agreement e.g. allocation of contractual risks, roles and responsibilities, who will be responsible for any cost overruns, etc.

- Express agreement as to whether the Contracts (Rights of Third Parties) Act 1999 should apply to any contract subsequently entered into with a supplier by the lead partner on behalf of the partnership. This will allow the partners other than the lead body to both enforce their rights under the contract and to be held liable for default or risk under it. Please note that this clause must also be expressly stated in the contract with the supplier to be valid.
- How the specification will be agreed by all of the funding bodies, plus any 'exit' arrangements if the parties are unable to agree. The specification should include:
 - a description of the goods/services/outputs to be produced
 - timescales
 - testing/effects procedures
 - ownership of any intellectual property (e.g. copyright, design rights etc) or physical property (e.g. goods, buildings) resulting from the agreement
 - procedure for making variations to the agreement or the project
 - measures of quality/success
 - how disputes between the funding partners will be dealt with
 - written agreement to pay/physical fund transfer to the lead body (when and how this will be done)
- o) The agreement should be formally reviewed in accordance with the terms of the agreement.

12.4 Where a Director feels it is appropriate to discharge a service or provide a function through the formation of a new legal entity (company or otherwise), the relevant Director should consult with the Director of Corporate Resources and the Treasurer.

CONTACT – Assistant Director Policy and Improvement

13 Schemes Financed Partly or Wholly by External Funding

- 13.1 External funding programmes can pose significant risks for the Council and should only be considered after a rigorous process of consultation and internal or external assessment including financial scoping and risk assessment.
- 13.2 The Council has produced an External Funding Code of Practice that establishes the key procedures and protocols that must be followed by every Council officer involved in bidding for and managing projects and programmes that are largely or wholly funded through external funding. In all instances officers of the Council must ensure that the External Funding Code of Practice is followed, when funding is applied for in the name of the Council.
- 13.3 Where an officer manages a project he should be cognisant of the Council's Project Management Principals document which provides the minimum standards for managing a project.

CONTACT – Technical Accountant

14 Orders for Work, Goods and Services

- 14.1 Official Order requisitions are to be authorised by officers approved by Directors within the scheme of financial delegation. Authorised officers are responsible for ensuring that before an order is issued that there is an adequate budget provision and that Standing Orders relating to Contracts and Financial Regulations have been complied with.
- 14.2 As Dudley MBC operates an electronic ordering system (Agresso) authorised officers are those officers who are to be provided with access to approve the requisition on the system. It is a requirement that the officer who raises the requisition is different from the officer who approves the requisition. It is also a requirement that the officer who approves the requisition is different from the officer who receipts the goods or service.

This rule will not apply to self-certification of order requisitions below a value which will be determined by the Treasurer, and compensating controls will operate whereby managers will review any self approved orders raised for their area of responsibility each month.

- 14.3 ***Official orders should be issued for all work, goods or services to be supplied to the Council (except for those exceptions detailed in the guide on Purchase Orders and No-order invoices). Authorising officers must be able to demonstrate that the works, goods or services are required in order to provide Council Services. If an Authorising officer does not consider an order should be raised for any other type of payment then they should seek the written approval of the Treasurer (Head of Audit Services).***
- 14.4 The most cost effective method should be used to purchase low value items e.g. purchase card.

- 14.5 ***Telephone orders may be used in exceptional circumstances but must be confirmed by raising an order on the Corporate Financial System (Agresso) and marked "Confirmation Order" in the appropriate text field so that it will appear on the order, within 7 days of the verbal order being given. Where the supplier's invoice is received before any order is raised then there is no requirement to raise the Order.***
- 14.6 Standard terms and conditions must not be varied without the prior approval of the Director of Corporate Resources. Goods and services should be checked on receipt to ensure they are in accordance with the order. The delivery/advice note should be signed to evidence the check and retained.
- 14.7 Official orders shall indicate clearly the date of the order, the quantity, quality and nature of the goods, works and services and the contract or agreed price. An estimated price shall be provided when an agreed price is not available.
- 14.8 A method of procuring goods or services is via a purchase card. The Purchase Card User Manual should be referred to for specific details on how the Purchase Card should be used and must be complied with.
- 14.9 ***Directors should take action to ensure invoices are paid on average within 10 days and in any case within 30 days of being received or on the stipulated date so that any settlement discounts can be obtained. Compliance against these targets is monitored by the Council and in order for monitoring to be undertaken invoices must be date stamped on first receipt by the appropriate Council service.***
- 14.10 Any interest charged to the Council in respect of late payment under the Late Payment of Commercial Debts (Interest) Act 1998 will be passed on to the Section that ordered the goods/services.
- 14.11 Officers should monitor the orders raised and ensure that goods/services are received/provided within the stipulated timetable. Where an order or part of an order is no longer required, then it should be cancelled off the system so that the outstanding commitment is amended on the appropriate budget report.

CONTACT: Head of Procurement

15 Payment of Accounts

- 15.1 Where payment is to be made, Directors should ensure that the officers who authorise No Order invoices for payment or have approved invoice variations have prior to authorisation confirmed that:
- a) a valid invoice has been received
 - b) the goods, services and work have been received or carried out, examined and approved as to quality and quantity.
 - c) the expenditure is necessary, legal and within the estimates provision.
 - d) the prices are in accordance with any quotation, tender or contract and/or are reasonable.
 - e) discounts or credits due have been deducted
 - f) VAT or other tax treatment is correctly stated.

- g) the account is arithmetically correct.
- h) the amount has not been previously paid or certified for payment, either in whole or part.
- i) appropriate entries have been made in asset registers, inventories and stock records.
- j) the information shown on the scanned invoice is in agreement with the details to be paid
- k) there is an appropriate separation of duty

15.2 Where payment is made by any other method the requirements detailed in 15.1 must be complied with, if appropriate unless exemption has been given by the Treasurer.

15.3 Where an invoice is found to be incorrect e.g. because of an addition error, the VAT is incorrectly calculated or the invoice is not addressed to the Council, it should be returned to the supplier with an explanatory note. Hand-written amendments should not be made to an invoice as this may invalidate the recovery of VAT. A credit note should always be requested, where required.

CONTACT: Head of Procurement

16 Income and Debtors

16.1 The Treasurer shall ensure that effective income collection systems are in place to ensure that all of the income due is identified, collected, receipted and banked properly. Income should be obtained in advance of supplying goods or services where it is considered that payment may be at risk.

16.2 Directors are responsible for ensuring that all income due to the Council is received at the right time using the correct and most cost effective procedures. Whenever possible for sums below £100 credit should not be given and these sums should be collected on or before service delivery.

16.3 All invoices should be raised on the Corporate Financial System (Agresso) to ensure that effective action shall be taken to pursue non-payment within defined timescales.

16.4 ***Directors are responsible for ensuring when invoices/credit notes are raised that the appropriate VAT code is used and they have been authorised in accordance with the directorate financial delegations.***

16.5 The Treasurer will be provided with regular reports of outstanding debt. Individual Budget Holders should request/produce monthly debt monitoring reports, which should be reviewed to determine whether it is appropriate to continue the provision of a service to any person or organisation that has amounts outstanding outside of the credit period.

16.6 Directors shall, wherever possible, separate the responsibility for identifying the amount due/raising of accounts from the responsibility for collection. They should also ensure that any unbanked income is retained securely to safeguard against

loss or theft and that receipts, tickets and other records of income are held securely for the appropriate period.

- 16.7 All debts will be followed up via reminder notices and debt recovery procedures as prescribed by the Treasurer. No debt in respect of an amount due to the Council once established shall be discharged otherwise than by payment in full except where write-off has been properly authorised as detailed in 16.8.
- 16.8 Debts can only be written off by the Treasurer in consultation with the Cabinet Member with responsibility for Finance.
- 16.9 The cost of all write-offs will be borne by the Budget Holder, who originally benefited from the credit.
- 16.10 ***All receipts, tickets and other acknowledgements for payments received shall be approved by the Treasurer. The Treasurer (Head of Audit Services) has the authority to waive the requirement to acknowledge the receipt of certain income streams if he considers it is not practical or cost effective to do so. In all instances when acknowledgement for payment is not provided two members of staff must be present when collecting, counting and recording cash and a document must be completed recording the amount collected and signed by the two officers present to certify the accuracy of the information. If this is not possible a suitable record of income due and collected should be maintained with a subsequent check on the completeness of the income by examining and reconciling to supporting information and signed by the person undertaking the check e.g. reconciling the income taken to an electronic counter of items sold. Any subsequent transfer of cash between two employees shall be acknowledged by both officers signing and dating a record of the transfer.***
- 16.11 Each officer who receives money on behalf of the Council, or for which they are accountable to the Council, shall keep such records as required by the Treasurer.
- 16.12 All money received by an officer on behalf of the Council shall be paid promptly and completely to the Treasurer, or as he/she may direct, to the Council's bankers. This should be preferably on the same day or if this is not possible at the earliest opportunity. In the interim the money should be kept securely, preferably in a locked safe. No deductions may be made from such money other than as may be approved by the Treasurer (Head of Audit Services). When money is banked information as to the reason for its receipt, or its origin, shall be supplied. Directors should ensure income held on premises does not exceed the insured amount. ***The insured amount can be obtained from the Council's Risk Management Team.***
- 16.13 Money held on behalf of the Council shall not be used to cash personal cheques for Members, officers or third parties.

- 16.14 Directors shall review charges made for services under their control to the public at least annually and will ensure that they are formally approved by decision sheet by the appropriate Cabinet Member or Committee. ***Charges made between directorates should be approved by the appropriate Director on an annual basis.***

CONTACT: Assistant Director Customer Services

17 Banking Arrangements

- 17.1 All arrangements with the Council's bankers must be made or approved by the Treasurer, who shall be authorised to operate such bank accounts.
- 17.2 Cheques drawn on the Council's banking account shall bear the signature of the Treasurer or be signed by him/her or such other identified senior officers as he/she may from time to time designate in writing.
- 17.3 Standing order and direct debit payments may only be established by the Treasurer or such other identified senior officers as he/she may from time to time designate in writing.
- 17.4 The Treasurer shall maintain a list of identified senior officers who may on his/her behalf give instructions to the Council's banker and countersign cheques.

CONTACT: Group Accountant Support Services

18 Payments to Employees

- 18.1 Staff costs are the largest item of expenditure for most Council services. It is therefore important that there should be controls in place to ensure that payments are made only where they are due for services to the Council and that payments accord with the individual's conditions of employment. ***This is maximised through the use of electronic claim forms and managers must ensure these are used wherever possible. The introduction of "real time" reporting to HM Revenues and Customs e.g. on a monthly basis rather than annually makes this even more important as employees could be in position of paying more tax and national insurance by not being paid the correct amounts at the correct time.***
- 18.2 Directors must ensure
- ***All appointments are made in accordance with the rules of the Council (Recruitment and Selection Policy) and approved establishments, grades, scales of pay and that adequate budget provision is available for the length of the employment contract***

- *Where electronic forms are not used all appointments, changes in contract and variable payments e.g. overtime are approved in accordance with the directorate financial delegations and where relevant the collective agreement for JNC staff and the Councils pay policy.*
- *Careful consideration is given to the employment status of individuals engaged on a 'self-employed consultant or sub-contract' basis as these may well be considered employees by HM Revenues & Customs and should therefore be paid through the payroll. Managers must be able to evidence that they have tested the employment status against HM Revenues and Customs rules. While the method of payment in isolation does not determine the employment status, it is one of a number of tests that will do so.*
- *That their Managers on a regular basis as part of budget monitoring review detailed information on the salary/wage payments made to their staff. This should be checked to ensure that the staff establishment is correct and that payments made are accurate. Managers will also be required to obtain establishment lists from the Corporate Payroll and Personnel System (PS Enterprise) and check them for accuracy on at least an annual basis.*
- *That changes in contracts of employment and variable payments are notified to the Human Resources and Organisational Development Division in a timely fashion, or in accordance with published deadlines, preferably before the change is due so as to avoid an overpayment occurring.*
- *That up to date financial delegations are maintained for the authorisation of personnel and payroll changes and this is shared with the Human Resources and Organisational Development Division.*
- *That any benefits in kind are notified to the Assistant Director Human Resources and Organisational Development or their delegated officer.*
- *If temporary staff are required then contact is made in the first instance with the Council's Temp Solutions Team or through the Council's approved contractor (currently Matrix).*
- *That the payment of a honorarium is approved by the Assistant Director Human Resources and Organisational Development or their delegated officers.*
- *Audit logs are obtained from the Corporate Payroll and Personnel System (PS Enterprise) on a regular basis showing those amendments that have not gone through an electronic authorisation process. These should be checked by a different officer to the person having processed the claim and those checks should be evidenced.*
- *That Human Resources policies and procedures are adhered to.*

- ***No amendment is made to the Corporate Payroll and Personnel System unless the officer entering/actioning the amendment has received personnel/payroll documentation signed/authorised in accordance with the directorate financial delegations.***
- ***No payment shall be made to a person deemed to be an employee other than through the normal payroll procedure. Under no circumstances should an employee be paid in cash.***
- ***That the collective agreement on grading and pay and thus the Council's pay policy is adhered to. Where a new post is created or responsibilities of a post change discussions should be held with the Assistant Director Human Resources and Organisational Development or their delegated officers (HR and Job Evaluation Team) to secure fair job grades. These conversations should take place before advising staff of a grade in order to avoid any misunderstanding.***

18.3 The Assistant Director Human Resources and Organisational Development should ensure:

- ***All relevant personnel and payroll documentation is retained in accordance with the Council's document retention policy and statutory requirements. This will usually be retained in electronic form.***
- ***All human resources and payroll policies and procedures are reviewed and updated on a regular basis.***
- ***All key employment checks are undertaken, where appropriate including Criminal Records Bureau, Medical Clearance, References, Identity, Immigration, Asylum and Nationality Act 2006.***
- ***Payments to staff are made at the prescribed intervals.***
- ***Statutory deductions and other payroll deductions are taken at the correct rate and paid over to the relevant body in a timely fashion.***
- ***All required returns are submitted to HM Revenues and Customs by the prescribed dates.***
- ***No amendment is made to the Corporate Payroll and Personnel System unless the officer entering/actioning the amendment has received personnel/payroll documentation signed/authorised in accordance with the directorate financial delegations.***
- ***No payment shall be made to a person deemed to be an employee other than through the normal payroll procedure. Under no circumstances should an employee be paid in cash.***

- ***Audit logs are obtained from the Corporate Payroll and Personnel System on a regular basis showing those amendments that have not gone through an electronic authorisation process. These should be checked by an independent officer to the personnel/payroll documentation processed and the checks evidenced.***

CONTACT: Heads of Human Resources

19 Travel and Subsistence

- 19.1 ***All staff should comply with the Council's Allowances Procedure and Guidance.***
- 19.2 ***Directors are responsible for the verification of their officers' travel/mileage claims (hard copy or electronic claim).*** This would include:
- a) that the costs have been incurred whilst officers were engaged on official Council business
 - b) the accuracy of the mileage claimed
 - c) the validity of the journeys taken
 - d) subsistence claim is appropriately supported and in line with Council policies
 - e) car parking and other expenses are appropriately supported and in line with Council policies.
- 19.3 All travel/mileage claim forms should be signed by the officer, their supervisor and a certifying officer (in accordance with the directorate financial delegations). The only exception to this would be if the supervisor and the certifying officer are one and the same i.e. the officer reports directly to the certifying officer. ***Where an electronic claim form is completed the same controls would apply, but an officer's login and password would replace the manuscript signature(s). Where an electronic claim form has been submitted, a hard copy form as prescribed by the Assistant Director Human Resources and Organisational Development should be completed and submitted to their manager for review together with appropriate car mileage receipts before the manager authorises the claim on the Corporate Payroll and Personnel System. The hard copy form should be held securely by the authorising officer.***
- 19.4 ***Travel/mileage claim forms should be certified by an officer in accordance with the directorate financial delegations. A Directors travel/car mileage should be certified by the Chief Executive.***
- 19.5 ***The Assistant Director Human Resources and Organisational Development will reimburse members' travel/mileage claims on receipt of the completed claim form signed by the Member concerned. The Director of Corporate Resources will have approved the claim.***
- 19.6 All claims should be completed in full, appropriately authorised and must be submitted within three months of undertaking the journey or incurring the expenses, to qualify for reimbursement.

- 19.7 Directors must ensure that all officers claiming car allowances are appropriately insured and are legally allowed to drive a vehicle. This in practice means the following checks should be undertaken on an annual basis.
- a) that the officer has a valid insurance certificate that includes the use of the vehicle on official business
 - b) that the officer has a valid driving licence
 - c) that the officer's vehicle has a valid MOT certificate, if required

If evidence of a valid insurance certificate, driving licence and MOT cannot be provided then the officer should not be allowed to use his/her car on Council business.

- 19.8 ***Where a claim for travel/car mileage has been made electronically, then approval must be in accordance with the directorate financial delegations. Where a hard copy claim is submitted the officer who processes the travel/mileage claim form on the Corporate Payroll and Personnel System (PS Enterprise) should ensure that the claim form has been completed in full and certified in accordance with the directorate financial delegations.***
- 19.9 ***Where travel/car mileage are entered onto the Corporate Payroll and Personnel System (PS Enterprise) and are not subject to independent authorisation audit logs should be obtained from the system on a regular basis and checked by an independent officer to the actual travel/mileage claim forms. This is to ensure information has been accurately entered onto the system. All checks should be documented.***

CONTACT: Heads of Human Resources

20 Imprests

- 20.1 The Treasurer shall provide petty cash imprests of such amounts as may from time to time be required for the purpose of paying minor items of expenditure and any other items as may be approved by him/her. Individual petty cash payments should not exceed £100 although wherever possible a purchase card should be used to make payment.
- 20.2 Where the Treasurer considers it appropriate, he shall open an account with the Council's bankers for use by the imprest holder. The accounts will not have overdraft facilities. An officer independent to the imprest holder should undertake regular reconciliations of the bank account i.e. bank statements to supporting records.
- 20.3 The Treasurer should approve the petty cash records maintained. Petty cash should be maintained on an imprest basis.
- 20.4 A petty cash payment slip must be completed for every reimbursement that is made, signed by the claimant, authorised by an appropriate officer and signed by the person receiving payment.

- 20.5 Receipts must be obtained for all payments over £5, unless the Treasurer is satisfied that the obtaining of a receipt is impracticable and for under £5, wherever possible.
- 20.6 The Treasurer reserves the right to withdraw imprest facilities from officers if it is deemed that they are being used inappropriately, the expenditure limit is exceeded, or the facility is rarely used.
- 20.7 No income received on behalf of the Council may be paid into an imprest account but must be separately banked, unless the agreement of the Treasurer has been obtained.
- 20.8 Petty cash accounts must never be used to cash personal cheques or make personal loans.
- 20.9 The imprest account should be continually kept in balance and regular reconciliations should be undertaken by an independent officer of the cash in hand to the records maintained. These checks should be documented.
- 20.10 Petty cash payments and petty cash imprest reimbursements should be authorised in accordance with the Directorate financial delegation.
- 20.11 The officer responsible for an imprest account shall, if requested, give the Treasurer a certificate confirming the amount held. Upon leaving the Council or at the request of the Treasurer the responsible officer shall repay to the Council the balance of the imprest held or have the imprest formally transferred to another officer.

CONTACT: Head of Audit Services

21 Risk Management

- 21.1 The Treasurer is the lead officer in respect of risk management and is responsible for the corporate risk management processes of the Council. However, it is the responsibility of all officers and Members to be aware of the principles of risk management and to manage risks, where appropriate for their area. All Directors have a responsibility for ensuring that risk management is fully embedded within their Directorate.
- 21.2 The Treasurer will keep the Cabinet informed of the Council's key risks via the Quarterly Performance Report and will report on a regular basis to Corporate Board and the ***Audit and Standards Committee***.
- 21.3 ***All Directors are responsible for ensuring the Corporate risks are up to date (taking account of emerging risks) and that they reflect the key strategic risks that the Council faces. Where a Director is the designated officer for a risk, he/she will ensure that there are appropriate mitigating actions in place and that these controls are operating effectively. Directors will be required to provide assurance on how a risk is being mitigated on a regular basis.***

- 21.4 The Treasurer is responsible for the development, co-ordination and maintenance of the Council's Corporate Risk Management Strategy and policies, which are reviewed on an annual basis.
- 21.5 Directors are responsible for implementation of the Corporate Risk Management strategy/policies within their Directorate. As part of this they are required to complete the Risk Assurance Protocol on a quarterly basis.
- 21.6 Directors must undertake a formal risk assessment prior to developing new strategic policies or procedures, making amendments to existing strategic policies/procedures and/or implementing new or revised services. Pertinent papers should be retained by Directorate Management Teams and/or attached to the document storage facility on the Corporate Risk Management System (JCAD). If risks are identified then they should be entered onto the Corporate Risk Management System (JCAD).
- 21.7 Directors submitting a report to Cabinet, the Council or one of the Council's Committees must ensure that any risks arising from the proposed action or decision are explicitly detailed in the background section of the report as required by the Corporate Format of Report. Any controlling/mitigating actions to be taken to reduce these risks should also be included in the report.
- 21.8 Directors should ensure that risk identification and analysis is undertaken at the earliest opportunity in the business process and prior to the commencement of a project or partnership. Directors must ensure that appropriate controls/mitigating actions are identified, effectively applied and regularly monitored.
- 21.9 Directors should ensure that where a corporate significant project is undertaken a formal risk assessment is undertaken and appropriate monitoring procedures implemented. Identified risks should be entered onto the Corporate Risk Register on JCAD.
- 21.10 Directors should ensure that positive i.e. relating to opportunities, as well as negative risks (threats) are identified and monitored.
- 21.11 Directors must be aware of their responsibilities when delivering services with partners or via partnerships. Risks must be identified by all significant partnerships, documented (recorded on Corporate Risk Register) and formally monitored.

CONTACT: Risk and Insurance Manager

22 Insurance

- 22.1 The Treasurer is responsible for ensuring the Council's assets and liabilities are adequately and properly insured. Only the officer identified by the Treasurer may obtain insurance cover on behalf of the Council. All insurance covers will be reviewed by the Treasurer not less than annually.

- 22.2 The Treasurer shall keep a record of all insurances related to the tangible assets of the Council e.g. buildings, vehicles, equipment etc. Directors must therefore notify the Risk Management & Insurance Section of acquisitions, disposals or any other material fact impacting upon the status of tangible assets. Failure to do so may mean the asset is uninsured.
- 22.3 Directors must also consult the Risk Management & Insurance Section with regard to activities and working arrangements not generally or exclusively associated with tangible assets. Typically these insurances will relate to the actions/inactions of the Council e.g. Public Liability, Fidelity Guarantee, Professional Negligence, Officials Indemnity etc. Directors must therefore ensure that any changes to existing or new working arrangements are covered by the Council's insurance arrangements. Typically these 'arrangements' will include incorporating the Council (Directors, Members or Officers thereof) into; partnerships, limited companies, ad hoc or unusual secondments, consultancies etc. Failure to do so may mean the Council is not insured for liabilities it incurs. It is likely that the Director of Corporate Resources should also be consulted before engaging in legally binding agreements to ensure the Council has the statutory powers to do so.
- 22.4 Directors must consult with the Treasurer in respect of the terms of any indemnity which the Council is requested to give under contract to ensure the adequacy of the Council's insurance arrangements.
- 22.5 Any loss, liability or damage causing event that may give rise to a claim of any kind against the Council must be notified to the Treasurer as soon as practicably possible who will take the appropriate action to safeguard the Council's position. Any incident involving a death must be notified to the Treasurer immediately.
- 22.6 The Treasurer shall process all claims relating to the Council's external and internal insurance arrangements and negotiate settlements (where liability is accepted) within the limits and terms and conditions of these insurance arrangements.
- 22.7 Directors are responsible for ensuring that anyone covered by the Council's insurances is aware that they must not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.
- 22.8 Appropriate officers will co-operate at all times with the investigations of the Treasurer into any claims and will supply all information upon request. It is imperative that officers comply with the timescales for investigating claims. Failure could directly affect the Council's ability to defend a claim or could result in financial penalties being imposed on the Council. Where it is deemed an insurance recovery will not be forthcoming the Treasurer shall notify the relevant directorate as soon as possible to enable them to take any further action necessary.
- 22.9 It is the responsibility of Directors to ensure that all hirers of the Council's buildings sign a formal hiring agreement requiring them to indemnify the Council against the cost of any damage caused to Council property or legal claim(s) arising from the negligent actions of the hirer.

- 22.10 All employees concerned with the receipt, custody and/or disbursement of the monies and property of the Council shall be included in a suitable Fidelity Guarantee insurance policy.

Directors must ensure that the Risk Management and Insurance Section is notified of all employees who have a limit of authority in excess of £5,000,000.

CONTACT: Risk and Insurance Manager

23 Stocks and Stores

- 23.1 ***Stock could be defined as items that generally are not held on a long term basis e.g. over one year, are of a consumable nature or have been purchased for resale. As a guide stock held with an aggregate value exceeding £2,000 should be recorded on a manual or computerised stock system and the controls detailed below should be enforced.***

23.2 Directors are responsible for

- a) determining an efficient stock holding policy to ensure stock levels are not in excess of normal operating requirements.
- b) determining minimum stock holding levels and efficient order quantities where a stock control system is operated
- c) supplying the Treasurer with such information relating to stores as may be required for the accounting, costing and financial records of the Council
- d) ensuring all stocks are held in a secure location with limited access and appropriately segregated into marked areas
- e) ensuring stock checks are undertaken at least once a year either in full or as part of a rolling programme of checks
- f) supplying the Treasurer with the value of stock in hand as at 31st March certified by the appropriate Director
- g) ensuring that after each stock check a return is completed indicating any differences between actual and recorded stock
- h) ensuring stock check variances are thoroughly investigated and the appropriate adjustments are authorised and made to the stores records, whether manual or electronic, on a timely basis. All adjustments should be certified by a senior officer. If the adjustments exceed £10,000 then this should be reported to the appropriate Director and the Treasurer
- i) approving the disposal of surplus material or obsolete stock. All disposals should be recorded and the disposal must be in accordance with Standing Orders relating to Contracts
- j) ensuring that there is an appropriate separation of duty within the stores processes.

23.3 The Treasurer is responsible for:

- a) providing the basis for the valuation of stock
- b) approving stock adjustments greater than £10,000 and notifying the Cabinet Member with responsibility for Finance
- c) ensuring stock values are appropriately recorded in the Authority's accounts.

CONTACT: Head of Accountancy

24 Inventories

Furniture, Equipment, Plant, Vehicles

- 24.1 Items of furniture, equipment, plant and vehicles costing over £100 [or are of a highly attractive and portable nature or electrical] should be included on the inventory record.
- 24.2 ***A corporate inventory for all significant ICT assets shall be maintained by the Treasurer (Head of ICT Services). Directorates should not arrange relocation or disposal without appropriate notification to the Treasurer (Head of ICT Services). This does not absolve the responsibility of Directors from carrying out annual checks on their ICT equipment or recording ICT equipment on their inventory if it is not recorded on the inventory maintained by the Treasurer (Head of ICT Services).***
- 24.3 ***Where officers are located in serviced accommodation the responsibility for the maintenance of the inventory rests with the Director of Corporate Resources. The Director of Corporate Resources will designate someone to be responsible for maintaining the inventory. Otherwise Directors are responsible for the buildings which they occupy.***
- 24.4 Directors are responsible for the following:
- a) maintaining inventories of equipment that record the following
 - full description of the item and including the make, model and serial number, where appropriate
 - the location of the item
 - the cost
 - order number, where appropriate
 - b) ensuring the inventory is updated as soon as the item is received
 - c) ensuring inventory items are marked "Dudley MBC", where appropriate
 - d) ensuring that inventory items are held securely at all times, particularly expensive, moveable items.
 - e) organising an independent annual check of their inventory and getting it approved by a senior officer
 - f) ***ensuring disposal of obsolete items is appropriately authorised and***

documented and undertaken in accordance with Standing Orders relating to Contracts and the Code of Practice on Inventories.

- g) ensuring all leased or third party inventory items are clearly identified and labelled. The labelling should indicate that the item should not be sold or disposed of
- h) ensuring all discrepancies are reported to the Budget Holder, their line manager and any significant discrepancies (over the value of £1,000) to the Treasurer and appropriate Director.

CONTACT: Head of Accountancy

Land and Buildings

24.5 The Director of Corporate Resources is responsible for the following:

- a) ensuring the Corporate Property Policy is up to date
- b) maintaining a database of all properties owned or rented by the Council and for ensuring that valuations are reviewed on a regular basis.
- c) for the acquisition and disposal of all land and property owned / to be owned by the Council, letting, sublettings, rent reviews, renewal of leases and tenancy agreements and the appointment of any outside valuers

24.6 ***Directors are responsible for ensuring the security of buildings and adherence to the Corporate Security Strategy.***

CONTACT: Assistant Director Law and Governance

25 **Management of Information**

- 25.1 Directors are responsible for the security and good records and information management of all information within their Directorate. Information exists in many forms. It can be printed or written on paper, stored electronically, transmitted by post or using electronic means, shown on films, or spoken in conversation. Whatever form the information takes, or means by which it is shared or stored, it must be appropriately protected.
- 25.2 Directors must ensure compliance with the Council's Information Security Policy and Information Management Standards so that the requirements of the Data Protection Act, Computer Misuse Act, Copyright and Patents Acts, Human Rights Legislation and the Freedom of Information Act are being met.
- 25.3 Directors must ensure that data quality is maintained within their Directorates.
- 25.4 Directors are responsible for evaluating the adequacy of third parties' security arrangements and where appropriate ensure that contracts include clauses relating to the processing of personal data in accordance with the requirements of the Data Protection Act 1998 (Data Processor Agreements).
- 25.5 Directors are responsible for ensuring that the Senior Information Risk Owner

(SIRO) receives annual assessment of performance covering Information Governance requirements and local action plans.

CONTACTS: Principal Information Security Officer

26 Treasury Management

- 26.1 The Treasurer shall arrange all borrowing of monies, and make all arrangements concerning the investment or utilisation of capital monies or other funds.
- 26.2 In exercising the function, the Treasurer should comply with the key recommendations of CIPFA's 'Code for Treasury Management in Local Authorities'.
- 26.3 The Council will create and maintain, as the cornerstones for effective management:
- a Treasury Management Policy Statement, stating the policies and objectives and approach to risk management of its treasury management activities
 - suitable Treasury Management Practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives and prescribing how it will manage and control those activities
- 26.4 The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this council. Such amendments will not result in the organisation materially deviating from the Code's key principles.
- 26.5 The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the **Audit and Standards Committee** and the execution and administration of treasury management decisions to the Section 151 Officer, who will act in accordance with the organisation's policy statement and TMPs and if he/she is a CIPFA member, CIPFA's Standards of Professional Practice on Treasury Management.
- 26.6 This council nominates the **Audit and Standards Committee** to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.
- 26.7 The Treasurer shall report (at least half yearly) to the **Audit and Standards Committee** who will in turn submit a summary of the activities of the Treasury Management function and on the use of delegated Treasury Management powers to Council.

- 26.8 The Council will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

CONTACT: Group Accountant Corporate Finance and Systems

27 Unofficial and Voluntary Funds

- 27.1 An unofficial or voluntary fund is defined as any fund, other than an official fund for the Council, which is controlled wholly or in part by an officer by reason of his or her employment by the Council.
- 27.2 Officers should seek approval from their Director before establishing an unofficial fund.
- 27.3 Directors must ensure that the fund money is held securely.
- 27.4 Each Director shall maintain a register of all such funds. The register will include the following details for each fund:
- a) the name of the 'Responsible Officer'
 - b) the accounting period (which should generally be 1st April to 31st March)
 - c) bank account details; and
 - d) cheque signatories.
- 27.5 Directors shall ensure that for all such funds, accounts are prepared on an annual basis and audited by suitably qualified auditors and are submitted within 12 months of the end of the accounting period to the Council and any other parties (i.e. clients, sponsors, charitable bodies) with an interest in the fund.
- 27.6 The Treasurer reserves the right to inspect all documentation relating to unofficial funds and to seek such explanations that are necessary to ensure they are being appropriately managed. The Treasurer should be notified of any funds which do not comply with all of these requirements.

CONTACT: Head of Audit Services

28 Controlled Stationery and Retention of Documents

- 28.1 Controlled stationery means serially numbered stationery where it is necessary to account for the use of the items.
- 28.2 The Treasurer will determine whether or not any particular item is to be included as part of his overall responsibility for the financial system.

- 28.3 Directors will be responsible for ensuring:
- a) controlled stationery is securely held and appropriately recorded/accounted for
 - b) stock is issued in a controlled manner
 - c) periodic stock checks are undertaken by someone independent of the ordering, issuing and recording
- 28.4 Directors should ensure that the Council's document retention policy is complied with.

CONTACT: Head of Audit Services

29 Financial Assistance to Voluntary Bodies

- 29.1 All financial assistance must be provided in accordance with the Grants to Voluntary Bodies Code of Best Practice and the Local Compact Code of Practice on Funding or Area Committee procedures.
- 29.2 In terms of Financial Regulations, financial assistance is defined as monetary payments or subsidy provided. It does not include financial assistance given in kind e.g. officer or member time.
- 29.3 All financial assistance provided to voluntary bodies should at the time the assistance is given be recorded on the corporate electronic record. This record will act as a listing of all financial assistance given and should aid communication within the Council.

CONTACT:Head of Audit Services

List of Documents to support Financial Regulations:

Code of Practice Income and Banking
Code of Practice Inventories
Code of Practice Petty Cash
Medium Term Financial Strategy
Virement Guide
Members Code of Conduct
Code of Conduct for Employees
Contract Standing Orders
Purchase Card User Manual
Allowances Procedure and Guidance
Risk Management & Insurance Strategy incorporating Risk
& Assurance Protocol Guidance 2012/13
Corporate Security Strategy
Council's Information Security Policy, Information Management Standards, Information
Governance Policies and Procedures
Treasury Management Policy Statement
Treasury Management Practices
External Funding Code of Practice
Project Management Principals Guidance
Code of Practice for Grants to Voluntary Bodies
Local Compact Code of Practice on Funding
Debit and Credit Card Payments Corporate (Manager)
Debit and Credit Card Payments Corporate (User)
Personnel Policies and Procedures
Capital Strategy
Capital Investment and Disposal Guide
Code of Corporate Governance
Council Constitution
Confidential Reporting Policy
Anti-Fraud and Corruption Strategy
Money Laundering Guidance
Regulation of Investigatory Powers Act
Purchase Order and No-Order Invoice Guidance

Simple Guides to Systems:

Business Continuity
Document Retention
Income and Banking
Information Governance
Petty Cash
Procurement under £40k
Purchase Cards
Stocks and Stores

SCHOOL FINANCIAL REGULATIONS
WITH EFFECT FROM 20th SEPTEMBER 2012

Ref	Description
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2	<u>Responsibilities</u>
3	<u>Best Value/Effective Management</u>
4	<u>Assurance Statements</u>
5	<u>Financial Management</u>
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30	<u>Financial Assistance to Voluntary Bodies</u>

1 Status of Financial Regulations

- 1.1 Financial Regulations provide the framework for managing the Council'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, support delivery of effective, efficient and economical services and minimise the risk of legal challenge to the Council.
- 1.2 These regulations made by the Council state the principles of financial control and administration which must be followed by all staff at each school maintained by the Council where management of the school's budget share has been delegated by the Council to the governing body of the school. They also apply to any partnerships that the school is a member of and for which the school is the accountable body unless the Treasurer is satisfied that the Financial Regulations of an equivalent standard are in place. Where the School is not the accountable body then the appropriate Headteacher is responsible for ensuring propriety and proper processes are followed so the Council's reputation is not at risk.
- 1.3 It is the responsibility of Head Teachers to ensure that all staff (the term officers shall relate to both teaching and non teaching staff) in their School are aware of the existence and content of the Financial Regulations and other internal regulatory documents, their responsibilities in relation to them and ensuring compliance.
- 1.4 All Governors and officers have a general responsibility for taking reasonable action to provide for the security of the resources/assets under their control, and for ensuring that the use of these resources/assets is legal, is properly authorised and provides value for money.
- 1.5 To assist Governors and officers, the Financial Regulations are set out in self-contained sections, each covering a specific area of control. Each section provides a contact point for further information or clarification.
- 1.6 Failure to comply with Financial Regulations, or procedures/policies issued under them, may lead to disciplinary action for officers an investigation by the Section 151 and Monitoring Officer for Governors and if necessary the suspension of the schools right to a delegated budget if these regulations or the Scheme for financing schools are substantially breached.
- 1.7 All financial decisions and decisions with financial implications must have regard to proper financial control. Any doubt as to the appropriateness of a financial proposal or correctness of a financial action must be clarified in advance of the decision or action with the Treasurer.
- 1.8 All Head Teachers should ensure that any financial procedures/guidelines produced by their School in support of financial control are fully compliant with these Financial Regulations.

- 1.9. ***These Financial Regulations should be read in conjunction with Standing Orders relating to Contracts relating to Schools which forms part of the Council's Constitution and the Scheme for Financing Schools.***
- 1.10 ***The Treasurer in consultation with the Cabinet Member with responsibility for Finance has authority to allow specific exceptions to these Financial Regulations where in his/her opinion it is in the Council's interest. The Treasurer must keep a written record of such exceptions.***
- 1.11 ***Documents/policies/procedures that are referred to in this document should be seen as an integral part of the Financial Regulations and must be complied with.***
- 1.12 ***The Council operates a number of systems that call for electronic authorisation e.g. Agresso and Yourself. In order to remove any doubt electronic authorisation carries that same importance and responsibility as a manuscript signature.***
- 1.13 Financial Regulations will be reviewed on a regular basis.

CONTACT OFFICER : Treasurer

2 Responsibilities

2.1 General Responsibilities of the Council

- 2.1.1 Any major organisation requires a set of clearly understood rules and regulations for the management of its financial affairs. Section 151 of the Local Government Act (LGA) 1972 places a duty on the Council to make arrangements for the proper administration of its financial affairs, including the requirement for an officer to be nominated to have responsibility for the administration. The Treasurer has been given this responsibility and is therefore the Section 151 Officer.
- 2.1.2 All elected Governors and officers of the Council are responsible for ensuring that they use the resources and assets entrusted to them in a responsible and lawful manner.
- 2.1.3 These responsibilities apply equally to Governors and officers when representing the School on outside bodies.

2.2 Other Responsibilities

- 2.2.1 Any person charged with the use or care of the Council's resources and assets should ensure that they are aware of the Council's requirements under Financial Regulations. If anyone is in any doubt as to their obligations, then they should seek advice. Unresolved questions of interpretation should be referred to Audit Services.

2.2.2 All officers must report to their Head Teacher, Manager, Supervisor or other responsible Senior Officer any actual or suspected illegality, fraud, impropriety, breach of procedure or serious deficiency in the provision of service. Officers are able to do this without fear of recrimination providing they act in good faith via the Council's Confidential Reporting Policy. Compliance with the Council's Anti-Fraud and Corruption Strategy and the Code of Conduct for Employees is mandatory for all officers and teachers.

2.2.3 Section 114 of the Local Government Finance Act (LGFA) 1988 requires the Treasurer to report to the Council if the Council, one of its committees, the Cabinet or one of its officers:

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

Section 114 of the LGFA 1988 also requires the Treasurer to nominate a properly qualified member of staff to deputise, should the Treasurer be unable to perform the duties under Section 114 personally. The nominated deputy is the Head of Accountancy.

2.2.4 **The Council** for Financial Regulation purposes means the full Council which provides the political and strategic direction of the Authority. It approves the policies of the Authority, including those relating to strategy and the budget.

2.2.5 **The Cabinet** for Financial Regulations purposes means the leader of the Council and the Cabinet Members, who propose Council policy and budget strategies.

2.2.6 **The Governing Body** for Financial Regulation purposes means the governing body of a school and includes any Committee appointed by the governing body to discharge any functions of the governing body and any other person so appointed.

2.2.7 The Treasurer (**s151/s114**) and/or officers delegated by him/her are responsible for:

a) provision of financial advice for service delivery, strategic planning and policy making across the authority
b) provision of advice on the optimum use of available resources on the management of capital and revenue budgets
c) provision of financial management information
d) preparation of statutory and other accounts in accordance with legal requirements and professional accounting standards
e) provision of an effective internal audit function and assistance to management in providing safe and efficient financial arrangements
f) provision of effective financial management systems and procedures
g) provision of effective income collection and payments systems including payroll
h) treasury, investment and cash-flow management
i) advising on the safe custody of assets and insurance
j) co-ordination of the corporate risk management systems

k) maintaining a continuous review of the Financial Regulations and submitting any additions or changes necessary to the full Council for approval
l) reporting, where appropriate, breaches of the Financial Regulations to the Council's Audit and Standards Committee
l) ensuring the Council sets a balanced budget that takes account of cost pressures and the impact of council tax and housing rents
m) ensuring that the requirements of the Prudential Code for Capital Finance in Local Government are complied with
n) regularly reviewing financial management arrangements to ensure that they are "fit for purpose"
o) provision of a training programme providing training on financial issues for Governors and finance staff
p) ensuring that resources are allocated in accordance with Council priorities

2.2.8 **Directors/ Head Teachers / Principals** and/or officers delegated by them are responsible for ensuring that Financial Regulations are observed throughout all areas under their control and shall:

a) provide the Treasurer with such information and explanations as the Treasurer is necessary to meet his obligations under Financial Regulations and statutory requirements
b) consult with the Treasurer and seek approval on any matter liable to affect the Council's finances materially, before any commitments are incurred
c) ensure that Governors and where appropriate Members are advised of the financial implications of all significant proposals and that the financial implications have been agreed by the Treasurer
d) inform the Treasurer of failures in financial control resulting in additional expenditure or liability, or loss of income or assets
e) inform the Treasurer immediately if any matter arises which may involve irregularities in any financial procedure
f) ensure the legality of their school's actions

2.2.9 For Financial Regulations purposes the description "Director" would include the Director of Children's Services and the Chief Executive.

2.2.10 The Director of Corporate Resources is the designated Monitoring Officer under Section 5 of the Local Government and Housing Act 1989.

2.2.11 The governing body is a corporate body, and because of the terms of section 50 (7) of the SSAF Act, governors of maintained schools will not incur personal liability in the exercise of their power to spend the delegated budget share provided they act in good faith. In this context "good faith" refers to contracts entered into honestly and with no ulterior motive: an example of behaviour, which is not in good faith, is the carrying out of fraudulent acts.

2.2.12 ***The governing body of each school is required to establish a register which lists for each member of the governing body any business interests they or any member of their immediate family have; all staff are also required to declare any such interests and the school should keep the register up to date and give notification of changes through the annual review of entries, and to make the register available for inspection by governors, staff, parents and the LA.***

2.2.13 **Budget Holder** is a member of staff or any officer who has been delegated by a Head Teacher to be accountable for a cost centre or a series of cost centres. Budget Holders must ensure:

- a) they understand the requirements of Financial Regulations
- b) their budget reflects the proposed income and expenditure
- c) they use adequate systems to enable them to monitor their budget
- d) they have explanations for significant budget variances.

2.2.14 ***In line with the scheme for financing each governing body will consider the extent to which it wishes to delegate its financial powers to the Headteacher, and record its decision in the minutes of the governing body or via a financial delegation document within the school. Where the Head teacher delegates responsibility of a financial function this must be included in a written financial delegation document which would ideally will be included in the School Financial Procedures Manual. The delegation document should be held in a suitable format so that all appropriate staff can access it and be aware of what delegations are in place. The delegation document and any subsequent revision to it should be approved by governors.***

CONTACT OFFICER : Treasurer

3 Best Value/Effective Management

3.1 The statutory duty of 'best value' does not currently apply to the governing bodies of schools. However, given the very high proportion of local authority spending which flows through delegated budgets, the government considers it desirable that schools should demonstrate that they are following best value principles in their expenditure. To assist schools in doing this the principles of 'best value' are set out in various documents on the Department for Education website
<http://www.dcsf.gov.uk/valueformoney/>

3.2 Each Head Teacher and his/her employees must ensure they:

- a) provide customers and stakeholders with best value services
- b) follow the Council's policies and procedures
- c) comply with all laid down quality, professional, management, legal and ethical standards.

3.3 Each Head Teacher must also ensure:

- a) there are adequate, appropriate and clear decision-making and reporting lines in operation within their area of responsibility
- b) that decisions are appropriately recorded in a way that appropriate staff can access information
- c) there is an open, honest, transparent and accountable culture in operation within their area of responsibility
- d) that all of their employees receive up to date training to properly perform their duties

- e) that actions are taken to achieve best value services and demonstrate that they have the necessary processes in place to identify, monitor and collect data against appropriate and challenging performance targets
 - f) they identify the scope for efficiencies.
 - g) adequate business continuity plans have been prepared.
- 3.4 Schools are requested to use contracts that have been set up by the local authority following tender processes for goods and services that they require. Schools are not limited to use these contracts, but where they are not utilised schools are required to follow [section 12.5](#) of these regulations to aid future negotiations with companies and ensure where possible that central purchasing power is maximised for the benefit of all schools across the borough.

CONTACT OFFICER : Head of Audit Services

4 Assurance Statements

- 4.1 Head teachers should be aware that within the Local Authority each Director must as part of the quarterly performance management arrangements complete a risk assurance protocol. By completing this protocol Directors are providing assurance, which includes that appropriate risks have been identified in line with the objectives of the Directorate and that mitigating actions are effective. As compliance with Financial Regulations will help to mitigate against certain risks, Directors must ensure that consideration is given to this when the risk assurance protocol is completed. The Director of Children's Services will complete this return in relation to the knowledge held on school performance and risk management.
- 4.2 In preparing the protocol the Children's Services Director may at some time in the future require head teachers to provide similar assurance for their schools, however there is no direct request made at present.
- 4.3 It is the responsibility of a head teacher to inform the Director of Children's Services of any issue that they believe may carry significant risk to the school and Local Authority.
- 4.4 The notification of identified risks to the Director of Children's Services is important, as there may be information that should be forwarded to the Chief Executive who is required to ensure that processes are established to determine the sources of assurance required to support the Annual Governance Statement (AGS) and to review and approve the AGS. The Annual Governance Statement is signed by the Chief Executive and the Leader of the Council.
- 4.5 The Director of Corporate Resources will ensure Action Plans are developed to address any significant governance issues reported in the Annual Governance Statement.

CONTACT OFFICER : Head of Audit Services

5 Financial Management

5.1 General Framework

- 5.1.1 The role of the Scheme for Financing Schools is to set out the financial relationship between the Authority and the maintained schools, which it funds. It contains requirements relating to financial management and associated issues, which are binding on both the Authority and on the schools. These financial regulations where appropriate reflect and further define the local authority expectations for schools.
- 5.1.2 The scheme for financing details the legislation under which the local authority determine the size of their Schools Budget and LA Budget.

Rights of Governing Bodies to Spend Delegated Budget Share

- 5.1.3 Subject to provisions of the scheme, governing bodies of schools may spend budget shares for the purposes of their school. They may also spend budget shares on any additional purposes prescribed by the Secretary of State in regulations made under section 50 of the Act.

Withdrawal of Governing Bodies Rights to Spend Budget Share

- 5.1.4 An LA may suspend a school's right to a delegated budget if the provisions of the school financing scheme (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily, including the mismanagement of community facilities funds. There is a right of appeal to the Secretary of State. A school's right to a delegated budget share may also be suspended for other reasons (section 17 of the SSAF Act 1998) but in that case there is no right of appeal.

Duties of the Treasurer

- 5.1.5 The Treasurer has a duty to ensure the proper administration of the Council's financial affairs (Section 151 Local Government Act 1972). The CFO is also required to produce annual accounts in accordance with statutory requirements of standard accounting practice. In managing their delegated budgets schools must abide by the Authority's requirements on financial controls and monitoring. These are contained within these Financial Regulations for Schools and Standing Orders Relating to Contracts let by the Governing Body of a School. These may be found on the Council's Intranet.

Policy, Advice, Implementation and Monitoring

- 5.1.6 The Director of Children's services shall be entitled to advise governing bodies on any matters relating to the councils education policies and implementation. Governing bodies shall consider and have regard to any advice or reports submitted by the Director of Children's Services.
- 5.1.7 The Director of Children's services shall be entitled to ask any person for information and explanations considered necessary to enable him to undertake his duties.

Submission of Budget Plans

- 5.1.8 Each school is required to submit a budget plan to the Authority by 1 May each year in the format as described in the scheme for financing and shall be compatible with the requirements for the Consistent Financial Reporting framework.
- 5.1.9 The first formal budget plan of each financial year must be approved by the governing body or by a committee of the governing body.
- 5.1.10 Schools operating independent bank accounts shall also submit an annual cash flow statement and a budgeted balance sheet to the Authority by 1 May each year.
- 5.1.11 Each school shall also submit a multi year budget projection to the Authority by 31 July each year or any other date specified by the LA. This should cover the period that the schools have been notified of budget shares by the LA. This will provide reassurance to the LA that schools are undertaking financial planning.
- 5.1.12 The authority may also require the submission of revised plans where the authority deems it necessary. Such revised plans shall not be required at intervals of less than three months.
- 5.1.13 The LA will supply schools with all income and expenditure data, which it holds and which is necessary to efficient planning by schools. The LA will give guidance to schools on assumptions likely to apply to all schools, for example inflation factors.

5.2 Virements

- 5.2.1 A governing body shall make arrangements to ensure that its budget may be varied to meet changing circumstances provided that the school's budget share shall not be exceeded. All financial virements shall be reported to governors in line with the Scheme of delegation within the school. The school may set financial limits above which the approval of the governors is required.

5.3 Revenue Budgetary Control

- 5.3.1 Schools are required to provide the authority with details of expected and actual expenditure and income, in a form and at times determined by the authority and compatible with the Consistent Financial Reporting framework as outline in the scheme for financing. All reports should be completed in a timely manner and should be accurate. The Authority has a duty to challenge schools financial performance and will monitor and check school financial returns as part of the challenge process.
- 5.3.2 Where the schools financial performance gives cause for concern, the school will be required to attend a financial review meeting with the Authority, to work in collaboration to review the reasons for concern and agree a way forward.
- 5.3.3 Any schools may be required to reports more frequently at the discretion of the LA.
- 5.3.4 Governing Bodies / Finance Committee should receive termly reports on the income and expenditure of the school. This may be a separate item or may be a section of the head teachers report to governors.

5.3.5 It is recommended that as a minimum head teachers include in a termly report to the full governing body / Finance Committee:

- A summary statement showing by category
 - all expected income and expenditure for the financial year
 - income or expenditure to date
 - current variance to budget
 - projected income or expenditure for the financial year
 - projected variance to budget.
- A note on any ring-fenced grants received by the school, including a summary of the proposals to spend these.
- A note of reserves held by the school and the plan for spending these.
- A note of devolved capital funds held by the school and the plan for spending these.

5.3.6 Each Head teacher shall:

- a) monitor and control expenditure within their approved budget
- b) keep the Children's Services Finance Manager informed of any actual or likely changes which will/may have a significant impact on current or future budgets.

5.3.7 Each Head Teacher has the power to incur expenditure to carry out the functions allocated to them provided:

- a) expenditure is lawful
- b) School Standing Orders relating to contracts and Financial Regulations have been complied with
- c) Expenditure is within approved revenue budget or capital expenditure provisions
- d) Expenditure is in respect of Council Policy
- e) Consultations where appropriate have taken place with appropriate staff, Governors and the local authority Cabinet and Committee if necessary.

5.3.8 If the head teacher nominates an accountable officer (Budget Holder) for cost centres, this officer will receive and review an appropriate budget report on an appropriate basis. As part of this review process he/she would establish explanations for any significant variances.

5.4 Consistent Financial Reporting

5.4.1 Section 44 of the Education Act 2002 enables the Secretary of State to require schools to submit an annual financial return in a standard format, which is referred to as Consistent Financial Reporting (CFR).

5.4.2 CFR regulations brought this into force as a requirement from 1st April 2003. The regulations require that all maintained schools submit a CFR return to the DfE by July each year. These returns will be checked and validated by Children's Services Accountancy.

5.5 Capital Budget

- 5.5.1 Schools undergoing a capital project will notify the local authority via the school managed projects – AMP information sheet to schools and forward this to Building and Estates. All projects should follow the guide to schools on the management of building projects.
- 5.5.2 If a capital expenditure project from the budget share in any one year will exceed £40,000, the governing body must notify the LA and take into account any advice from the Director of Children’s Services as to the merits of the proposed expenditure. Expenditure above this level will be presented to Cabinet / Committee or Director for approval.
- 5.5.3 The relevant information should be submitted to the Building and Estates team within the Directorate of Children’s Services. The information supplied should include:
- project title
 - details of scheme
 - value of scheme
 - timescale
 - any other funding streams set against the project
- 5.5.4 Schools’ revenue funding should not be used for major capital expenditure.

5.6 Capital Budget Monitoring

- 5.6.1 The schools capital budget will be monitored by the Head Teacher and the following discussed with governors on a regular basis:
- a) progress of schemes
 - b) problems and difficulties
 - c) changes to original proposals e.g. revised costs or work programmes, delays, etc
 - d) actual expenditure.
- 5.6.2 In accordance with School Standing Orders relating to Contracts a Post Completion Reviews of individual projects costing more than £175,000 will be undertaken by the Governing Body. The review will comply with the Guidelines for Post Completion Review, and a summary of the Review will be copied to the Director of Children’s Services within six months of practical or substantial completion.

5.7 Reserves & Balances Policies

- 5.7.1 In order to allow the LA to monitor excessive balances, governing bodies are required to report to the LA on the use which the school intends to make of surplus balances. This will be required in early May each year in a format and detail set by the LA.
- 5.7.2 ***The local authority may place restrictions on the surplus balances held by schools as permitted under the scheme for financing, which is revised annually. The scheme for financing outlines circumstances in which the reserves may be clawed back from the schools.***

5.8 Final Accounts and Year End Procedures

Submission of outturn statements

- 5.8.1 Following the year end, schools, which are not connected to the Authority's networked online financial systems, are required to submit returns as specified by the Authority.

CONTACT OFFICER : Children's Services Finance Manager

6 Accounting Systems, Financial Records and Returns

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

- 6.2 The Treasurer shall:

- a) determine accounting systems and procedures and the form of financial records and statements
- b) provide guidance and advice on all accounting matters
- c) monitor accounting performance to ensure an adequate standard for all Directorates
- d) certify financial returns, grant claims and other periodic financial reports required of the Council
- e) ensure there is a proper retention policy for financial documents
- f) establish timetables for budgets and closedown of accounts

- 6.3 Each Head Teacher shall:

- a) implement accounting procedures and adopt the form of financial records and statements as determined by the Treasurer
- b) pass to the Children's Services Finance Manager financial returns and other financial reports that require completion and certification
- c) maintain a proper separation of duties for staff with financial responsibilities
- d) be responsible for the completion and submission of grant financial returns
- e) ensure financial documents are kept in accordance with the retention policy
- f) ensure all key controls are consistently applied and appropriately evidenced

CONTACT OFFICER : Children's Services Finance Manager

7 Taxation and Leasing

7.1 Taxation

- 7.1.1 Like all organisations, the School is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is therefore very important for all officers and Governors to be aware of their roles and responsibilities.
- 7.1.2 It is the responsibility of Head teacher to ensure compliance with all tax regulations relating to their School. This will include Income Tax, National Insurance, Value Added Tax and tax accounted for under the Construction Industry Scheme. Head teachers will be liable for any costs, including any penalties and interest charged for incorrect tax treatment.
- 7.1.3 ***Any queries in relation to taxation should be raised with the Principal Tax Accountant. Information can also be obtained from Accountancy Services intranet site.***
- 7.1.4 Schools that operate their own financial systems need to submit the VAT return monthly in accordance with the Local Authority deadlines. Failure to do so may result in VAT being paid late and penalties.

CONTACT OFFICER : Principal Tax Accountant

7.2 Leasing

- 7.2.1 Leasing is a method of financing certain types of capital assets and allows the cost to be spread over several financial years through annual rentals. There are basically two types of leasing, a finance lease and an operating lease.
- 7.2.2 Operating lease agreements can only be entered into on behalf of the School after full consultation, consideration and approval of the Finance Committee who have the responsibility delegated to them by the full Board of Governors.
- 7.2.3 The finance lease is the same as borrowing and cannot be entered into by the school; the school should check the legal position of any lease that it is considering.
- 7.2.4 The school needs to be aware of the type of any form of lease that it may be considering entering into before signing an agreement (if in doubt the Bursar should seek professional advice).

CONTACT OFFICER: Corporate Finance, Financial Accountant

8 Borrowing

- 8.1.1 The scheme for financing outlines the requirements relating to borrowing arrangements. Governing bodies may not enter into borrowing arrangements - including finance, hire purchase or other leasing deals –without the specific and written permission of the Secretary of State.
- 8.1.2 This does not, however, apply to Trustees and Foundations, whose borrowing, as private bodies, makes no impact on Government accounts. These debts may not be serviced directly from the delegated budgets, but schools are free to agree a charge for a service which the Trustees or Foundation are able to provide as a consequence of their own borrowing. Governing bodies do not act as agents of the LA when repaying loans.
- 8.1.3 Any school considering borrowing is required to consult first the Director of Children's Services and the Children's Services Finance Manager for advice.
- 8.1.4 Schools may not use credit cards, unless they are issued or approved by the Treasurer. The use of debit cards, charge cards or electronic purchase cards, however, is recommended as these are efficient methods of purchasing which offer equivalent facilities to credit cards.
- 8.1.5 As with borrowing, Trustees and Foundations may use credit cards as private bodies, but any debt may not be serviced directly from the delegated budgets.

8.2 Borrowing for agreed purposes

- 8.2.1 From 2005/06, an LA's budget can include costs on prudential borrowing. Prudential borrowing means borrowing money for the purpose of facilitating the modernisation and rationalisation of the school estate, where the revenue savings that will be achieved are equal to or more than the expenditure that will be incurred in borrowing the money.
- 8.2.2 The general provision in forbidding governing bodies to borrow money shall not apply to schemes run by the Authority as set out in the following sections:

Loan schemes

- 8.2.3 A school may apply to borrow from the LA, against the collective surplus of school balances held by the Authority on behalf of schools, in order to fund asset purchases. The conditions within the scheme for financing will govern all aspects of the arrangement.

Licensed Deficit scheme

- 8.2.4 A school may plan for a deficit budget only via the LA's licensed deficit scheme, the conditions within the scheme for financing will govern all aspects of the arrangement.

Obligation to carry forward deficit balances

- 8.2.5 Deficit balances will be carried forward by the deduction of the relevant amounts from the following year's budget share.

Planning for deficit budgets

- 8.2.6 No school may plan for a deficit budget. In exceptional circumstances governors may apply to anticipate their budget for the following year for specific objectives. However, no commitments of such a nature may be entered into without the prior approval of the Treasurer.
- 8.2.7 Any school that forecasts a possible in-year deficit is required to notify the Director of Children's Services as soon as it is aware that it may have a potential deficit (see standard operating procedure – schools with an anticipated budget deficit). The school will be expected to take appropriate action to reduce the forecast deficit as soon as possible.

8.3 Charging of interest on deficit balances

- 8.3.1 The LA may charge interest on any deficit balance accumulated.

8.4 Writing off deficits

- 8.4.1 The LA has no power to write off the deficit balance of any school.
- 8.4.2 If an LA wishes to give assistance towards elimination of a deficit balance, this should be through the allocation of a cash sum from the LA's own resources

CONTACT OFFICER : Children's Services Finance Manager

9 Financial Delegations

- 9.1 Each Head teacher should produce a written financial delegation document detailing who within his/her School has been allocated specific financial responsibilities and tasks. The document and any subsequent amendments should be approved by governors. In some cases delegations may have limits or restrictions attached. The delegation document will normally be included in the School Financial Procedures manual which all appropriate staff can access, so staff are aware of what delegations are in place. ***These delegations relate not only to the authorisation of hard copy documentation by way of a manuscript signature but also to electronic authorisation levels set up within computer applications e.g. Corporate Financial System (Agresso) and the Payroll and Personnel System (PS Enterprise).***
- 9.2 Head teachers must ensure that prior to giving financial delegated authority to an officer that there is an appropriate separation of duty within the relevant system e.g. it should not be the same officer who authorises the order requisition or invoice (No-Order invoice) that acknowledges receipt of the goods or service.

- 9.3 Head teachers are responsible for bringing to the attention of all relevant officers the need to comply with the financial delegation document for the School.
- 9.4 The Governing Body should review the financial delegation document at least annually against the demands of the operations within the school.
- 9.5 Only authorised officers who have been given delegated powers may commit the Council to expenditure by:
- a) authorising order requisitions
 - b) certifying invoices (No-Order)
 - c) certifying expenses claims
 - d) authorising petty cash purchases
 - e) certifying timesheets and overtime claims
 - f) authorising the completion of personnel documentation
 - g) signing and awarding contracts
 - h) making purchase card payments
- 9.6 The financial delegation document should also include any delegations given with regard to Standing Orders relating to Contracts, and the raising of debtor invoices and credit notes.
- 9.7 The Treasurer can request details of a schools financial delegations. If the Treasurer considers that a delegation to an officer is inappropriate he can request that the delegation be changed or removed.

CONTACT OFFICER : Head of Audit Services

10 Audit

Internal Audit

- 10.1 The Section 151 Officer under section 114 of the LGFA 1988 and the Accounts and Audit Regulations 2006 has a statutory responsibility for the overall administration of the Council's financial affairs. Section 6 of the Accounts and Audit Regulations 2003, says that the Council "shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices". The Section 151 Officer shall, therefore, in accordance with relevant legislation arrange for a continuous and current internal audit of all areas of Council activities.
- 10.2 "Proper practices" are defined in the regulations by the CIPFA publication - "Code of Practice for Internal Audit in Local Government in the United Kingdom". Audit Services will operate to this Code and any other relevant guidance. The definition of Internal Audit within the Code is:

Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment (comprising risk management, control and governance) by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

- 10.3 As the definition outlines Audit Services has a key role to play in reviewing the Council's arrangements for corporate governance, risk management and internal control. It contributes to the Council's Annual Governance Statement.
- 10.4 The existence of a continuous internal audit service does not in any way diminish the responsibility of Head teachers for the management of a school under their control and their responsibilities in respect to the systems of internal control and the management of risk.
- 10.5 The Head of Audit Services shall ensure that Internal Audit remains independent in the planning and operation of the Council's internal audit activities. The Head of Audit Services is responsible for maintaining periodic audit plans which have due regard to the key strategic risks of the Council, the risks involved for each service area in delivering their services and the requirements of the External Auditor. The Head of Audit Services will consult with the Treasurer, Directors and the Audit and Standards Committee on the annual audit plan and the strategic audit plan.
- 10.6 It is the responsibility of Audit Services to review, appraise and report upon
- a) the soundness, adequacy and application of internal controls providing assurance within the Annual Governance Statement.
 - b) the extent to which the Council's assets and interests are accounted for and safeguarded from losses of all kinds arising from:
 - fraud and other offences
 - waste, extravagance and inefficient administration, poor value for money or other cause
 - c) the suitability, reliability, integrity and completeness of financial and other management data developed within the organisation
 - d) the soundness and adequacy of the systems operating to collect and report on performance information
 - e) the corporate governance arrangements of the Council
 - f) the risk management processes of the Council both at Corporate, Directorate and Service Level
- 10.7 The Treasurer's authorised Internal Audit representatives shall be empowered to:
- a) enter at all reasonable times any Council premises, school or land
 - b) have access to all school and council records, documentation and correspondence relating to any financial and other transactions as considered necessary
 - c) have access to records belonging to third parties such as contractors or partners when required (such rights of access shall be written into appropriate agreements)
 - d) require and receive such explanations as are regarded necessary concerning any matter under examination
 - e) require any employee or member of the Council to account for cash, stores or any other Council or school property under his/her control or possession.
- 10.8 All work carried out shall have due regard for the requirements of the Human Rights Act 1998, the Data Protection Act 1998, Freedom of Information Act 2000, Regulatory of Investigatory Powers Act (2000) and other legislation current at the time of the audit.

- 10.9 Any funding agreement with other persons in relation to community facilities must also ensure that agreements contain adequate provision for access by the Authority to the records and other property of those persons held on school premises, or held elsewhere insofar as they relate to the activity in question, in order for the Authority to satisfy itself as to the propriety of expenditure on the facilities in question.
- 10.10 Audit Services should be consulted on any changes in financial, governance or risk management procedures and on the implementation of new or updated computer systems. **Significant changes in procedures and thus internal controls should also be discussed with Audit Services.**
- 10.11 Schools are responsible for responding to Audit Services reports in accordance with the agreed standing operating procedure within children's services. Recommendations should be implemented in accordance with the agreed timescale.
- 10.12 Audit Services will produce an annual management report on the work completed within School's each year. This report will provide a conclusion on the effectiveness of the internal control, risk management and governance procedures.
- 10.13 It is the duty of any officer to comply with the Corporate Anti-Fraud and Corruption Strategy. Any Head teacher or officer who suspects that an irregularity involving cash, materials or any other property of the School or Council may have occurred must inform their Director who should report the matter directly to the Head of Audit Services or the Treasurer. Confidentiality will be respected in any dealings with Audit Services, wherever possible.
- 10.14 Governors should comply with the Code of Conduct for Governing Bodies and act fairly and without prejudice at all times.
- 10.15 The Treasurer shall report material failures of financial control to the Chair of the Audit and Standards Committee, the appropriate Cabinet Member and the appropriate Director.
- 10.16 Where evidence of fraud, misappropriation or theft is discovered, the Director of Corporate Resources shall decide after consultation with the Treasurer and relevant Head Teacher, whether to refer the matter to the Police. Where a Governor is involved the Chief Executive, Monitoring Officer and where appropriate, the External Auditor, will be consulted.
- 10.17 Each Head Teacher shall:
- a) respond without undue delay to any enquiries or recommendations made by the Treasurer or the Head of Audit Services
 - b) inform the Treasurer as soon as possible of failures of financial control, including matters which involve, or may involve financial irregularity.
- 10.18 The Head of Audit Services has the authority to report, as appropriate, on any matter, without fear or favour, to all levels of the Council. This can include reporting directly to the Chief Executive, the Leader, Cabinet Member with responsibility for Finance, Chair of the Audit and Standards Committee, Section 151 officer, Directors, Chair of Governors, the Monitoring Officer or the Council's External Auditors.

External Audit

- 10.19 The Treasurer is responsible for ensuring:
- a) that the External Auditors are given access at all reasonable times to premises, personnel, documents, assets that the External Auditors consider necessary for the purposes of their work
 - b) there is effective liaison between external and internal audit
 - c) that the full Council, Cabinet and Directors are advised on their responsibilities in relation to external audit.
- 10.20 Schools are permitted to seek an additional source of assurance at its own expense from external auditors, as this does not remove the requirements that the school must also cooperate with the LA's internal and external auditors.

CONTACT OFFICER : Head of Audit Services

11 Public Accountability - Responsibilities

General

- 11.1 Governors should ensure that they follow the Code of Conduct for Governing Bodies, have read the Governors' Handbook and declared any interests.
- 11.2 All officers should follow the Code of Conduct for Employees.
- 11.3 The Corporate Anti-Fraud and Corruption Strategy applies to all Governors and officers of the Council and they should be aware of its contents whilst representing and working for the Council / School.

CONTACT OFFICER : Head of Audit Services

12 Purchasing Arrangements

- 12.1 These regulations should be read in conjunction with School Standing Orders relating to Contracts and corresponding guidance. Where consultants are appointed to act on the behalf of the Governing Body in any part of a procurement exercise they will be provided with a copy of these Financial Regulations, School Standing Orders relating to contracts and a copy of the schools Financial Management Regime by the Head Teacher and it will be a condition of the engagement that these Regulations and the Standing Orders are strictly observed.
- 12.2 The procurement of a consultant should follow the limits outlined in School Standing orders relating to contracts in relation to the expenditure levels in order to obtain value for money in procuring a consultant – as well as the project that the consultant will be used to undertake.
- 12.3 Head teachers must ensure that any purchasing contracts comply with Standing Orders relating to Contracts, statutory requirements and European Directives.

12.4 Standing Orders relating to contracts for Schools applies to:

- a) the purchase of goods, materials and related services
- b) the execution of works
- c) the provision of services
- d) the provision of grants

In order to remove any doubt Standing Orders relating to contracts relates to all “non-pay” payments / purchasing decisions.

12.5 Head Teachers should seek the advice of Procurement, Contract Management and Creditor Services (Corporate Resources Directorate) , where appropriate, or the advice of the Directorate of Children’s Services purchasing department. In addition the school should utilise the DCS Procurement Manual for Schools and Procurement, Contract Management and Creditor Services shall be informed at the outset, either in writing or by e-mail, of all contracts, agreements, awards and other instruments involving the payment or receipt of money, of a value of £175,000 or over during the lifetime of the contract. These will then be included within the Forward Plan, which is a formal document used to plan the major spend within the authority.

12.6 Before inviting Quotations or Tenders or entering into Negotiations in respect of any Contract, it must be established whether a Corporate Contract exists covering the proposals. If one does exist then the school should consider the use of the Corporate Contract. The school are also requested to communicate the use of alternative suppliers to the Head of Procurement justifying the use of non Contracted Suppliers in order to inform future tendering negotiations with suppliers.

12.7 ***Consultation should be held with the Assistant Director Law and Governance for all purchases of land and buildings and the procurement of legal support.***

CONTACT OFFICER : Head of Procurement

13. Partnerships

13.1 Partnerships are defined as a group of people from two or more organisations who work together to achieve agreed strategic goals and objectives. The Council enters into a wide variety of different partnership arrangements. For the purposes of these Financial Regulations a Partnership is defined as a key strategic working partnership and/or where the Council has significant financial involvement.

13.2 The Treasurer is responsible for the following:

- a) confirming that appropriate Financial Regulations and Standing Orders relating to Contracts are in place
- b) assessing the financial viability of the partnership in the current and future years
- c) ensuring accounting/budgetary arrangements are satisfactory
- d) advising the partnership on financial matters including insurance, risk and taxation
- e) ensuring that the partnership is appropriately audited
- f) maintaining a record of partnerships where Dudley MBC is the accountable body

13.3 Head Teachers are responsible for the following:

- a) ensuring that the work to be undertaken is in accordance with the Council's statutory powers
- b) carrying out an assessment of the benefits of undertaking the work in partnership prior to entering into partnership (feasibility study)
- c) ensuring that the partnership has adequate governance procedures in place
- d) ensuring that adequate risk management procedures are in place
- e) ensuring that the partnership has adequate systems/policies/procedures in place
- f) ensuring that the responsibilities of the partners are clearly defined and recorded
- g) notifying the Treasurer that a partnership is to be entered and whether Dudley MBC is the accountable body and any information that he/she requires
- h) evaluating the effectiveness of the partnership
- i) maintaining a register of all partnerships entered into
- j) approving the entering into of a partnership arrangement
- k) keeping records of all key correspondence between the funding partners, especially those relating to agreement of specification, roles, risks and responsibilities.
- l) keeping all appropriate documents in an electronic directory and evidence required to satisfy internal and external audit requirements. This directory should be accessible to all appropriate staff
- m) ensuring that the partnership is evaluated on a regular basis using the partnership evaluation tool
- n) ensuring partnership working agreements are in place before any activity for the scheme begins or a contract is let. These must be in writing, and as a minimum should cover:
 - A definition of who the funding bodies are and what they are committed to under the agreement e.g. allocation of contractual risks, roles and responsibilities, which will be responsible for any cost overruns, etc.
 - Express agreement as to whether the Contracts (Rights of Third Parties) Act 1999 should apply to any contract subsequently entered into with a supplier by the lead partner on behalf of the partnership. This will allow the partners other than the lead body to both enforce their rights under the contract and to be held liable for default or risk under it. Please note that this clause must also be expressly stated in the contract with the supplier to be valid.
 - How the specification will be agreed by all of the funding bodies, plus any 'exit' arrangements if the parties are unable to agree. The specification should include:
 - a description of the goods/services/outputs to be produced
 - timescales
 - testing/effects procedures
 - ownership of any intellectual property (e.g. copyright, design rights etc) or physical property (e.g. goods, buildings) resulting from the agreement
 - procedure for making variations to the agreement or the project

- measures of quality/success
 - how disputes between the funding partners will be dealt with
 - written agreement to pay/physical fund transfer to the lead body (when and how this will be done)
- o) The agreement should be formally reviewed in accordance with the terms of the agreement.
- 13.4 Where a Head Teacher feels it is appropriate to discharge a service or provide a function through the formation of a new legal entity (company or otherwise), the relevant Head Teacher should consult with the Director of Corporate Resources and the Treasurer

CONTACT OFFICER : Assistant Director Policy and Improvement

14 Schemes Financed Partly or Wholly by External Funding

- 14.1 External funding programmes can pose significant risks for the Council and should only be considered after a rigorous process of consultation and internal or external assessment including financial scoping and risk assessment.
- 14.2 Community facilities within schools may dependent on a funding agreement with a third party. Any such proposed agreement should be submitted to the Local authority for its comments the designated officer is the Assistant Director (Education, Play and Learning) . In all cases schools are advised to contact the Local Authority Development Officer for advice due to their expertise in this area.
- 14.3 In circumstances where an agreement has been or is to be concluded against the wishes of the Local authority or has been concluded without informing the Local Authority and it is believed to be seriously prejudicial to the interest of the school or the Authority, that may constitute grounds for suspension of the right to a delegated budget.
- 14.4 In specific instances of use of the community facilities power by a governing body, where the LA has good reason to believe that the proposed project carries significant financial risks, it may require that the governing body concerned shall make arrangements to protect the financial interests of the Authority by either carrying out the activity concerned through the vehicle of a limited company formed for the purpose, or by obtaining indemnity insurance for risks associated with the project in question, as specified by the LA.
- 14.5 The Council has produced an External Funding Code of Practice that establishes the key procedures and protocols that must be followed by every Council officer involved in bidding for and managing projects and programmes that are largely or wholly funded through external funding. In the case of schools this Code of Practice must be followed if any Council resources are being relied on for match – funding.

- 14.6 Where an officer manages a project he should be cognisant of the Council's Project Management Principals document which provides the minimum standards for managing a project.

CONTACT OFFICER : Childrens Services Financial Accountant

15 Orders for Work, Goods and Services

- 15.1 Official Order requisitions are to be raised by staff and then approved via the school scheme of financial delegation. For schools on the Agresso system this will be electronically, for schools on alternative systems the original requisition should be approved by the budget holder and subsequent orders generated signed by an official school signatory. Authorised officers are responsible for ensuring that before an order is issued that there is an adequate budget provision and that Standing Orders relating to Contracts and Financial Regulations have been complied with.

- 15.2 As Dudley MBC operates an electronic ordering system (Agresso) authorised officers are those who are to be provided with access to approve the requisition on the system. It is a requirement that the officer who raises the requisition is different from the officer who approves the requisition. It is also a requirement that the officer who approves the requisition is different from the officer who receipts the goods or service.

This rule will not apply to self-certification of orders below a value which will be determined by the Treasurer, and compensating controls will operate whereby managers will review any self approval orders raised for their area of responsibility each month.

- 15.3 ***Official orders should be issued for all work, goods or services to be supplied to the Council (except for those exceptions detailed in the guide on No order invoices). Authorising officers must be able to demonstrate that the work, goods or services are required in order to provide School supplies. If an Authorising officer does not consider an order should be raised for any other type of payment then they should seek the written approval of the Treasurer (Head of Audit Services).***

- 15.4 The most cost effective method should be used to purchase low value items e.g. purchase card.

- 15.5 ***Telephone orders may be used in exceptional circumstances but must be confirmed by raising an order on the Corporate Financial System (Agresso) and marked "Confirmation Order" in the appropriate text field so that it will appear on the order, within 7 days of the verbal order being given. Where the supplier's invoice is received before any order is raised then there is no requirement to raise the Order.***

- 15.6 Standard terms and conditions must not be varied without the prior approval of the Director of Corporate Resources. Goods and services should be checked on receipt to ensure they are in accordance with the order. The delivery/advice note should be signed to evidence the check and retained.

- 15.7 Official orders shall indicate clearly the date of the order, the quantity, quality and nature of the goods, works and services and the contract or agreed price. An estimated price shall be provided when an agreed price is not available.
- 15.8 Goods or services may be purchased via a purchase card. The Purchase Card User Manual should be referred to for specific details on how the Purchase Card should be used and must be complied with.
- 15.9 ***Headteachers should take action to ensure invoices are paid on average within 10 days and in any case within 30 days of being received or on the stipulated date so that any settlement discounts can be obtained. To ensure compliance against the targets invoices must be date stamped on first receipt by the School.***
- 15.10 Any interest charged to the Council in respect of late payment under the Late Payment of Commercial Debts (Interest) Act 1998 will be passed on to the School that ordered the goods/services.
- 15.11 Officers should monitor the orders raised and ensure that goods/services are received/provided within the stipulated timetable. Where an order or part of an order is no longer required, then it should be cancelled off the system so that the outstanding commitment is amended on the appropriate budget report.

CONTACT OFFICER : Head of Procurement

16 Payment of Accounts

- 16.1 Where payment is to be made, Head Teachers should ensure that that the officers who authorise No Order invoices for payment or have approved invoice variations have prior to authorisation confirmed that:
- a) a valid invoice has been received
 - b) the goods, services and work have been received or carried out, examined and approved as to quality and quantity.
 - c) the expenditure is necessary, legal and within the estimates provision.
 - d) the prices are in accordance with any quotation, tender or contract and/or are reasonable.
 - e) discounts or credits due have been deducted
 - f) VAT or other tax treatment is correctly stated
 - g) the account is arithmetically correct
 - h) the amount has not been previously paid or certified for payment, either in whole or part.
 - i) appropriate entries have been made in asset registers, inventories and stock records.
 - j) the information shown on the scanned invoice is in agreement with the details to be paid
 - k) there is an appropriate separation of duty
- 16.2 Where payment is made by any other method the requirements detailed in 16.1 must be complied with, if appropriate unless exemption has been given by the Treasurer.

- 16.3 Where an invoice is found to be incorrect e.g. because of an addition error, the VAT is incorrectly calculated or the invoice is not addressed to the School, it should be returned to the supplier with an explanatory note. Hand-written amendments should not be made to an invoice as this may invalidate the recovery of VAT. A credit note should always be requested, where required.

CONTACT OFFICER : Head of Procurement

17 Income and Debtors

- 17.1 The Treasurer shall ensure that effective income collection systems are in place to ensure that all of the income due is identified, collected, receipted and banked properly. Income should be obtained in advance of supplying goods or services where it is considered that payment may be at risk.
- 17.2 Head Teachers are responsible for ensuring that all income due to the School is received at the right time using the correct and most cost effective procedures. Whenever possible for sums below £100 credit should not be given and these sums should be collected on or before service delivery.
- 17.3 All invoices should be raised on the Corporate Financial System (Agresso) to ensure that effective action shall be taken to pursue non-payment within defined timescales. Approval to not use the Corporate Financial System must be obtained from the Treasurer.
- 17.4 ***Head Teachers are responsible for ensuring when invoices / credit notes are raised that the appropriate VAT code is used and they have been authorised in accordance with the financial delegation document.***
- 17.5 Schools staff should request/produce monthly debt monitoring reports, which should be reviewed to determine whether it is appropriate to continue the provision of a service to any person or organisation that has amounts outstanding outside of the credit period.
- 17.6 Head Teachers shall, wherever possible, separate the responsibility for identifying the amount due/raising of accounts from the responsibility for collection. They should also ensure that any unbanked income is retained securely to safeguard against loss or theft and that receipts, tickets and other records of income are held securely for the appropriate period.
- 17.7 All debts will be followed up via reminder notices and debt recovery procedures as prescribed by the Treasurer. No debt in respect of an amount due to the School once established shall be discharged otherwise than by payment in full except where write-off has been properly authorised as detailed in 17.8.
- 17.8 Governing bodies are only authorised to write off debts up to a level stipulated by the Treasurer. The current limit is set at debts up to and including £1,000. In the case of debts over £1,000 the school must consult with the Treasurer. Debts over £1,000 can only be written off by the Treasurer in consultation with the Cabinet Member with responsibility for Finance.

- 17.9 The cost of all write-offs will be borne by the School, who originally benefited from the credit.
- 17.10 ***All receipts, tickets and other acknowledgements for payments received shall be approved by the Treasurer. The Head of Audit has the authority to waive the requirement to acknowledge the receipt of certain income streams if he considers it is not practical or cost effective to do so. In all instances when acknowledgement for payment is not provided two members of staff must be present when collecting, counting and recording cash and a document must be completed recording the amount collected and signed by the two officers present to certify the accuracy of the information. If this is not possible a suitable record of income due and collected should be maintained with a subsequent check on the completeness of the income by examining supporting information carried out and signed by the person undertaking that check and reconciliations undertaken where appropriate. E.g. reconciling the income taken to an electronic counter of items sold. Any subsequent transfer of cash between two employees shall be acknowledged by both officers signing and dating a record of the transfer.***
- 17.11 Each officer who receives money on behalf of the School, or for which they are accountable to the School shall keep such records as required by the Treasurer.
- 17.12 All money received by an officer on behalf of the School shall be paid promptly and completely to the Treasurer, or as he/she may direct, to the Council's bankers. This should be preferably on the same day or if this is not possible at the earliest opportunity. In the interim the money should be kept securely, preferably in a locked safe. No deductions may be made from such money other than as may be approved by the Head of Audit Services. When money is banked information as to the reason for its receipt, or its origin, shall be supplied. Head Teachers should ensure income held on premises does not exceed the insured amount. ***The insured amount can be obtained from the Council's Risk Management Team.***
- 17.13 Money held on behalf of the School shall not be used to cash personal cheques for Governors, officers or third parties.
- 17.14 Governors shall ensure charges made for services under their control are reviewed at least annually and will either be formally approved by governors or approved in accordance with the school decision planner / scheme of delegation.

CONTACTOFFICER : Assistant Director Customer Services

18 Banking Arrangements

- 18.1 All arrangements with the School's bankers outside those operating with the main accounting system must be with approved banking institutions as approved by the Treasurer.
- 18.2 Cheque signatories for bank accounts operated by schools will be communicated to the local authority and designated in writing. ***Each account will require a minimum of two cheque signatories.***

18.3 Standing order and direct debit payments are subject to the same rules as cheque signing and may only be established by authorised signatories.

18.4 The Treasurer shall maintain a list of identified senior officers who may on his/her behalf give instructions to the Council's banker and countersign cheques.

CONTACT OFFICER : Group Accountant – Support Services

19 Payments to Employees

19.1 *Staff costs are the largest item of expenditure for most School services. It is therefore important that there should be controls in place to ensure that payments are made only where they are due for services to the School and that payments accord with the individual's conditions of employment. This is maximised through the use of electronic claim forms and managers must ensure these are used wherever possible. The introduction of "real time" reporting to HM Revenues and Customs e.g. on a monthly basis rather than annually makes this even more important as employees could be in position of paying more tax and national insurance by not being paid the correct amounts at the correct time.*

19.2 Head Teachers must ensure

- *All appointments are made in accordance with the rules of the Council (Recruitment and Selection Policy) and approved establishments, grades, scales of pay and that adequate budget provision is available for the length of the employment contract.*
- *New posts will require the approval of the Governing Body or one of its Committees.*
- *Any changes in contract are approved by Governors and amendments to contracts will be notified to the payroll section in line with the delegation documents.*
- *Where electronic forms are not used all appointments, changes in contract and variable payments e.g. overtime are approved in accordance with the financial delegation document and where relevant the collective agreement for JNC staff and the Councils pay policy.*
- *Careful consideration is given to the employment status of individuals employed on a 'self-employed consultant or sub-contract' basis as these may well be considered employees by HM Revenues & Customs and should therefore be paid through the payroll. Headteachers must be able to evidence that they have tested the employment status against HM Revenues and Customs rules. While the method of payment in isolation does not determine the employment status, it is one of a number of tests that will do so.*

- *That they or their Managers on a regular basis e.g. monthly review detailed information on the salary/wage payments made to their staff. This should be checked to ensure that the staff establishment is correct and that payments made are accurate.*
- *That changes in contracts of employment and variable payments are notified to the Human Resources and Organisational Development Division in a timely fashion, or in accordance with published deadlines, preferably before the change is due so as to avoid an overpayment occurring.*
- *That an up to date delegation document is maintained for the authorisation of personnel and payroll changes and this is shared with the Human Resources and Organisational Development Division*
- *That any benefits in kind are notified to the Assistant Director Human Resources and Organisational Development*
- *That the payment of a honorarium is approved by Governors.*
- *Audit logs are obtained from the Corporate Payroll and Personnel System (PSE) on a regular basis showing those amendments that have not gone through an electronic authorisation process. These should be checked by an independent officer to the personnel/payroll documentation processed and the checks evidenced.*
- *That Human Resources policies and procedures are adhered to.*
- *No amendment is made to the Corporate Payroll and Personnel System unless the officer entering/actioning the amendment has received personnel/payroll documentation signed/authorised in accordance with the directorate financial delegation document.*
- *No payment shall be made to a person deemed to be an employee other than through the normal payroll procedure. Under no circumstances should an employee be paid in cash.*
- *That the collective agreement on grading and pay and thus the Council's pay policy is adhered to. Where a new post is created or responsibilities of a post change discussions should be held with the Assistant Director Human Resources and Organisational Development or their delegated officers (HR and Job Evaluation Team) to secure fair job grades. These conversations should take place before advising staff of a grade in order to avoid any misunderstanding.*

CONTACT OFFICER : Head of Human Resources - Children's Services

20 Travel and Subsistence

- 20.1 **All staff should comply with the Council's Allowance Procedure and guidance.**
- 20.2 **Head Teachers are responsible for the verification of their officers' travel/mileage claims (hard copy or electronic).** This would include:
- a) that the costs have been incurred whilst officers were engaged on official Council business
 - b) the accuracy of the mileage claimed
 - c) the validity of the journeys taken
 - d) subsistence claim is appropriately supported and in line with Council policies
 - e) car parking and other expenses are appropriately supported and in line with Council policies.
- 20.3 All travel/mileage claim forms should be signed by the officer, their supervisor and a certifying officer (in accordance with the directorate financial delegations). The only exception to this would be if the supervisor and the certifying officer are one and the same i.e. the officer reports directly to the certifying officer. **Where an electronic claim form is completed the same controls would apply, but an officer's login and password would replace the manuscript signature(s). Where an electronic claim form has been submitted, a hard copy form as prescribed by the Assistant Director Human Resources and Organisational Development should be completed and submitted to their manager for review together with appropriate car mileage receipts before the manager authorises the claim on the Corporate Payroll and Personnel System. The hard copy form should be held securely by the authorising officer.**
- 20.4 Travel/mileage claim forms should be certified by an officer of a higher grade, unless the travel/mileage claim relates to a Head Teacher in which case an independent senior person should sign their claim.
- 20.5 All claims should be completed in full, appropriately authorised and must be submitted within three months of undertaking the journey or incurring the expenses, to qualify for reimbursement.
- 20.6 Head Teachers must ensure that all officers use their own vehicles for business purposes are appropriately insured and are legally allowed to drive a vehicle. This in practice means the following checks should be undertaken on an annual basis
- a) that the officer has a valid insurance certificate that includes the use of the vehicle on official business
 - b) that the officer has a valid driving licence
 - c) that the officer's vehicle has a valid MOT certificate if required

If evidence of a valid insurance certificate, driving licence and MOT cannot be provided then the officer should not be allowed to use his/her car on Council business.

- 20.7 ***Where a claim for travel / car mileage has been made electronically, then approval must be in accordance with the financial delegations. Where a hard copy claim is submitted the officer who processes the travel/mileage claim form on the Corporate Payroll and Personnel System (PS Enterprise) should ensure that the claim form has been completed in full and certified in accordance with the financial delegation document.***
- 20.8 ***Where travel / care mileage are entered manually onto the Corporate Payroll and Personnel System (PS Enterprise) audit logs should be obtained from the system on a regular basis and checked by an independent officer to the actual travel / mileage claim forms. This is to ensure information has been accurately entered onto the system. All checks should be documented.***

CONTACT OFFICER : Head of Human Resources - Children's Services Personnel

21 Petty Cash

- 21.1 The Treasurer shall provide petty cash imprests of such amounts as may from time to time be required for the purpose of paying minor items of expenditure and any other items as may be approved by him/her. Individual petty cash payments should not exceed £100 although wherever possible a purchase card should be used to make payment.
- 21.2 Where the Treasurer considers it appropriate, he shall open an account with the School's bankers for use by the petty cash imprest holder. The accounts will not have overdraft facilities. An officer independent to the imprest holder should undertake regular reconciliations of the bank account i.e. bank statements to supporting records.
- 21.3 The Treasurer should approve the petty cash records maintained. Petty cash should be maintained on an imprest basis.
- 21.4 A petty cash payment slip must be completed for every reimbursement that is made and must be signed by the claimant. A review petty cash expenditure should be undertaken by an independent officer termly of the amounts paid out via petty cash and evidenced to verify that all expenditure made is appropriate.
- 21.5 Receipts must be obtained for all payments over £5, unless the Head Teacher is satisfied that the obtaining of a receipt is impracticable and for under £5, wherever possible.
- 21.6 The Treasurer reserves the right to withdraw petty cash facilities from officers if it is deemed that they are being used inappropriately, the expenditure limit is exceeded, or the facility is rarely used.
- 21.7 No income received on behalf of the School may be paid into a petty cash account but must be separately banked, unless the agreement of the Treasurer has been obtained.

- 21.8 Petty cash accounts must never be used to cash personal cheques or make personal loans. Car mileage payments may not be paid by petty cash as these are generally subject to tax and national insurance rules.
- 21.9 The petty cash account should be continually kept in balance and regular reconciliations should be undertaken by an independent officer of the cash in hand to the records maintained. These checks should be documented.
- 21.10 Petty cash payments and petty cash imprest reimbursements should be authorised in accordance with the school financial delegation document.
- 21.11 The officer responsible for an petty cash account shall, if requested, give the Treasurer a certificate confirming the amount held. Upon leaving the School or at the request of the Treasurer the responsible officer shall repay to the Council the balance of the petty cash held or have the petty cash formally transferred to another officer.

CONTACT OFFICER: Head of Audit Services

22 Risk Management

- 22.1 The Treasurer is the lead officer in respect of risk management and is responsible for the corporate risk management processes of the Council. However, it is the responsibility of all Head teachers, governors and officers to be aware of the principles of risk management and to manage risks, where appropriate for their area.
- 22.2 All Head teachers have a responsibility for ensuring that risks are managed within the school environment. The principles of risk management for schools are outlined in the school financial procedures manual.
- 22.3 It is the responsibility of the Head teacher to inform the Director of Children's Services of any significant risks that the school faces so that he may in turn include any significant risks as part of his duty to complete a quarterly risk assurance protocol report to the Treasurer ,
- 22.4 The Treasurer will keep the Cabinet informed of the Council's key risks via the Quarterly Performance Report and will report on a regular basis to the Audit and Standards Committee.

CONTACT OFFICER : Risk and Insurance Manager

23 Insurance

- 23.1 The Treasurer is responsible for ensuring the Council's assets and liabilities are adequately and properly insured. Only the officer identified by the Treasurer may obtain insurance cover on behalf of the Council. All insurance covers will be reviewed by the Treasurer not less than annually.

- 23.2 The Treasurer shall keep a record of all insurances related to the tangible assets of the Council e.g. buildings, vehicles, equipment etc. Head Teachers must therefore notify the Risk Management & Insurance Section of acquisitions, disposals or any other material fact impacting upon the status of tangible assets/ Failure to do so may mean the asset is not insured.

Head Teachers must also consult the Risk Management & Insurance Section with regard to activities and working arrangements not generally or exclusively associated with tangible assets. Typically these insurances will relate to the action / inactions of the Council e.g. Public Liability, Fidelity Guarantee, Professional Negligence, Officials Indemnity etc. Head Teachers must therefore ensure that any changes to existing or new working arrangements are covered by the Council's insurance arrangements. Typically these 'arrangements' will include incorporating the School (Head Teachers, Governors or Officers thereof) into; partnerships, limited companies, ad hoc or unusual secondments, consultancies etc. Failure to do so may mean the Council is not insured for liabilities it incurs. It is likely that the Director of Corporate Resources should also be consulted before engaging in legally binding agreements to ensure the School has the statutory powers to do so.

- 23.3 Head Teachers must consult with the Treasurer in respect of the terms of any indemnity, which the Council is requested to give under contract to ensure the adequacy of the Council's insurance arrangements.
- 23.4 Any loss, liability or damage causing event that may give rise to a claim of any kind against the Council or School must be notified to the Treasurer as soon as practicably possible who will take the appropriate action to safeguard the Council's position. Any incident involving a death must be notified to the Treasurer immediately.
- 23.5 The Treasurer shall process all claims relating to the Council's external and internal insurance arrangements and negotiate settlements (where liability is accepted) within the limits and terms and conditions of these insurance arrangements.
- 23.6 Head Teachers are responsible for ensuring that anyone covered by the Council's insurances is aware that they must not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.
- 23.7 Appropriate officers will co-operate at all times with the investigations of the Treasurer into any claims and will supply all information upon request. It is imperative that officers comply with the timescales for investigating claims. Failure could directly affect the Council's ability to defend a claim or could result in financial penalties being imposed on the Council. Where it is deemed an insurance recovery will not be forthcoming the Treasurer shall notify the relevant School as soon as possible to enable them to take any further action necessary.

- 23.8 It is the responsibility of Head Teacher to ensure that all hirers of the School's buildings sign a formal hiring agreement requiring them to indemnify the School against the cost of any damage caused to School property or legal claim(s) arising from the negligent actions of the hirer.
- 23.9 All employees concerned with the receipt, custody and/or disbursement of the monies and property of the School shall be included in a suitable Fidelity Guarantee insurance policy. Headteachers must ensure that the Risk Management and Insurance Section is notified of all employees who have a limit of authority in excess of £5,000,000.

CONTACT OFFICER : Risk and Insurance Manager

24 Stocks and Stores

24.1 *Stocks could be defined as items that generally are not held on a long-term basis e.g. over one year, are of a consumable nature or have been purchased for resale. As a guide stock held with an aggregate value exceeding £2,000 should be recorded on a manual or computerised stock system and the controls detailed below should be enforced.*

24.2 Head Teachers are responsible for

- a) determining an efficient stock holding policy to ensure stock levels are not in excess of normal operating requirements.
- b) determining minimum stock holding levels and efficient order quantities where a stock control system is operated
- c) supplying the Treasurer with such information relating to stores as may be required for the accounting, costing and financial records of the Council
- d) ensuring all stocks are held in a secure location with limited access and appropriately segregated into marked areas
- e) ensuring stock checks are undertaken at least once a year either in full or as part of a rolling programme of checks and the stock record will be signed by the Head Teacher to certify that they have ensured the check has been carried out
- f) ensuring stock check variances are thoroughly investigated and the appropriate adjustments are authorised and made to the stores records, whether manual or electronic, on a timely basis. If the adjustments exceed £500 then this should be reported to the appropriate Governing Body and the Treasurer
- g) approving the disposal of surplus material or obsolete stock. All disposals should be recorded and the disposal must be in accordance with Standing Orders relating to Contracts

24.3 The Treasurer is responsible for advice on:

- a) providing the basis for the valuation of stock
- b) ensuring stock values are appropriately recorded in the Authority's accounts.

CONTACT OFFICER: Head of Accountancy

25 Inventories

Furniture, Equipment, Plant, Vehicles

- 25.1 Items of furniture, equipment, plant and vehicles costing over £100 [or are of a highly attractive and portable nature or electrical] should be included on the inventory record.
- 25.2 An inventory of all significant ICT assets shall be available at the School. This will usually be in the form of a list supplied by Resource Machines (RM) of the leased equipment. Head Teachers should not arrange relocation or disposal without appropriate notification to RM. This does not absolve the responsibility of Head Teachers from carrying out annual checks on their ICT equipment or recording ICT equipment on their inventory if it is not recorded on the inventory maintained by RM. Any IT equipment purchased by the School should be recorded on the School inventory.
- 25.3 An adequate inventory record should be maintained which records the following:
- full description of the item and including the make, model and serial number, where appropriate
 - the location of the item
 - the cost
 - order number, or where appropriate detailing whether the item has been donated.
- 25.4 The inventory should be updated as soon as any new items are received
- 25.5 Inventory items should be marked "Dudley MBC", or with the Name or abbreviation of the School where appropriate
- 25.6 Inventory items should be held securely at all times, particularly expensive, moveable items.
- 25.7 An annual check of the inventory record should be carried out by an independent person to the person maintaining the inventory record, and the person who normally has custody of the assets. The inventory record should be signed and dated to demonstrate that the annual check has taken place.
- 25.8 The results of the annual check should be presented to governors annually.
- 25.9 All discrepancies should be reported to the Governing and any significant discrepancies (over the value of £1,000) to the Treasurer and the Director of Children's Services.
- 25.10 The disposal of obsolete / broken items should be appropriately authorised and documented and undertaken in accordance with Standing Orders relating to Contracts and the Code of Practice on inventories. All disposals should be authorised by the Head Teacher or Deputy.
- 25.11 All leased or third party inventory items should be clearly identified and labelled. The labelling should indicate that the item should not be sold or disposed of

CONTACT OFFICER : Head of Accountancy

Land and Buildings

- 25.12 The Director of Corporate Resources is responsible for the following:
- a) ensuring the Corporate Property Policy is up to date
 - b) maintaining a database of all properties owned / part owned or rented by the Council and for ensuring that valuations are reviewed on a regular basis.
 - c) for the acquisition and disposal of all land and property owned / to be owned by the Council, letting, subletting, rent reviews, renewal of leases and tenancy agreements and the appointment of any outside valuers.
- 25.13 ***Head Teachers are responsible for ensuring the security of building and adherence to the Corporate Security Strategy.***

CONTACT OFFICER : Assistant Director Law and Governance

26 Management of Information

- 26.1 Head Teachers are responsible for the security and good records and information management of all information within their School. Information exists in many forms. It can be printed or written on paper, stored electronically, transmitted by post or using electronic means, shown on films, or spoken in conversation. Whatever form the information takes, or means by which it is shared or stored, it must be appropriately protected.
- 26.2 ***Schools are legal entities in their own right and registered with the Information Commissioner as a separate entity to the local authority. Head Teachers need to ensure compliance with the Data Protection Act. Compliance with the Council's Information Security Policy for Schools will allow them to ensure compliance with relevant laws and the good practice in information handling.***
- 26.3 Head Teachers must ensure that data quality is maintained within their Schools.
- 26.4 Head Teachers are responsible for evaluating the adequacy of third parties' security arrangements and where appropriate ensure that contracts include clauses relating to the processing of personal data in accordance with the requirements of the Data Protection Act 1998 (Data Processor Agreements).
- 26.5 ***Each school must have a Senior Information Risk Owner (SIRO) typically the SIRO should be the head teacher or a member of the Senior Leadership team. The SIRO will be responsible for looking into any actual or suspected breaches of information security. Any breaches in information security are appropriately investigated. The completion of the information security checklist by the SIRO and identification and resolving of any issues following the assessment being carried out will help ensure the Information Security Policy for schools is being complied with.***

http://insidedudley/corporate/infogov/library/informationfors_schoolsinformat-1/default.htm

CONTACT OFFICER : Principal Information Security Officer

27 Treasury Management

- 27.1 No person other than the Treasurer may make investments of School monies or money held in trust by the Council. Such investments shall be in the name of the Council or the trust as appropriate.
- 27.2 Schools that operate their own bank account may place money short term (1 day to 30 days) on the money market with their main banker. The Head Teacher must be satisfied that these banking arrangements are secure and all money returning from the money market will be paid into the school fund bank account.

CONTACT OFFICER : Children's Services Finance Manager

28 Unofficial and Voluntary Funds

- 28.1 An unofficial or voluntary fund is defined as any fund, other than an official fund for the Council, which is controlled wholly or in part by an officer by reason of his or her employment by the Council. The unofficial fund may only be set up with the approval of the Governing Body.
- 28.2 Head Teachers must ensure that the fund money is held securely.
- 28.3 Each Head Teacher shall maintain a list of such funds and ideally include them in the financial procedures manual. The manual will include the following details for each fund:
- a) the name of the 'Responsible Officer'
 - b) the accounting period (which should generally be 1st April to 31st March)
 - c) bank account details; and
 - d) cheque signatories.
- 28.4 Head Teachers shall ensure that the Governing Body appoint or re-appoint a suitably qualified independent auditor and ensure all such fund accounts are prepared and audited on an annual basis. The accounts should be submitted within 12 months of the end of the accounting period to the Governing Body and a copy then forwarded to the Local Authority Audit department.
- 28.5 The Treasurer reserves the right to inspect all documentation relating to unofficial funds and to seek such explanations that are necessary to ensure they are being appropriately managed. The Treasurer should be notified of any funds, which do not comply with all of these requirements.

CONTACT OFFICER : Head of Audit Services

29 Controlled Stationery and Retention of Documents

- 29.1 Controlled stationery means serially numbered stationery where it is necessary to account for the use of the items.
- 29.2 The Treasurer will determine whether or not any particular item is to be included as part of his overall responsibility for the financial system.
- 29.3 Head Teachers will be responsible for ensuring:
- a) controlled stationery is securely held and appropriately recorded/accounted for
 - b) stock is issued in a controlled manner
 - c) periodic stock checks are undertaken by someone independent of the ordering, issuing and recording
- 29.4 Head Teachers should ensure that the Council's document retention policy is complied, which can be found on the council website, in addition a further guide specifically relating to schools can be found at : <
http://insidedudley/corporate/infogov/library/informationfors_/recordsretentio/default.htm>

CONTACT OFFICER : Head of Audit Services

30 Financial Assistance to Voluntary Bodies

- 30.1 All financial assistance must be provided in accordance with the Grants to Voluntary Bodies code of Best Practice and the Local Compact Code of Practice on Funding or Area Committee procedures.
- 30.2 In terms of Financial Regulation, financial assistance is defined as monetary payments or subsidy provided. It does not include financial assistance given in kind e.g. officer of member time.
- 30.3 All financial assistance provided to voluntary bodies should at the time the assistance is given be recorded on the corporate electronic record, This record will act as a listing of all financial assistance given and should aid communication within the Council.

CONTACT OFFICER : Head of Audit Services