

Democratic Services

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Date: 19 November 2012

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To: All Members of the Corporate Audit Committee

Councillors: Andrew Furse (Chair), Gerry Curran, Dave Laming, Barry Macrae, Douglas Nicol
(In place of Will Sandry), Will Sandry, Brian Simmons and Geoff Ward

Independent Member: John Barker

Chief Executive and other appropriate officers

Press and Public

Dear Member

Corporate Audit Committee: Tuesday, 4th December, 2012

You are invited to attend a meeting of the **Corporate Audit Committee**, to be held on
Tuesday, 4th December, 2012 at 5.30 pm in the **Kaposvar Room - Guildhall, Bath.**

The agenda is set out overleaf.

Yours sincerely



Sean O'Neill
for Chief Executive

If you need to access this agenda or any of the supporting reports in an alternative accessible format please contact Democratic Services or the relevant report author whose details are listed at the end of each report.

NOTES:

- 1. Inspection of Papers:** Any person wishing to inspect minutes, reports, or a list of the background papers relating to any item on this Agenda should contact Sean O'Neill who is available by telephoning Bath 01225 395090 or by calling at the Riverside Offices Keynsham (during normal office hours).
- 2. Public Speaking at Meetings:** The Council has a scheme to encourage the public to make their views known at meetings. They may make a statement relevant to what the meeting has power to do. They may also present a petition or a deputation on behalf of a group. Advance notice is required not less than two full working days before the meeting (this means that for meetings held on Wednesdays notice must be received in Democratic Services by 4.30pm the previous Friday)

The public may also ask a question to which a written answer will be given. Questions must be submitted in writing to Democratic Services at least two full working days in advance of the meeting (this means that for meetings held on Wednesdays, notice must be received in Democratic Services by 4.30pm the previous Friday). If an answer cannot be prepared in time for the meeting it will be sent out within five days afterwards. Further details of the scheme can be obtained by contacting Sean O'Neill as above.

- 3. Details of Decisions taken at this meeting** can be found in the minutes which will be published as soon as possible after the meeting, and also circulated with the agenda for the next meeting. In the meantime details can be obtained by contacting Sean O'Neill as above.

Appendices to reports are available for inspection as follows:-

Public Access points - Riverside - Keynsham, Guildhall - Bath, Hollies - Midsomer Norton, and Bath Central, Keynsham and Midsomer Norton public libraries.

For Councillors and Officers papers may be inspected via Political Group Research Assistants and Group Rooms/Members' Rooms.

- 4. Attendance Register:** Members should sign the Register which will be circulated at the meeting.
- 5. THE APPENDED SUPPORTING DOCUMENTS ARE IDENTIFIED BY AGENDA ITEM NUMBER.**
- 6. Emergency Evacuation Procedure**

When the continuous alarm sounds, you must evacuate the building by one of the designated exits and proceed to the named assembly point. The designated exits are sign-posted.

Arrangements are in place for the safe evacuation of disabled people.

This Agenda and all accompanying reports are printed on recycled paper

Corporate Audit Committee - Tuesday, 4th December, 2012

at 5.30 pm in the Kaposvar Room - Guildhall, Bath

A G E N D A

1. EMERGENCY EVACUATION PROCEDURE

The Chair will draw attention to the emergency evacuation procedure as set out under Note 8.

2. ELECTION OF VICE-CHAIR

To elect a Vice-Chair (if required) for this meeting.

3. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

4. DECLARATIONS OF INTEREST

At this point in the meeting declarations of interest are received from Members in any of the agenda items under consideration at the meeting. Members are asked to indicate:

(a) The agenda item number in which they have an interest to declare.

(b) The nature of their interest.

(c) Whether their interest is **a disclosable pecuniary interest** *or* **an other interest**, (as defined in Part 2, A and B of the Code of Conduct and Rules for Registration of Interests)

Any Member who needs to clarify any matters relating to the declaration of interests is recommended to seek advice from the Council's Monitoring Officer before the meeting to expedite dealing with the item during the meeting.

5. TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

The Chair will announce any items of urgent business.

6. ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

7. ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

To deal with any petitions, statements or questions from Councillors and, where appropriate, co-opted and added Members.

8. MINUTES: 27 SEPTEMBER 2012 (Pages 7 - 12)

9. EXTERNAL AUDIT UPDATE REPORT (Pages 13 - 28)

10. TREASURY MANAGEMENT UPDATE REPORT (Pages 29 - 42)

11. INTERNAL AUDIT PLAN UPDATE REPORT (Pages 43 - 50)

12. DRAFT FINANCIAL REGULATIONS (Pages 51 - 152)

The Committee Administrator for this meeting is Sean O'Neill who can be contacted on 01225 395090.

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CORPORATE AUDIT COMMITTEE

Minutes of the Meeting held

Thursday, 27th September, 2012, 5.30 pm

Councillors: Andrew Furse (Chair), Gerry Curran, Dave Laming, Barry Macrae, Will Sandry, Brian Simmons and Geoff Ward

Independent Member: John Barker

Officers in attendance: Jeff Wring(Divisional Director, Risk Assessment & Audit Services), Tim Richens (Divisional Director for Finance), Jamie Whittard (Financial Accounting and Planning Team Leader), Graham Sabourn (Director of Housing and Health)

Guests in attendance: Victor de Cunha (Curo), Dominic Lynch (Curo).

14 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer read out the procedure.

15 ELECTION OF VICE-CHAIR

RESOLVED that a Vice-Chair was not required on this occasion.

16 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

There were none.

17 DECLARATIONS OF INTEREST

There were none.

18 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

19 ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

There were none.

20 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

21 MINUTES - 15TH MAY 2012

The minutes (moved by Councillor Ward and seconded by Councillor Curran) were unanimously approved as a correct record and signed by the Chair.

22 PROPOSED CHANGES TO SOMER/CURO

The Chair (Councillor Andy Furse) introduced the report and explained that the Corporate Audit Committee were considering this issue as a result of a referral from the Housing and Major Projects Policy, Development and Scrutiny Panel. He welcomed the representatives from Curo and informed the Members that they had been invited in order to answer any factual questions the Committee might have.

He asked the Associate Director of Housing and Health to present the report. The officer explained the background to the recent proposed changes to Somer Housing and Curo together with the concerns highlighted by the Housing, Major Projects Policy, Development and Scrutiny Panel. These centred around the nature of the Council's representation on the Board and changes to the tenants' representation.

Mr de Cunha (Curo) was invited to respond. He said that there was concern that representation would compromise the influence that the Council had on the Board, but he pointed out that the law requires that non-executive directors set aside other interests if they become members of a charitable Board. In response to the second concern he said that arrangements for the residents' involvement were evolving, but that they were not constitutional. Curo wished to modernise its governance according to best practice. It was Curo's opinion that the special relationship with Bath and North East Somerset Council was not best served through Board membership, but through meetings between senior officer of Curo and senior politicians.

Cllr. McRae said that he had come to a different conclusion and that it was not possible for representatives to wear two hats. He was concerned that, according to the proposed model, meetings with Curo would not be in the public forum and therefore not democratic. He welcomed modernisation and the adoption of best practice, but emphasised the need for transparency.

Cllr Curran said that it was inevitable that B&NES had a special relationship with Curo as they held 80% of the authority's social housing stock. However, this should not be to the exclusion of other responsible social landlords (RSLs). It was important not to downgrade the relationship with Curo but to upgrade the relationship with other RSLs.

Cllr Ward asked whether it was possible to create a body underneath the Board where councillors and residents can consult. Mr de Cunha replied that the current arrangement with B&NES was a quarterly meeting with councillors, recently re-named as a strategic partnership forum. Its aim was to discuss mutual interest and vision for the future and Curo felt that this kind of engagement was more appropriate. It could be possible to develop the forum further to include political party representation and work at a strategic level for senior officers and politicians.

Cllr Ward commented that if that were the interface between the Council and Curo then he was not sure that a councillor needed to be on the Board, especially if they were not allowed to report back. He asked how Curo consulted with other local authorities. The Associate Director of Housing and Health added that it was not usual for housing associations to have councillors on their Boards. There were other ways of maintaining influence. He felt that ward members brought a lot to Boards in reflecting residents' interests.

Cllr Sandry said that Boards have members who have no experience of social housing. He was concerned about the charitable objectives of Curo, specifically where there had seemed to have been a recent culture change at residents meetings where they were told what was happening rather than being consulted.

Cllr Curran said that he felt it was not necessary for the Council to have a representative on the Board, but it was necessary to operate as a strategic partner. He asked how differences of opinion would be resolved.

Cllr Furse added that there was a corporate risk to the Council from Curo in that residents tend to say that was 'the council' that e.g. did not cut their hedges rather than Curo.

Mr de Cunha replied that Curo was still essentially a charity and primarily existed for the social good alongside engaging in a small amount of commercial activity. Part of their modernisation was the setting-up of a fit-for-purpose Board which would include members who have empathy for residents. A local councillor could apply to become a non-executive member in order to bring those skills to the Board. Mr de Cunha admitted that Curo had made mistakes but was now working closely with local resident groups to create estate action plans. They had completed a 9 month consultation and were hoping to change local accountability structures towards more flexible models of joint working.

Cllr McRae said he was pleased to hear Curo's response and that he was happy that the Housing Manager would represent Council views. However, he wanted to know what the risk to the Council was about not having a Board member.

Cllr Ward agreed that the Council did not need a Board member but that there should be a strong forum.

Cllr Sandry asked whether the charitable objectives for Somer Housing were different from those of Curo. Mr de Cunha replied that Curo were hoping to broaden their charitable objects. Cllr Sandry pointed out that the local area panels used to be able to set their own agendas, but that now there was no opportunity for residents' involvement on the agenda. Mr de Cunha replied that Curo had set up residents' scrutiny committees (a regulatory requirement) which have an unfettered line to the Board.

Cllr Curran said that, with reference to the rejection of a recent planning application for social housing in Clutton, he was keen that the Council work with Curo to minimise the occurrence of planning refusals.

Recommendations

The Corporate Audit Committee –

- Supports the development of the Strategic Partnership meeting outlined in section four of the paper to manage the Council's relationship and influence on Curo as its key strategic housing partner;
- Supports the further development of the Council's relationship with all registered social landlords in the Bath & North East Somerset community;

- Supports Curo in its determination to improve tenant participation and put customer service at the heart of its business;
- Supports Curo in the strengthening of its governance arrangements but believes it is a matter for individual councillors to decide whether they wish to apply for a place on the Curo Board as the role is not to represent the Council but to support the operations of Curo. It therefore does not believe the proposals pose any significant corporate risks to the Council.

23 BATH & NORTH EAST SOMERSET COUNCIL AUDITED STATEMENT OF ACCOUNTS 2011/12 & GOVERNANCE REPORTS FOR COUNCIL AND AVON PENSION FUND

The Divisional Director for Finance introduced the report and said that he was pleased with the improvements in the presentation of the accounts.

Audited Statement of Accounts 2011/12

Cllr Ward asked whether there were any changes in the Council's reserve position from last year and were there any concerns. The officer replied that the general fund balance had increased, as had the reserves. They were at a healthy level with which to face the current challenges. Cllr Ward further asked how the Keynsham development would be funded and was informed that it would mainly be through borrowing. As the Council has cash reserves, they can apply for cashflow funding for the project. Cllr Ward asked whether there were any departments where spending was above budget levels and was informed that every department was being closely monitored, with specific detail contained within the forward to the Accounts.

In response to a question from Cllr Laming, the officer confirmed that £11m had arisen from the Spa settlement and the 2nd payment (£13m) arising out of the Southgate development was also due later this year.

Cllr Sandry asked about the accuracy of the heritage asset values and whether it was a good idea to publicise them individually. The officer replied that the Council had to apply International Accounting Standards, but took a pragmatic approach and used insurance or heritage service valuations.

Cllr McRae said that he was re-assured by the professionalism of the external auditors. He thanked them and the wider finance team.

Annual Governance report – B&NES Audit 2011/12

Wayne Rickard (District Auditor) and Chris Hackett (Audit Manager) of the Audit Commission introduced their report.

Mr Rickard reported an improvement in the quality of the financial statements and working papers over the past seven years.

The Committee **RESOLVED** to note the adjustments to the financial statements and to approve the letter of representation.

Cllr Simmonds left the meeting at this point.

Annual Governance Report - Avon Pension Fund

Mr Hackett introduced the report and informed the Committee that there were no issues with the control reports from fund managers and that there were matters to report regarding fund systems.

Cllr Ward asked what audit was done on the fund managers and was informed that the auditors carried out a controls assurance review.

The Committee **RESOLVED** to note the issues to the Avon Pension Fund report and to approve the letter of representation.

Annual Governance Statement 2011/12

The Divisional Director, Risk Assessment, Audit Services introduced the report and informed Members that it had previously been signed off by the Chair of Council and the Chief Executive and was previously discussed at the May committee.

The Committee **RESOLVED** to note the issues within the Annual Governance report and to approve the letter of representation.

24 TREASURY MANAGEMENT OUTTURN 2011/12

The Divisional Director for Finance introduced the report and informed the Members that it represented a snapshot of the financial year. The Council was still looking to fund capital expenditure from cash flow rather than borrowing.

Cllr Laming asked about the West of England Revolving Investment Fund (para. 1.17) and where it was held. The officer assured the Members that it was invested safely in a Triple A rated investment and belonged to the West of England.

John Barker commended the finance team for their professionalism.

25 EXTERNAL AUDIT UPDATE REPORT

Wayne Rickard introduced the report whose purpose was to update the Committee on progress in delivering the external auditor's responsibilities. He asked the Committee to note that Grant Thornton would be appointed the Council's auditors as of 1st September 2012. He also informed the Committee that he was leaving the Audit Commission to take up another post and said that he had enjoyed working with the Council.

Cllr McRae thanked Mr Rickard for his service and professionalism.

The Chair concluded the meeting by thanking the external audit team.

The Committee **RESOLVED** to note the report.

The meeting ended at 7.40 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	4th December 2012	AGENDA ITEM NUMBER
TITLE:	External Audit Update	EXECUTIVE FORWARD PLAN REFERENCE: E
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 – Audit Fee for Council & Avon Pension Fund 2012/13		
Appendix 2 – Grant Certification Report 2011/12		

1 THE ISSUE

1.1 The new External Auditor – Grant Thornton – will update the Committee on their planned approach to the future audit of the Council and the Avon Pension Fund. Also being presented is the Fees Letter for 2012/13 and the Grant Certification report for 2011/12.

2 RECOMMENDATION

2.1 The Corporate Audit Committee is asked to note the update from the External Auditor including the planned fees for 2012/13 and the findings from Appendix 2.

3 FINANCIAL IMPLICATIONS

3.1 The planned fees are approximately a 30% reduction on the previous year and are therefore in line with budget proposals.

4 THE REPORT

4.1 Following the Government’s announcement in 2010 to abolish the Audit Commission the Committee has been kept up-to-date with the subsequent progress towards the their replacement as the external auditors of the Council and Avon Pension Fund. Following a national tendering exercise our new auditors are Grant Thornton and they will brief the committee on their approach to the audit of the Council and Pension Fund and any requests they have of the Audit Committee.

4.2 In addition attached at Appendix 1 is their fees letter for 2012/13 which sets out not only the planned audit fees but also a summary of the audit timetable and the key members of the audit team. Also attached at Appendix 2 is the Grant Certification report for 2011/12 which presents the findings from the Audit Commissions work on key grant claims relating to the Council.

4.3 The External Auditor will provide a verbal briefing on all these areas at the meeting.

5 RISK MANAGEMENT

5.1 A proportionate risk assessment has been carried out in relation to the Councils risk management guidance. There are no new significant risks or issues to report to the Committee as a result of this report.

6. EQUALITIES

6.1 A proportionate equalities impact assessment has been carried out using corporate guidelines, no significant issues to report.

7 CONSULTATION

7.1 Consultation has been carried out with the Section 151 Finance Officer and Strategic Director for Resources

Contact person	Jeff Wring (01225 47323)
Background papers	None
Please contact the report author if you need to access this report in an alternative format	



Andrew Pate
Strategic Director of Resources
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December 2012

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Dear Andrew

Planned audit fee for 2012/13

We are delighted to have been appointed by the Audit Commission as auditors to the Council and look forward to providing you with a high quality external audit service for at least the next five years. We look forward to developing our relationship with you over the coming months, ensuring that you receive the quality of external audit you expect and have access to a broad range of specialist skills where you would like our support.

The Audit Commission has set its proposed work programme and scales of fees for 2012/13. In this letter we set out details of the audit fee for the Council along with the scope and timing of our work and details of our team.

Scale fee

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

For 2012/13, the Commission has independently set the scale fee for all bodies. The Council's scale fee for 2012/13 is £164,039 which compares to the audit fee of £273,398 for 2011/12, a reduction of 40%.

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission's website at: www.audit-commission.gov.uk/scaleoffees1213.

The audit planning process for 2012/13, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

Our fee is based on the risk based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2012/13. It covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

Value for money conclusion

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. Our risk assessment is on-going and we will report the outcome of our risk assessment to the Council early in 2013. We will assess the Council's financial resilience as part of our work on the VFM conclusion and a separate report of our findings will be provided.

Certification of grant claims and returns

The Audit Commission has replaced the previous schedule of hourly rates for certification work with a composite indicative fee. This composite fee, which is set by the Audit Commission, is based on actual 2010/11 fees adjusted to reflect a reduction in the number of schemes which require auditor certification and incorporating a 40% fee reduction. The composite indicative fee for grant certification for the Council is £24,550.

Pension Fund audit

The Audit Commission has established a scale of fees for pension fund audits based on a fixed element with uplift based on the percentage of net assets. The scale fee for the audit of the pension fund is £28,804. Our work on the pension fund will be undertaken in August 2013 by our specialist pension fund audit team, led by Stephen Malyn.

Billing schedule

Our fees are billed quarterly in advance. Given the timing of our appointment we will raise a bill for two quarters in December 2012 with normal quarterly billing thereafter. Our fees will be billed as follows:

Main Audit fee	£
December 2012	82,019
January 2013	41,010
March 2013	41,010
Grant Certification	
June 2013	24,550
Total	188,589
Pension Fund audit	
September 2013	28,804

Outline audit timetable

We will undertake our audit planning and interim audit procedures in the period January to March 2013. Upon completion of this phase of our work we will issue our detailed audit plan

setting out our findings and details of our audit approach. Our final accounts audit, work on the VFM conclusion 2013 and work on the whole of government accounts return will be completed in September 2013.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	January to March 2013	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VFM.
Final accounts audit	June to Sept 2013	Report to those charged with governance	This report will set out the findings of our accounts audit and VFM work for the consideration of those charged with governance.
VFM conclusion	Jan to Sept 2013	Report to those charged with governance	As above
Financial resilience	Jan to Sept 2013	Financial resilience report	Report summarising the outcome of our work.
Whole of government accounts	September 2013	Opinion on the W/GA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2013	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to December 2013	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2012/13 are:

	Name	Phone Number	E-mail
Engagement Lead	Barrie Morris	01173 057708 07771 976684	Barrie.Morris@uk.gt.com
Engagement Manager	Chris Hackett	01173 057876 07880 456130	Chris.I.Hackett@uk.gt.com
Pensions Audit Manager	Chris Hackett	01173 057876 07880 456130	Chris.I.Hackett@uk.gt.com
Audit Executive	Louise Luke	01173 057863	Louise.M.Luke@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact John Golding, our Public Sector Assurance regional lead partner (John.Golding@uk.gt.com).

Yours sincerely



Barrie Morris
For Grant Thornton UK LLP

Bath & North East Somerset Council

Certification work report 2011/12

November 2012

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2	Results of our certification work	3

Appendices

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B	Details of claims and returns certified for 2011/12	6

1 Executive Summary

Introduction

- 1.1 The Council's auditors, acting as agents of the Audit Commission, are required to certify the claims submitted by the Council. This certification typically takes place some 6-12 months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.
- 1.2 The Council's auditors for 2011/12 were the Audit Commission's in house Audit Practice. Prior to its closure on 31 October 2012, the Audit Practice certified four claims and returns for the financial year 2011/12 relating to expenditure of £278 million.
- 1.3 We present this report as the Council's new auditors, summarising the work of the previous auditor. This report summarises the external audit assessment of the Council's management arrangements in respect of the certification process and draws attention to significant matters in relation to individual claims.

Approach and context to certification

- 1.4 The external auditor provides a certificate on the accuracy of grant claims and returns to various government departments and other agencies. Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.
- 1.5 Appendix A sets out an overview of the approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform.

Key messages

- 1.6 It should be noted that all work reported in this certification report was completed by the Audit Commission prior to our appointment as the Council's auditors. The findings set out in this report therefore represent the results of your previous auditors work.
- 1.7 A summary of all claims and returns subject to certification and details of the certification fee is provided at Appendix B. The key messages from the review are summarised in Exhibit One, and set out in the next section of the report.

Arrangements for certification for claims and returns:

- below £125,000 - no certification
- above £125,000 and below £500,000 - agreement to underlying records
- over £500,000 - agreement to underlying records and assessment of control environment. Where full reliance cannot be placed, detailed testing.

Exhibit One: Summary of Council performance

Aspect of certification arrangements	Key Message
Submission and certification	All claims were submitted on time to audit and all claims were certified within the required deadline.
Accuracy of claim forms submitted to the auditor	Overall the Council is performing well and there are no significant matters arising from our certification of claims and returns.
Amendments and qualifications	Qualifications were made to 2 of the 4 claims and relatively minor amendments were made to three claims.
Supporting working papers	Supporting working papers for the majority of claims and returns were good, which enabled certification within the deadlines. There were some issues with supporting documentation for the Land Stabilisation claim, where some records were lost due to flooding damage. This claim related to work covering an extended period, the lost records occurred some ten years ago. The issue was reported in the qualification letter.

The way forward

- 1.8 We have not made any recommendations in relation to the administration of grant claims.

Acknowledgements

- 1.9 We would like to take this opportunity to thank Council officers for their assistance and co-operation during the course of the certification process.

Grant Thornton UK LLP

November 2012

2 Results of our certification work

Key messages

- 2.1 Four claims and returns for the financial year 2011/12 relating to expenditure of £278 million have been certified.
- 2.2 The Council's performance in preparing claims and returns is summarised in Exhibit Two.

Exhibit Two: Performance against key certification targets

Performance measure	Target	Achievement in 2011-12		Achievement in 2010-11		Direction of travel
		No.	%	No.	%	
Total claims/returns		4		5		
Number of claims submitted on time	100%	4	100	5	100	→
Number of claims certified on time	100%	4	100	5	100	→
Number of claims certified with amendment	0%	3	75	3	60	↓
Number of claims certified with qualification	0%	2	50	2	40	↑

- 2.3 This analysis of performance shows that:
- The Council is maintaining a good level of performance in relation to the administration of its claims;
 - the audit amendments and qualifications were for relatively minor issues.
- 2.4 Details on the certification of all claims and returns are included at Appendix B.
- 2.5 Your previous auditors, the Audit Commission, charged a total fee of £46,158 for 2011/12 work. This compares to fees of £37,824 for the certification of claims and returns in 2010/11 and £51,093 in 2009/10. The variation in fees reflects changes in the claims requiring certification, for example the land stabilisation claim which only required certification in 2011/12. Details of fees charged for specific claims and returns are included at Appendix B.

A Approach and context to certification

Introduction

In addition to our responsibilities under the Code of Audit Practice, we also act as agents for the Audit Commission in reviewing and providing a certificate on the accuracy of grant claims and returns to various government departments and other agencies.

The Audit Commission agrees with the relevant grant paying body the work and level of testing which should be completed for each grant claim and return, and set this out in a grant Certification Instruction (CI). Each programme of work is split into two parts, firstly an assessment of the control environment relating to the claim or return and secondly, a series of detailed tests.

In summary the arrangements are:

- for amounts claimed below £125,000 - no certification required
- for amounts claimed above £125,000 but below £500,000 - work is limited to certifying that the claim agrees to underlying records of the Council
- for amounts claimed over £500,000 - an assessment of the control environment and certifying that the claim agrees to underlying records of the Council. Where reliance is not placed on the control environment, detailed testing is performed.

Our certificate

Following our work on each claim or return, we issue our certificate. The wording of this depends on the level of work performed as set out above, stating either the claim or return is in accordance with the underlying records, or the claim or return is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

- without qualification;
- without qualification but with agreed amendments incorporated by the authority; or
- with a qualification letter (with or without agreed amendments incorporated by the authority).

Where a claim is qualified because the authority has not complied with the strict requirements set out in the certification instruction, there is a risk that grant-paying bodies will retain funding claimed by the authority or, claw back funding which has already been provided or has not been returned. In addition, where claims or returns require amendment or are qualified, this increases the time taken to undertake this work, which impacts on the certification fee.

Certification fees

Each year the Audit Commission sets a schedule of hourly rates for different levels of staff, for work relating to the certification of grant claims and returns. When billing the Council for this work, we are required to use these rates. They are shown in the table below.

Role	2011/12	2010/11
Engagement lead	£325	£325
Manager	£180	£180
Senior auditor	£115	£115
Other staff	£85	£85

B Details of claims and returns certified for 2011/12

Claim or return	Value (£)	Amended?	Amendment Amount (£)	Qualified?	Fee 2010/11 (£)	Fee 2011/12 (£)	Comments
Housing and council tax benefit scheme	60,620,309	YES	4,120 increase	YES	26,854	31,399	
National non-domestic rates return	58,342,250	YES	90,562 decrease	NO	5,012	6,307	
Teachers' pensions return	8,175,379	YES	166 increase	NO	4,648	2,866	
Land Stabilisation	150,489,455	NO	NONE	YES	N/A	5,586	one-off claim
Total	277,627,393		86,276 net decrease		36,514	46,158	

Note in 2010/11 a Sure Start Claim and a Disabled Facilities Claim was also certified.

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Bath & North East Somerset Council	
MEETING:	Corporate Audit Committee
MEETING DATE:	4th December 2012
TITLE:	Treasury Management Monitoring Report to 30th September 2012
WARD:	All
AN OPEN PUBLIC ITEM	
<p>List of attachments to this report:</p> <p>Appendix 1 – Performance Against Prudential Indicators Appendix 2 – The Council’s Investment Position at 30th September 2012 Appendix 3 – Average monthly rate of return for 1st 6 months of 2012/13 Appendix 4 – The Council’s External Borrowing Position at 30th September 2012 Appendix 5 – Sterling Consultant’s Economic & Market Review of 2012/13 Appendix 6 – Interest & Capital Financing Budget Monitoring 2012/13 Appendix 7 – Summary Guide to Credit Ratings</p>	

THE ISSUE

- 1.1 In February 2012 the Council adopted the 2011 edition of the CIPFA Treasury Management in the Public Services: Code of Practice, which requires the Council to approve a Treasury Management Strategy before the start of each financial year, review performance during the year, and approve an annual report after the end of each financial year, for this to be scrutinised by an individual / group of individuals or committee.
- 1.2 This report gives details of performance against the Council’s Treasury Management Strategy and Annual Investment Plan 2012/13 for the first six months of 2012/13.

RECOMMENDATION

The Corporate Audit Committee agrees that:

- 1.3 the Treasury Management Report to 30th September 2012, prepared in accordance with the CIPFA Treasury Code of Practice, is noted
- 1.4 the Treasury Management Indicators to 30th September 2012 are noted.

FINANCIAL IMPLICATIONS

- 1.5 The financial implications are contained within the body of the report.

THE REPORT

Summary

- 1.6 The average rate of investment return for the first six months of 2012/13 is 1.00%, which is 0.53% above the benchmark rate.
- 1.7 The Councils Prudential Indicators for 2012/13 were agreed by Council in February 2012 and performance against the key indicators is shown in **Appendix 1**. All indicators are within target levels.

Summary of Returns

- 1.8 The Council's investment position as at 30th September 2012 is given in **Appendix 2**. The balance of deposits as at 30th June 2012 & 30th September 2012 are also set out in the pie charts in this appendix.
- 1.9 The Council is the Accountable Body for the West of England Revolving Investment Fund (RIF) and received grant funding of £57 million at the end of the 2012/13 financial year. The Council acts as an agent and holds these funds on behalf of the West of England Local Enterprise Partnership until they are allocated in the form of repayable grants to the constituent Local Authorities to meet approved infrastructure costs. Since these funds are invested separately from the Council's cash balances and have been placed short term with the Debt Management Office and other Local Authorities, they are excluded from figures given in this report.
- 1.10 Gross interest earned on investments for the first six months totalled £519k. Net interest, after deduction of amounts due to West of England Growth Points, B&NES PCT and schools, is £433k. **Appendix 3** details the investment performance, the average rate of interest earned over this period was 1.00%, which is 0.53% above the benchmark rate of average 7 day LIBID +0.05% (0.47%).

Summary of Borrowings

- 1.11 No new borrowing has taken place in 2012/13. The Council's total borrowing is currently £120 million. The Council's Capital Financing Requirement (CFR) as at 31st March 2012 was £136.1 million with a projected total of £170 million by the end of 2012/13 based on the capital programme approved at February 2012 Council. This represents the Council's need to borrow to finance capital expenditure, and demonstrates that the borrowing taken to date relates to funding historical capital spend.
- 1.12 Following Local Government Reorganisation in 1996, Avon County Council's residual debt is administered by Bristol City Council. All successor Unitary Authorities make an annual contribution to principal and interest repayment, for which there is a provision in the Council's revenue budget. The amount of residual debt outstanding as at 31st March 2012 apportioned to Bath & North East Somerset Council is £15.77m. Since this borrowing is managed by Bristol City Council and treated in the Council's Statement of Accounts as a deferred liability, it is not included in the borrowing figures referred to in paragraph 5.5.
- 1.13 The current borrowing portfolio is shown in **Appendix 4**.

Strategic & Tactical Decisions

- 1.14 As shown in the charts at **Appendix 2**, investments continue to be focussed on UK banks that have either already or are likely to receive support from the UK Government should they experience financial difficulties. As at 30th September 2012, £8.0m was invested with other Local Authorities to increase diversification whilst maintaining strong counterparty rating. To increase diversification further, the Council now invests in AAA rated Money Market funds as authorised in the 2012/13 Treasury Management Strategy. The amount invested with the Debt Management Office continues to remain between 0-10% of total investments.
- 1.15 Due to concerns related to the current Eurozone debt situation, the Council does not currently hold any direct investments with banks in countries within the Eurozone. The Council's investment counterparty list does not include any banks from the countries most affected by the debt situation in the Eurozone (Portugal, Ireland, Greece, Spain and Italy).
- 1.16 As previously reported, the downgrading of many UK banks by the credit rating agencies places an increasing challenge for the delivery of the Council's Treasury Management requirements. In the short term this can be accommodated within the approved Treasury Management Strategy although any further significant changes may require an interim review of the Strategy.
- 1.17 Based on current Borrowing and Investment rates, it is envisaged that we will continue to utilise the Council's cash flow balances to meet approved capital expenditure and delay draw down of any new borrowing. Working closely with our Treasury advisers we also continue to monitor opportunities to repay or refinance historic debt positions although current market conditions mean the repayment premiums attached to early redemptions significantly outweigh the potential benefits in terms of reduce debt costs.
- 1.18 The Council's average investment return remains in line with budget at 1% although the continued reduction in current market rates (as reflected in the advisors review at **Appendix 5**) will inevitably impact on this return going forwards. We will continue to review opportunities with our advisors, within the limits set in the Council's current Treasury Strategy.

Future Strategic & Tactical Issues

- 1.19 Our treasury management advisors economic and market review for the first quarter 2012/13 is included in **Appendix 5**.
- 1.20 The Bank of England base rate has remained constant at 0.50% since March 2009.

Budget Implications

- 1.21 A breakdown of the revenue budget for interest and capital financing and the forecast year end position based on the period April to September is included in **Appendix 6**. This is currently forecast to remain on target for 2012/13.

RISK MANAGEMENT

1.22 The Council's lending & borrowing list is regularly reviewed during the financial year and credit ratings are monitored throughout the year. All lending/borrowing transactions are within approved limits and with approved institutions. Investment & Borrowing advice is provided by our Treasury Management consultants Sterling.

1.23 The 2009 edition of the CIPFA Treasury Management in the Public Services: Code of Practice requires the Council nominate a committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies. In May 2010, the Council's treasury advisors provided training to the Corporate Audit Committee in February 2012 to carry out this scrutiny.

1.24 In addition, the Council maintain a risk register for Treasury Management activities, which is regularly reviewed and updated where applicable during the year.

EQUALITIES

1.25 This report provides information about the financial performance of the Council and therefore no specific equalities impact assessment has been carried out on the report.

CONSULTATION

1.26 Consultation has been carried out with the Cabinet Member for Community Resources, Section 151 Finance Officer, Chief Executive and Monitoring Officer.

1.27 Consultation was carried out via e-mail.

1.28 This report was also presented to November Cabinet and November Council.

ISSUES TO CONSIDER IN REACHING THE DECISION

1.29 This report deals with issues of a corporate nature.

ADVICE SOUGHT

1.30 The Council's Monitoring Officer (Council Solicitor) and Section 151 Officer (Divisional Director - Finance) have had the opportunity to input to this report and have cleared it for publication.

Contact person	<i>Tim Richens - 01225 477468 ; Jamie Whittard - 01225 477213</i> Tim_Richens@bathnes.gov.uk Jamie_Whittard@bathnes.gov.uk
Background papers	<i>2012/13 Treasury Management & Investment Strategy</i>
Please contact the report author if you need to access this report in an alternative format	

APPENDIX 1

Performance against Treasury Management Indicators agreed in Treasury Management Strategy Statement

1. Authorised limit for external debt

These limits include current commitments and proposals in the budget report for capital expenditure, plus additional headroom over & above the operational limit for unusual cash movements.

	2012/13 Prudential Indicator	2012/13 Actual as at 30th Sep. 2012
	£'000	£'000
Borrowing	171,000	120,000
Other long term liabilities	2,000	0
Cumulative Total	173,000	120,000

2. Operational limit for external debt

The operational boundary for external debt is based on the same estimates as the authorised limit but without the additional headroom for unusual cash movements.

	2012/13 Prudential Indicator	2012/13 Actual as at 30th Sep. 2012
	£'000	£'000
Borrowing	161,000	120,000
Other long term liabilities	2,000	0
Cumulative Total	163,000	120,000

3. Upper limit for fixed interest rate exposure

This is the maximum amount of total borrowing, which can be at fixed interest rate, less any investments for a period greater than 12 months, which has a fixed interest rate.

	2012/13 Prudential Indicator	2012/13 Actual as at 30th Sep. 2012
	£'000	£'000
Fixed interest rate exposure	171,000	100,000*

* The £20m of LOBO's are quoted as variable rate in this analysis as the Lender has the option to change the rate at 6 monthly intervals (the Council has the option to repay the loan should the rate increase)

4. Upper limit for variable interest rate exposure

While fixed rate borrowing contributes significantly to reducing uncertainty surrounding interest rate changes, the pursuit of optimum performance levels may justify keeping flexibility through the use of variable interest rates. This is the maximum amount of total borrowing which can be at variable interest rates less any investments at variable interest rates (this includes any investments that have a fixed rate for less than 12 months).

	2012/13 Prudential Indicator	2012/13 Actual as at 30th Sep. 2012
	£'000	£'000
Variable interest rate exposure	0	-88,400*

*This is the variable rate debt (LOBOs of £20m) less the £88.4m variable rate investments.

5. Upper limit for total principal sums invested for over 364 days

This is the maximum % of total investments, which can be over 364 days. The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments.

	2012/13 Prudential Indicator	2012/13 Actual as at 30th Sep. 2012
	£'000	£'000
Investments over 364 days	30,000	1,000

6. Maturity Structure of new fixed rate borrowing during 2012/13

This indicator is set to control the Council's exposure to refinancing risk.

	Upper Limit	Lower Limit	2012/13 Actual as at 30th Sep. 2012
	%	%	%
Under 12 months	50	Nil	0
12 months and within 24 months	50	Nil	0
24 months and within 5 years	50	Nil	0
5 years and within 10 years	50	Nil	0
10 years and above	100	Nil	100

7. Average Credit Rating

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the weighted average credit rating of its investment portfolio. A summary guide to credit ratings is set out at **Appendix 7**

	2012/13 Prudential Indicator	2012/13 Actual as at 30th Sep. 2012
	Rating	Rating
Minimum Portfolio Average Credit Rating	A+	AA-

APPENDIX 2

The Council's Investment position at 30th September 2012

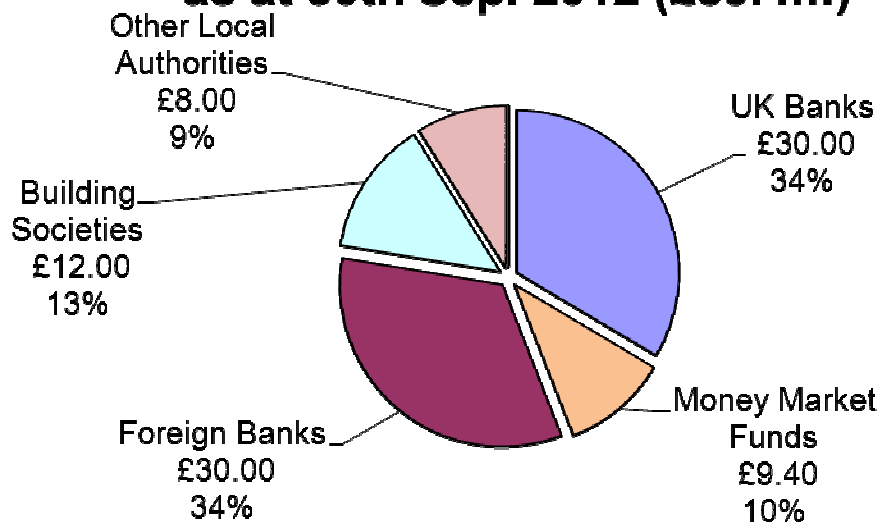
	Balance at 30 th September 2012
	£'000's
Notice (instant access funds)	9,400
Up to 1 month	17,000
1 month to 3 months	15,000
Over 3 months	48,000
Total	89,400

The investment figure of £89.4 million is made up as follows:

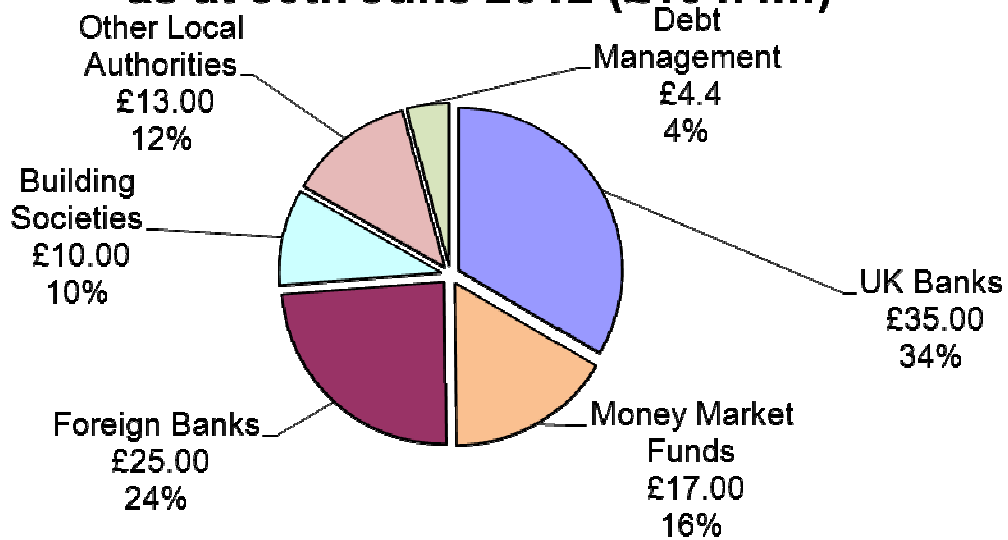
	Balance at 30 th September 2012
	£'000's
B&NES Council	68,713
B&NES PCT	10,796
West Of England Growth Points	1,159
Schools	8,732
Total	89,400

The Council had an average net positive balance of £94.0m (including Growth Points & B&NES PCT Funding) during the period April 2012 to September 2012.

**Chart 1: Council Investments
as at 30th Sep. 2012 (£89.4m)**



**Chart 2: Council Investments
as at 30th June 2012 (£104.4m)**



**Chart 3: Council Investments per Lowest Equivalent
Long-Term Credit Ratings (£89.4 m) -
30th Sep 2012**

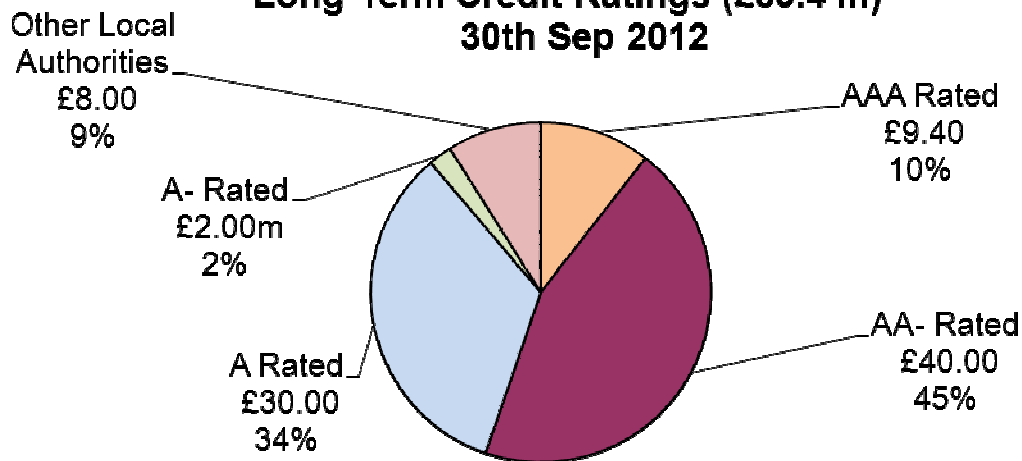
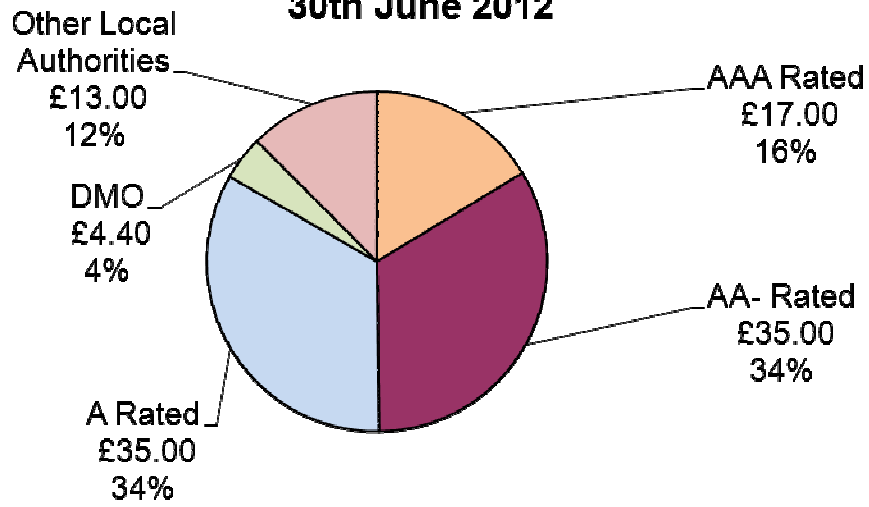


Chart 4: Council Investments per Lowest Equivalent Long-Term Credit Ratings (£104.4 m) - 30th June 2012



APPENDIX 3

Average rate of return on investments for 2012/13

	April %	May %	June %	July %	August %	Sept. %	Average for Period
Average rate of interest earned	1.11%	1.10%	1.03%	1.01%	0.87%	0.88%	1.00%
Benchmark = Average 7 Day LIBID rate +0.05% (source: Sterling)	0.50%	0.50%	0.49%	0.47%	0.45%	0.44%	0.47%
Performance against Benchmark %	+0.61%	+0.60%	+0.54%	+0.54%	+0.42%	+0.44%	+0.53%

APPENDIX 4

Councils External Borrowing at 30th September 2012

LONG TERM	Amount	Fixed Term	Interest Rate	Variable Term	Interest Rate
PWLB	10,000,000	30 yrs	4.75%	n/a	n/a
PWLB	20,000,000	48 yrs	4.10%	n/a	n/a
PWLB	10,000,000	46 yrs	4.25%	n/a	n/a
PWLB	10,000,000	50 yrs	3.85%	n/a	n/a
PWLB	10,000,000	47 yrs	4.25%	n/a	n/a
PWLB	5,000,000	25 yrs	4.55%	n/a	n/a
PWLB	5,000,000	50 yrs	4.53%	n/a	n/a
PWLB	5,000,000	20 yrs	4.86%	n/a	n/a
PWLB	10,000,000	18 yrs	4.80%	n/a	n/a
PWLB	15,000,000	50 yrs	4.96%	n/a	n/a
KBC Bank N.V*	5,000,000	2 yrs	3.15%	48 yrs	4.50%
KBC Bank N.V*	5,000,000	3 yrs	3.72%	47 yrs	4.50%
Eurohypo Bank*	10,000,000	3 yrs	3.49%	47 yrs	4.50%
TOTAL	120,000,000				

*All LOBO's (Lender Option / Borrower Option) have reached the end of their fixed interest period and have reverted to the variable rate of 4.50%. The lender has the option to change the interest rate at 6 monthly intervals, however at this point the borrower also has the option to repay the loan without penalty.

APPENDIX 5

Economic and market review for April 2012 to September 2012 (Sterling Consultancy Services)

The European Central Bank's (ECB) Long-Term Refinancing Operations (LTRO), in which the central bank supplied cheap funding to the Eurozone banking system, initiated a calmer period of financial market activity in the first quarter of the year relative to recent times. The calm was not to last, however, as the ECB intervention did not address the root causes of the Eurozone sovereign debt crisis, i.e. unsustainable debt levels in uncompetitive countries.

A number of events pushed the crisis back to the fore: the two Greek general elections, the failure of Spanish bank Bankia and subsequent bailout speculation for the sector, and signs that the Eurozone economy was experiencing a deeper downturn in economic activity than previously expected. Throughout the quarter, Germany resisted pressure for regional debt mutualisation or a banking union, unprepared to risk the moral hazard of supporting profligate Mediterranean countries. Meanwhile, yields on Spanish 10-year government bonds regularly exceeded seven percent, the danger level at which Ireland and Portugal approached the Eurozone/IMF for bailouts. Risk appetite plummeted; the FTSE 100 dropped 3.4% over the three months to June (it was down 8.8% at the end of May), while yields on safe haven bonds, including UK gilts and German bunds, regularly dipped to new record lows.

As the situation deteriorated, leaders made some progress towards a solution, prompted by the realisation that the link between sovereign and bank needed to be broken. At the EU summit at the end of June leaders agreed that the yet-to-be initiated bailout fund, the European Stability Mechanism (ESM), would have more flexibility, allowing it to buy the debt of struggling countries or directly recapitalise banks. These proposals appear close to implementation after the German Constitutional Court rejected claims the plan represented a transfer of power from Berlin to Brussels. Perhaps more significantly, the ECB announced a new policy at its September meeting, Outright Monetary Transactions, a plan for unlimited purchases of the short term sovereign debt of countries that applied to the Eurozone bailouts funds for financial assistance. The highly anticipated pledge reduced the risk of a short term collapse of the Eurozone, boosting risk appetite and prompting a significant reduction in Italian and Spanish government bond yields.

The reaction to the on-going sovereign crisis was exacerbated by the developing slowdown in global economic growth, as the Eurozone recession and uncertainty depressed confidence and business activity in other large economies. The US economy stuttered over the six months to September, resulting in significantly slower employment growth. This situation prompted the Federal Reserve to implement uncapped QE at its September meeting, pledging to purchase €40bn a month of mortgage financial assets until the economy and the labour market recovers. Slowing Chinese growth prompted multiple cuts in interest rates and the relaxation of commercial lending criteria by the People's Bank of China, while the Reserve bank of Australia followed suite and cut interest rates in early October. The deteriorating outlook for global growth had a significant impact on commodity prices, particularly oil prices. Over May and June the price of Brent crude fell around 30% from its April peak of \$126 per barrel, although prices subsequently recovered part of these losses. At the end of September, the price was around \$115 per barrel.

In the UK the recession continued into quarter two, with the loss of a working day to the Jubilee bank holiday the primary factor. However, the UK was highly exposed to the

uncertainty emanating from the Eurozone, and data during Q3 suggested that, despite the probable exit from recession due to technical reasons, underlying business conditions had weakened. Trade data indicated that goods exports to the Eurozone declined, a particular problem for a manufacturing sector struggling with weak domestic demand. The variable summer weather and the Olympics weighed on consumer activity, while construction sector output continued to decline amid both a weak housing market and a reduction in government capital spending.

The banking sector and credit bottleneck were perceived to be an important factor holding back economic recovery, prompting HM Treasury and the Bank of England to announce two schemes in June to reduce bank funding costs and increase the availability of cheaper finance for businesses. The Bank's intervention in the money markets placed downward pressure on Libor rates; 3-month LIBOR declined around 40 basis points during the half year to 0.60%. The deteriorating domestic and global economic conditions also boosted support for further monetary stimulus. The MPC duly increased the Asset Purchase Facility by £50bn to £375bn in July, the third tranche of quantitative easing, and looks set to extend the facility further in November after disappointing economic data.

APPENDIX 6

Interest & Capital Financing Costs – Budget Monitoring 2012/13 (April to September)

April to September 2012	YEAR END FORECAST			ADV/FAV
	Budgeted Spend or (Income) £'000	Forecast Spend or (Income) £'000	Forecast over or (under) spend £'000	
Interest & Capital Financing				
- Debt Costs	6,200	6,200		
- Internal Repayment of Loan Charges	(5,362)	(5,362)		
- Ex Avon Debt Costs	1,432	1,432		
- Minimum Revenue Provision (MRP)	4,440	4,440		
- Interest on Balances	(492)	(492)		
Sub Total - Capital Financing	6,218	6,218		

APPENDIX 7
Summary Guide to Credit Ratings

Rating	Details
AAA	Highest credit quality – lowest expectation of default, which is unlikely to be adversely affected by foreseeable events.
AA	Very high credit quality - expectation of very low default risk, which is not likely to be significantly vulnerable to foreseeable events.
A	High credit quality - expectations of low default risk which may be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
BBB	Good credit quality - expectations of default risk are currently low but adverse business or economic conditions are more likely to impair this capacity.
BB	Speculative - indicates an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time.
B	Highly speculative - indicates that material default risk is present, but a limited margin of safety remains. Capacity for continued payment is vulnerable to deterioration in the business and economic environment.
CCC	Substantial credit risk - default is a real possibility.
CC	Very high levels of credit risk - default of some kind appears probable.
C	Exceptionally high levels of credit risk - default is imminent or inevitable.
RD	Restricted default - indicates an issuer that has experienced payment default on a bond, loan or other material financial obligation but which has not entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, and which has not otherwise ceased operating.
D	Default - indicate an issuer that has entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, or which has otherwise ceased business.

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Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	4 th December 2012	AGENDA ITEM NUMBER
TITLE:	Internal Audit 2012/13 Plan – Update	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendices 1 & 2 Audit & Risk Dashboards Quarter 2 2012/13		

1 THE ISSUE

1.1 The Annual Internal Audit Plan for 2012/13 was presented to the Corporate Audit Committee on the 15th May 2012. This report has been compiled to provide an update to the Committee on progress against the Plan and the results of Internal Audit work completed.

2 RECOMMENDATION

2.1 The Corporate Audit Committee is asked to note progress made against the Internal Audit Plan for 2012/13.

3 FINANCIAL IMPLICATIONS

3.1 There are no direct financial implications relevant to this report.

4 THE REPORT

4.1 Robust and accurate performance measurement and reporting is critical for an organisation to ensure that timely and effective decisions can be made. To aid and inform the committee Appendices 1 & 2 provide detail on key performance information related to the Audit and Risk function.

4.2 As at the end of Quarter 2, the Audit & Risk Team had completed or had work in progress amounting to 43% of the planned work. Therefore, at the half way stage through the financial year the Audit & Risk Team are behind on completing the 'planned' work for 2012/13. This is not wholly unexpected and can be explained as follows.

- 4.3 As previously reported, the planned work listing was compiled based on available audit days. We had made allocation for leave, training, administration / management and Academy School Work. However, we deliberately did not allow any contingency for 'unplanned' work, i.e. Consultancy / Advisory / Investigations. The intention, as stated at the May 2013 Committee meeting, was to drop lower 'risk' planned audits as and when 'unplanned' work consumed productive audit days. So for example, the Team had to spend 60 days on work within Tourism, Leisure & Culture. This was 'unplanned' so this will result in audits of the equivalent days being deducted from planned audit work.
- 4.4 Unplanned work to end of Quarter 2 totalled 130 days. This is an increase in the proportion of 'unplanned' work compared to the figures for 2011/12. The percentage of unplanned work has increased from 14% to 20%.
- 4.5 In addition to the significant level of 'unplanned' work a number of other considerations need to be reported:
- 1) One member of the Audit & Risk Team has been seconded to the Procurement Team in order to complete work which will contribute significantly to the financial savings required by the Council.
 - 2) A number of audit reviews required additional work to be carried out increasing the audit days allocated. This included audits included in the 2011/12 Audit Plan which were 'Work-In-Progress' at the time the 2012/13 Plan was compiled. The days recorded for '2011/12 carry forward' in the 2012/13 was therefore understated, impacting on days available to complete 2012/13 planned work.
- 4.6 The secondment of one of the Audit Team Managers to the Procurement Team resulted in a loss of 133 productive days. To help compensate for the loss a part-time Senior Auditor agreed to increase their hours to provide an additional 36 productive days per annum, resulting in a net loss of 97 productive days. This equates overall to a net 6% loss in productive days.
- 4.7 The second part of the Dashboard records the 2012/13 Audit Plan. This records that 20 Audit Reports have been finalised during the first two quarters of 2012/13. The Audit work related to School Theme Governance Standards did not result in an Audit Report. This work was to develop new financial standards for Schools.
- 4.8 Of the 20 Audit Reviews, 70% were assessed at an Assurance Level of 3 or above (Adequate to Good Framework of Internal Control). 6 reviews were assessed at a 'Weak' Assurance Level (Level 2).
- 4.9 The audits identifying weak systems of internal control included:
- 1) Radstock Community Store - This store managed and administered by the Sirona (previously the Primary Care Trust) holds equipment financed and owned by the Council. There were 8 'High' Risk weaknesses identified all linked to the safeguarding of assets and reliability and integrity of information which resulted in a 'Weak' rating being allocated. Sirona's Head of Facilities agreed with the Audit recommendations and recent enquiries have confirmed that the recommendations have been implemented.

2) Payroll Additions & Deductions - This 'Weak' Assurance rating was assigned based on the scope of the audit and its findings and is not an assessment of the whole Payroll system. The four 'key' weaknesses identified were related to: 1) limited control of individual payroll files within People Services; 2) limited documentation confirming individual's entitlement to Essential Car User Payments; 3) incomplete 'input' documentation, i.e. timesheets, enabling a full audit trail to be maintained of time worked / claimed; 4) inaccuracies in a small number of employee pension deductions, primarily related to the rates being applied when employees returned from maternity leave. This audit is to be 'followed-up' in Quarter 4 2012/13.

3) Homefinders - This long running scheme enabled individuals to access private rented housing through loans for deposit and first month's rent. The framework of controls to ensure the effective monitoring and recovery of loans were assessed as weak. This audit is to be 'followed-up' in Quarter 4 2012/13.

4) Supplier Account & Contract Set-Up - The focus of this audit was to undertake testing on the set up of suppliers based on recent fraud alerts relating to attempts by fraudsters to set up / change supplier bank details. Whilst there were some good controls in obtaining independent verification of bank details from suppliers via contacting head offices there were examples of amending bank details on receipt of emails alone which had limited or no management checks. The lack of such checks exposes the Council to a higher risk of fraud with limited opportunity for early prevention or detection prior to a complaint from a supplier. Reliance on external complaints is limited and any such complaints could be suppressed or hidden.

5) Catering - The majority of this service's trading activity is in relation to School Meals. Changes to School funding next April will require schools to decide on how this service is to be provided, a significant change. In addition to some operational weaknesses, i.e. reconciling income, there were some elements of the future planning of the service in relation to School funding which were considered 'weak'.

6) Tenancy Fraud – The Council had not yet fully developed its Tenancy Fraud Strategy including formal procedures for investigation and data sharing with Registered Providers when tenancy fraud is suspected.

4.10 In addition to the 'finalised' audit work a further 5 Audit Reviews were at 'draft' report stage, and another 11 were 'Work-In-Progress'.

4.11 It has been reported to Committee previously that the Audit & Risk Team have been successful in being appointed as the "Responsible Officer" (in effect, an Internal Auditor) for 8 Academy Schools and The Link School. During 2012/13, Ralph Allen School requested our services, whilst Hayesfield School decided to contract with an external firm to provide a comprehensive Internal Audit Service. The new Academy Financial Handbook was issued in September 2012 and this provided Schools with further guidance on the Responsible Officer role. The Audit & Risk Team will be able to continue providing a contracted service to Schools but the actual role of Responsible Officer must be carried out by a School Governor.

5 RISK MANAGEMENT

5.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

6 EQUALITIES

6.1 A proportionate equalities impact assessment has been carried out in relation to this report. There are no significant issues to report to the Committee.

7 CONSULTATION

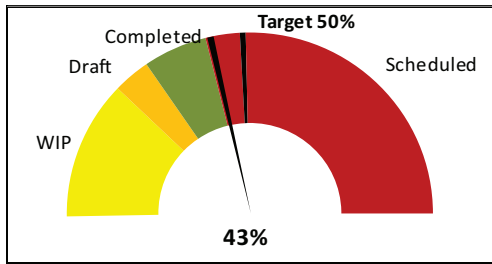
7.1 The report was distributed to the S151 Officer for Consultation.

Contact person	<i>Andy Cox (01225 477316) Jeff Wring (01225 477323)</i>
Background papers	<i>Report to Corporate Audit Committee – 15th May 2012 – Internal Audit - Annual Report</i>
Please contact the report author if you need to access this report in an alternative format	

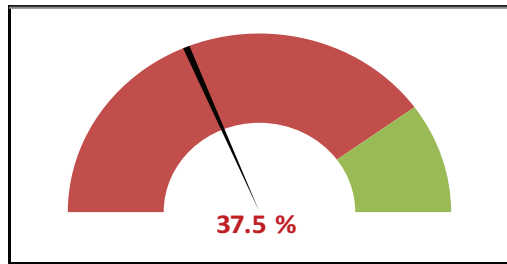
Audit & Risk Dashboard Quarter 2 2012/13

Internal Audit

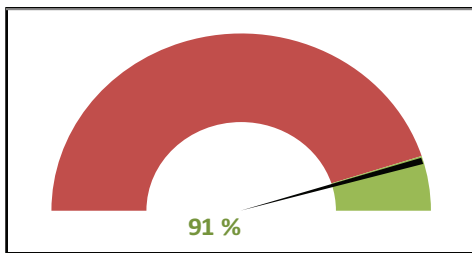
Annual Audit Plan Completed



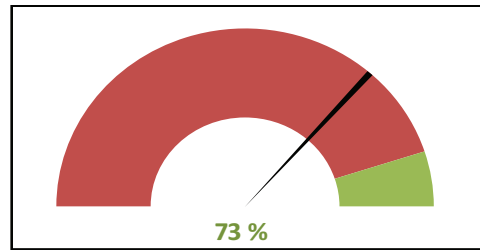
Audit Reviews Completed in Assigned Days



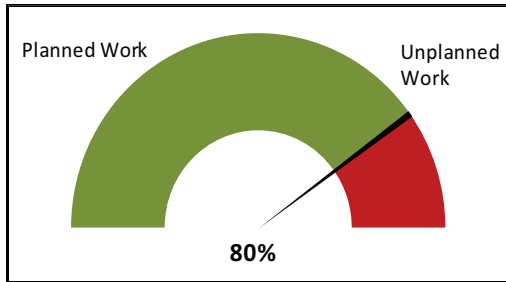
Customer Satisfaction - Good or Excellent



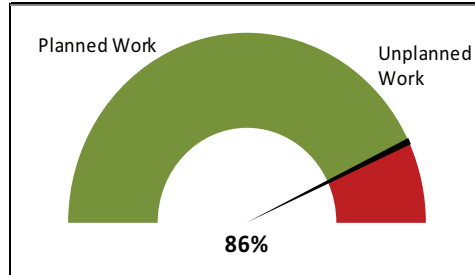
Recommendations (Critical / High) Implemented by Follow Up



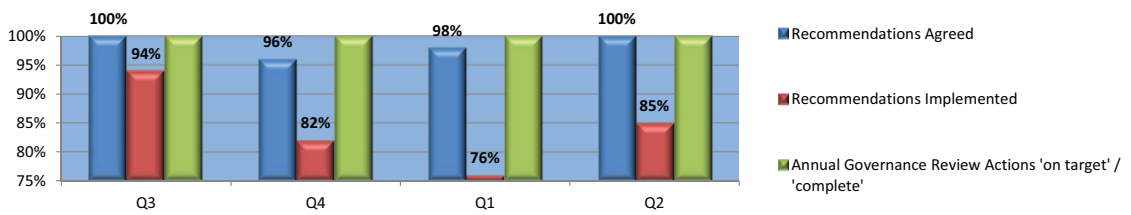
Planned V Unplanned Work 2012/13



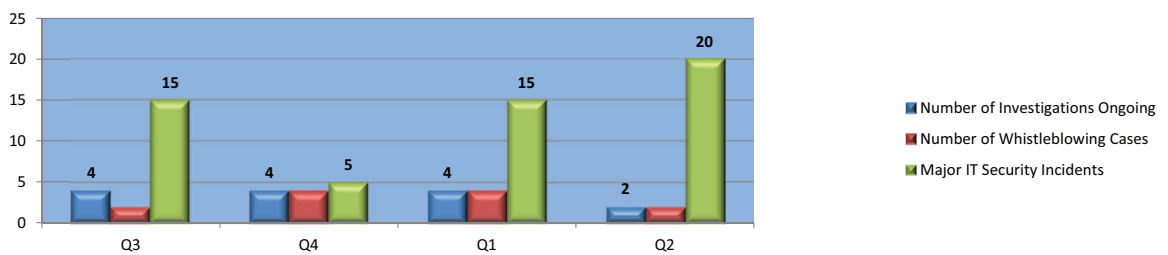
Planned V Unplanned Work 2011/12



Overall Audit Recommendations



Investigations/Whistleblowing



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Audit Reviews (Position As At End of Q2)					
Audit Plan Year	Final Report Date (Month)	Audit Review Title	Assurance Level	Recommendations	
				Made	Agreed
2011/12	Apr-12	Radstock Road Community Store	2	8	8
2011/12	May-12	Payroll Additions & Deductions	2	6	6
2011/12	N/A	School Theme - Governance Arrangements (Corporate Work New Financial Standard)	N/A	N/A	
2011/12	Jul-12	Accounting Arrangements Asset Management	3	8	8
2011/12	May-12	Land Charges	3	8	7
2011/12	May-12	HB - Processing Claims	3	3	3
2011/12	Aug-12	Housing Allocations (Homefinders)	2	14	14
2011/12	May-12	Highway Maintenance & Term Contracts	3	9	9
2011/12	May-12	Agresso IT Data security	3	7	7
2011/12	Jun-12	Supplier Account & Contract Set Up (Anti Fraud)	2	6	6
2011/12	Jun-12	School Theme - Safeguarding	3	7	7
2012/ 13	Aug-12	Catering (Property)	2	9	9
2012/ 13	Sep-12	Funding Programmes (Policy & Partnerships)	4	3	3
2012/ 13	Aug-12	Themed School Review - Purchasing Arrangements	4	7	7
2012/ 13	Sep-12	Library Services - Overall Arrangements	4	5	5
2012/ 13	Sep-12	Bereavement Service (Cemetaries & Crematoria)	3	11	11
2012/ 13	Sep-12	Tenancy Fraud (Housing Allocations - Changes in regulations)	2	6	6
2012/ 13	Nov-12	Council Tax - Liability, Billing, & Refunds (Incl Northgate Revs & Bens Application)	4	13	12
2012/ 13		Public Protection (Environmental Services)			
2012/ 13	Oct-12	Cleaning Service	4	3	3
2012/ 13	Oct-12	Neighbourhood Operations	3	12	12
2012/ 13	Oct-12	Payments to Dom Care Providers	3	4	4
2012/ 13		Health & Safety			
2012/ 13		System Administration Management and Control - Privileged Users			
2012/ 13		Anti Fraud & Corruption Expenditure			
2012/ 13		Waste Operations - Disposals			
2012/ 13		Home to School Transport (Administration incl. Entitlement / Duty of Care)			
2012/ 13		WINBACS / BACS			
2012/ 13		CHAPS & Cheques			
2012/ 13		Youth Offending			
2012/ 13		Payroll (PEN05 / TR17)			
2012/ 13		Service IT Budgets, coding and recharging			
2012/ 13		Personalised Budgets			
2012/ 13		Youth			
2012/ 13		Budgeting (Cost Centre Management)			
2012/ 13		Passenger Support (RENAMED Transport Services) see Fleet Management below			
2012/ 13		Fleet Management (SEE ABOVE)			
2012/ 13		Registrars			
2012/ 13		Cash Receipting System / Civica Application			
2012/ 13		WEP / LEP Governance			
2012/ 13		Economic Enterprise & Business Development			
2012/ 13		Adult Commissioning (Connecting Families)			
2012/ 13		NNDR			
2012/ 13		Commercial Estate			
2012/ 13		Anti Fraud Corruption - Income			
2012/ 13		Heritage Events			
2012/ 13		Off Street Car Parking			
2012/ 13		On Street Car Parking			
2012/ 13		Themed School Review - Income Collection			
2012/ 13		Themed School Review - Payments			
2012/ 13		ONE Application			
2012/ 13		Carefirst Application			
2012/ 13		Commissioning - Childcare Placements			
2012/ 13		Contract Management - Integrated services 0-12			
2012/ 13		Planning Enforcement			
2012/ 13		Adult Safeguarding			
2012/ 13		Pensions Administration			
2012/ 13		Parking Enforcement (Incl. Bus Lanes / Gates)			
2012/ 13		Pension Investments			
2012/ 13		Park & Ride			
2012/ 13		PCIDSS			
2012/ 13		Payroll - Starters & Leavers			
2012/ 13		Residential & Nursing Care Payments			
2012/ 13		Public Transport			
2012/ 13		Strategic Transport Projects			
2012/ 13		Design & Projects (Structures & General Programme)			
2012/ 13		Admission Team			
2012/ 13		Fostering Allowances			
2012/ 13		SIMS Application			
2012/ 13		Waste Operations - Collections			
2012/ 13		PAYE & NIC's			
2012/ 13		Heritage Income			
2012/ 13		Improvement & Performance - HR / Payroll Client Side Management			
2012/ 13		Safeguarding - Ofsted Review 2012 findings			
2012/ 13		Pest Control			
2012/ 13		Performance Management (Public Health)			
2012/ 13		Procurement (Service specific)			
2012/ 13		Commissioning (Commissioning Support)			
2012/ 13		Accounts Payable			
2012/ 13		Business Continuity & Disaster Recovery			
2012/ 13		Capital & Schools Organisation Capital Strategy			
2012/ 13		Schools Theme Review (Personnel & Payroll)			
2012/ 13		Early Years Strategic Planning - Grants			
2012/ 13		Documentum			
2012/ 13		Council Tax / NNDR - Collections, Recovery, Enforcement, W-Offs			
2012/ 13		Scan Coin Payment Kiosk			
2012/ 13		Energy Management			
2012/ 13		Insurance			
2012/ 13		Heritage Exhibits & Stocks			
2012/ 13		Heritage Marketing			

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Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	4 th December 2012	AGENDA ITEM NUMBER
TITLE:	Financial Regulations Update	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 – Draft Financial Regulations & Codes of Practice.		

1 THE ISSUE

1.1 The Council's Financial Regulations are in need of updating based on changes in the Council's systems and processes. This report has been compiled to explain the purpose of Financial Regulations and to explain / consult on the contents of the revised Financial Regulations prior to Council approval.

2 RECOMMENDATION

2.1 The Corporate Audit Committee is asked to comment on the revised Financial Regulations prior to their submission to Council in 2013

3 FINANCIAL IMPLICATIONS

3.1 There are no direct financial implications relevant to this report.

4 THE REPORT

4.1 Why do we have Financial Regulations?

4.1.1 This Council is responsible for many millions of pounds of public money and has a number of statutory responsibilities in relation to its financial affairs.

4.1.2 The Local Government Act 1972 directs that Authorities shall make arrangements for the proper administration of their financial affairs and that one of their officers be responsible for the administration of those affairs. The Divisional Director – Finance is the Council's designated Chief Finance Officer and hence the Section 151 Officer.

- 4.1.3 Under powers contained in the Local Government Finance Act 1982 (s23 and 35) the Secretary of State also makes regulations as to the accounts themselves and requires them to be audited by the Audit Commission.
- 4.1.4 The "Accounts and Audit Regulations" require that the "Responsible Financial Officer" must determine and be responsible for the accounting systems and the form of both the accounts and all supporting records of the authority. He/she must further ensure (by maintaining an effective and adequate internal audit) that rules so made are observed and that all records are maintained in a satisfactory manner.
- 4.1.5 To conduct its business efficiently, a local authority needs to ensure that it has sound financial management policies in place and that they are adhered to. Part of this process is the establishment of financial regulations that set out the financial policies of the Authority.

4.2 Status of Financial Regulations

- 4.2.1 Financial regulations provide the framework for managing the authority's financial affairs. They apply to every Member and Officer of the Authority and anyone acting on its behalf.
- 4.2.2 The regulations identify the financial responsibilities of Council Members, Corporate Audit Committee, Head of Paid Service, Monitoring Officer, Chief Finance Officer, Strategic Directors, Divisional Directors and employees.
- 4.2.3 All elected Members and officers have a responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, properly authorised, provides value for money and achieves best value.
- 4.2.4 The Chief Finance Officer is responsible for maintaining a continuous review of the Financial Regulations and submitting any additions or changes necessary to the full Council for approval. He is also responsible for reporting, where appropriate, breaches of these Financial Regulations to the Council and / or to the members of the Cabinet.
- 4.2.5 Further detail of the authority's financial procedures, setting out how these Regulations will be implemented, are contained in the Codes of Practice.
- 4.2.6 Strategic & Divisional Directors are responsible for ensuring that all staff in their Directorate / Service area are aware of the existence and content of the Authority's Financial Regulations.
- 4.2.7 The Chief Finance Officer is responsible for issuing advice and guidance to underpin the Financial Regulations.

4.3 The Principles

- 4.3.1 The Council is responsible for the stewardship of public money and will make arrangements to safeguard the interests of taxpayers and other stakeholders.
- 4.3.2 The Council expects its elected Members and officers to exercise high standards in financial management and administration and aims to stimulate openness and a

climate of frankness that it will support through policies and regulations, such as the “whistleblowing” policy.

- 4.3.3 The importance of planning, monitoring and controlling the use of resources is of vital importance to the Council and it will make arrangements for these activities to be undertaken effectively.
- 4.3.4 Issues of probity will be dealt with effectively and the Council will work to meet its duty to maintain proper accounts and related records.
- 4.3.5 Value for money is at the core of the Council’s financial activity and the way in which it administers its financial affairs.
- 4.3.6 Compliance with statutory requirements, accounting standards and appropriate codes of practice will be inherent in the Council’s arrangements for financial matters.
- 4.3.7 Allocation of responsibility and authority in relation to financial matters will be clearly identified.
- 4.3.8 The Council is a large organisation and is mindful of the need for consistent standards in financial administration and management across all its operations and will set in place guidance to be adhered to by all its directorates. In particular, it expects staff to consult with and use all of the expertise in financial matters that it has available and act on advice from such sources.
- 4.3.9 The assets and resources of the Council must be protected from loss, damage and theft.
- 4.3.10 Identifying and quantifying risks to the Council is of key importance and arrangements must be made to reduce, eliminate or insure against them as appropriate.
- 4.3.11 The accurate, appropriate and timely payment and collection of monies forms much of the routine financial business of the Council and arrangements will be made for its proper administration.

4.4 Revision of Financial Regulations

- 4.4.1 The Council’s Audit & Risk Team have reviewed the May 2002 version of the Council’s Financial Regulations on behalf of the Chief Finance Officer.
- 4.4.2 All financial systems and processes in the Council have been considered in relation to maintaining comprehensive Council Financial Regulations.
- 4.4.3 A first draft of the revised Financial Regulations was circulated for the 1st Stage of consultation during August 2012. The 1st stage consultation was limited to key Finance, Democratic Services, Information Governance and Human Resources staff who are actively involved in the financial administration of systems.
- 4.4.4 The 2nd Stage of the consultation process involved the Chief Finance Officer and his Finance Managers and the Head of Human Resources and his HR Managers. The deadline for feedback was 14th November 2012.

- 4.4.5 The revised Financial Regulations has 28 Sections which is supported by 13 Codes of Practice.
- 4.4.6 The 3rd and final consultation stage will involve the Corporate Audit Committee, and all Strategic & Divisional Directors.
- 4.4.7 The regulations are still draft and are not proposed to be submitted to Council until next year so comments are welcome during this consultative stage.

5 RISK MANAGEMENT

- 5.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

6 EQUALITIES

- 6.1 A proportionate equalities impact assessment has been carried out in relation to this report. There are no significant issues to report to the Committee.

7 CONSULTATION

- 7.1 The report was distributed to the S151 Officer and Monitoring Officer for Consultation.

Contact person	<i>Andy Cox (01225 477316) Jeff Wring (01225 477323)</i>
Background papers	<i>Report to Corporate Audit Committee – 15th May 2012 – Internal Audit - Annual Report</i>
Please contact the report author if you need to access this report in an alternative format	

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**Bath & North East
Somerset Council**

Financial Regulations

(Excluding all Schools)

Revised November 2012

**A component of good financial
management**



**Officers' & Members' roles &
responsibilities explained**

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Section 1 - Introduction

Why do we need Financial Regulations?

Bath and North East Somerset is a unique place in the heart of the West of England and delivers a high standard of local services with excellent value for money.

The challenges faced by the Council to provide and maintain high quality services will continually change. In order to respond effectively to these challenges there is a need to effectively manage the resources used by the Council on behalf of the local taxpayer. Stewardship of Council finances requires high standards of financial integrity and accountability.

The Financial Regulations define the boundaries within which we operate to effectively manage risk. They clarify roles and responsibilities and provide a framework for decision making.

All large organisations have a set of rules to regulate their finances and to protect the interests of their stakeholders and staff. However, the rules themselves are not of any use unless they are known and understood.

Who should read and understand Financial Regulations?

These regulations apply Council wide * and compliance is required by Members, Officers and other individuals carrying out work on behalf of the Council. This includes Council employees working for the Avon Pension Fund.

Strategic Directors and Divisional Directors are responsible for bringing the regulations to the attention of every member of staff, providing the necessary training and monitoring compliance.

Any known breaches of Financial Regulations must be reported via the relevant Divisional Director / Strategic Director to the Chief Finance Officer (Section 151 Officer- Local Government Act 1972). Failure to comply with Financial Regulations and Codes of Practice will be subject to investigation and may result in disciplinary action.

Codes of Practice

The Financial Regulations must be read in conjunction with the various Council Policies, Financial Standards and Codes of Practice, which provide details of the processes, procedures and controls, and which must be adhered to.

The Financial Regulations will be found on the Council's Internal Web site along with copies of all related Council Codes of Practice, Policies, Procedures and Financial Standards.

*** LEA Schools are required to comply with specific School Financial Regulations.**

Section 2 - Financial Management **Roles & Responsibilities explained**

The Council's Financial Regulations, Budget Management Scheme and the Codes of Practice on Matters of Financial Administration (including Officers' Code of Conduct) are bound separately but form part of the formal Constitution of the Council. The Council's Constitution is accessible through the Council Website ([link](#)).

Sound financial management is critical to the Council in successfully achieving its plans, objectives and quality standards. Financial management is essential in order to:

- plan and maintain effective use of resources to achieve agreed service delivery standards;
- comply with legislation, related professional Codes of Practice and accounting standards;
- provide accurate, complete and valid accounts and information which demonstrate accountability to the public;
- ensure the appropriate use and security of financial and physical assets;
- help the Council conduct its affairs in an efficient, effective and economic manner.

Financial management is, therefore, concerned with the policies, processes, procedures and standards of the Council. Within this context the key areas of responsibility, and associated specific financial regulations, are as follows:

Council Members	<p>Approve Financial Regulations and Contract Standing Orders.</p> <p>Set the overall budget framework and monitor performance against agreed targets.</p> <p>Provide the reporting framework to monitor the achievement of Service objectives within the resources allocated.</p> <p>Determine the level of responsibility for financial management given to Services, Chief Officers and Local Managers.</p> <p>Administer the Avon Pension Fund on behalf of all four Unitary Authorities and other Fund employers.</p>
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<p>Corporate Audit Committee</p>	<p>The Council has delegated to the Corporate Audit Committee its powers and duties relating to the following matters:</p> <p>A) To consider and approve for publication on behalf of the Council, the Annual Accounts in accordance with the Accounts and Audit Regulations and any other relevant legislation or statutory guidance.</p> <p>B) To consider the Annual Governance Statement and Action Plan in accordance with the Accounts and Audit Regulations and any other relevant legislation or statutory guidance and make recommendations on this to the Executive or other appropriate body.</p> <p>C) To promote good governance arrangements within the Council and in its dealings with partner bodies and contractors, including compliance with legal and professional standards, in accordance with the Code of Corporate Governance.</p> <p>D) To agree the Council's External Audit Plan and proposed fees, within the budget agreed by the Council, and to monitor the delivery of that Plan.</p> <p>E) To agree the Internal Audit Plan, within the budget agreed by the Council, to monitor its delivery and effectiveness and to consider and make recommendations on any significant matters arising from Internal Audit work.</p> <p>F) To approve the Council's statutory accounting statements and policies.</p>
<p>Chief Executive (Head of Paid Service)</p>	<p>Provides strategic management and establishes a framework for management direction, style and standards.</p> <p>Secures a process for resource allocation that ensures due consideration of policy.</p> <p>Monitors the performance of the Council.</p>
<p>Divisional Director - Finance (Chief Finance Officer)</p>	<p>Carries out the statutory role of Chief Finance Officer (Section 151 Officer- Local Government Act 1972) including the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.</p>

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	<p>Ensures that the Council's financial arrangements secure the proper stewardship and control of public funds.</p> <p>Provides financial advice and support so that resources are managed effectively in delivering the Council's services.</p> <p>Sets corporate financial management standards and agrees with Services detailed procedures to meet these standards within the framework set by Members.</p> <p>Advises the Pension Committee on all matters of policy concerned with the administration of the Avon Pension Fund, including the investment management arrangements</p>
Strategic Directors	<p>Establish clear accountabilities for all managers that include objectives of and responsibility for systems and information.</p> <p>Implement processes for considering the financial effects of policy and relating policy to resources.</p> <p>Monitor the delivery of policy and the use of resources, ensuring that appropriate action is taken where there is a mismatch.</p> <p>Clearly understand the consequences of a lack of control and ensure that Local Managers have effective procedures for safeguarding the Council's resources.</p> <p>Operate processes to check that established controls are in place and evaluate their effectiveness</p>
Monitoring Officer	<p>Reports to the Council if a contravention of law, Code of Practice or any maladministration has arisen through any decision or omission by the Council, by any Committee or officer of the Council.</p>
Divisional Directors	<p>Determine the appropriate level of control within their areas of responsibility in accordance with advice and guidance provided by the Divisional Director (Finance), their Strategic Director and the Council's auditors.</p> <p>Ensure all their staff understand and comply with Financial Regulations, Contract Standing Orders, Council policies and procedures and Service specific instructions.</p> <p>Monitor compliance with these regulations, policies and instructions.</p>

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<p>Divisional Director, Risk & Assurance. (Internal Audit Service provided by the Audit & Risk Team)</p>	<p>Provide independent, objective assurance / advice to management on the operation of internal controls (including financial) to improve an organisation's operations.</p> <p>Investigate on behalf of the Divisional Director (Finance) any suspected financial irregularities.</p>
<p>External Audit</p>	<p>Report on whether the Council's accounts and statements present fairly the Council's financial position.</p> <p>Grant Claim certification.</p>
<p>All Employees</p>	<p>Have a responsibility for following Financial Regulations and other Council policies & adopted regulations (including Contract Standing Orders, Code of Conduct) and Service specific instructions.</p> <p>Help the Council achieve open and honest administration by supporting approved fraud prevention strategies and avoiding potential conflicts of interest.</p> <p>Assist the Council's audit processes.</p> <p>Keep accurate and comprehensive records to support the transactions undertaken on the Council's behalf.</p>

In addition, please refer to:

The Council's Constitution

Section 3 – Internal Audit

The purpose of this section of the regulations is to highlight the authority delegated to the Divisional Director, Risk & Assurance, who in this role is the Council's Chief Internal Auditor, when reviewing the accounting and financial arrangements within the Council.

Statutory Requirements:

The Accounts and Audit Regulations 2003 (Statutory Instrument 533), regulation 5, require that a "relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control". These Regulations cover the requirements of Section 151 of the Local Government Act 1972, which states that authorities must "make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for administration of those affairs."

Objectives & Role of Internal Audit:

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

1. The Chief Finance Officer (S151 Officer) is responsible for maintaining an adequate and effective internal audit of the accounting and financial transactions, including any operations that affect the financial arrangements of the Council.
2. Internal Audit is independent in its planning and operation.
3. Internal Audit complies with the **Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Internal Audit in Local Government in the United Kingdom 2006**.
4. The Divisional Director, Risk & Assurance, or their authorised representative, shall have authority to:
 - a) Enter at any reasonable times, any operational or administrative Council premises or land and have access to all Council property.
 - b) Have access to (and where necessary to copy or retain) all records whether manually or electronically held, documentation, correspondence and computer systems relating to any transaction of the Council, or non-official funds operated by Council staff,
 - c) Require and receive such explanations as are necessary concerning any matter under examination,
 - d) Require any employee of the council to produce or account for cash, stores or any other property under their custody or control,

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- e) Examine any work or services carried out for the council by an employee or contractor, and any goods purchased on behalf of the Council,
 - f) Review appraise and report on the soundness, adequacy and application of financial and other management controls, and on the protection of the Councils resources, property and assets against loss due to fraud and other offences and/or waste, extravagance and inefficient administration, poor value for money or other wasteful practices.
5. The Council's Divisional Director, Risk & Assurance, shall have direct access and the right of report to the Chief Executive, Strategic Directors, the External Auditor, Leader of the Council, Chair of the Corporate Audit Committee and Chair of the Council's Policy Development & Scrutiny Panels, where appropriate.

In addition, please refer to:

Internal Audit Terms of Reference

Section 4 – Risk Management

Why is this important?

Risk management is an integral part of the corporate governance framework for Local Government. This is detailed in the Council's Local Code of Corporate Governance which is reviewed annually and reported in the Council's Annual Governance Statement.

The Council's Risk Management Strategy will help support and underpin the delivery of its Vision & Values.

Objectives of risk management processes:

- Protecting and adding value by supporting the achievement of the Sustainable Community Strategy.
- Improved strategic, operational and financial management.
- Contributing to more efficient use/allocation of resources.
- Mitigation of key threats and taking advantage of key opportunities.
- Protecting and enhancing assets and image.
- Improving decision-making (making the right decisions).
- Safeguarding of tangible and intangible assets.
- Promotion of innovation and change.
- Optimising operational efficiency and therefore delivering efficiency gains and value for money.
- Allocating time and management effort based on formal assessment of threats and opportunities.
- Avoid nasty surprises, shocks, crises and the time taken to 'fire fight' these.
- Improved customer service delivery.

Key Responsibilities for Staff & Members:

1. Council Members gain an understanding and promote risk management and its benefits throughout the Council & its partners, ensuring Members take risk management into consideration when making decisions.
2. Both the Cabinet and Elected Members oversee the effective management of risk throughout the Council and its partnerships, and gain an understanding of its benefits, ensuring officers develop and implement an all encompassing approach to risk management.
3. The Corporate Audit Committee provides independent assurance of the risk management framework and associated control environment, independent scrutiny of the Council and partners financial and non-financial performance, and oversee the financial reporting process.
4. The Directorate Management Teams gain an understanding and promote the risk management process and its benefits, oversee the implementation of the

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risk management strategy and agree any inputs and resources required supporting the work corporately.

5. Strategic and Divisional Directors ensure that the risk management process is promoted, managed and implemented effectively in their service areas within the organisation. Liaising with external agencies to identify and manage risk. Disseminating relevant information to service managers and employees.
6. Service Managers raise awareness, manage and implement the risk management process effectively in their service areas, recommending any necessary training for employees on risk management. Incorporating risk ownership through the appraisal scheme with employees and share relevant information with colleagues in other service areas.
7. All employees of the Council manage risk effectively in their jobs, liaising with their line manager to assess areas of risk in their job. Identify new or changing risks in their job and feed these back to their line manager.
8. The Audit & Risk Team challenge the risk management process, including the identification and evaluation of risk and provide assurance to Officers and Members on the effectiveness of controls.
9. The Divisional Director, Risk & Assurance, supports the Council and its services in the effective development, implementation and review of the Council's risk management processes. Identify and communicate risk management issues to services, and assist in undertaking risk management activity through training or direct support.

In addition, please refer to:

The Council's Risk Management Strategy

Section 5 – Fraud Prevention

“Keeping our House in Order” Bath and North East Somerset’s Fraud Prevention Statement

Why we need a Fraud Prevention Statement:

We all have a special responsibility for dealing with public funds and assets. The Council controls millions of pounds of public money and we must take very seriously the high expectations of the public and the degree of scrutiny to which the affairs of the Council are subject.

Bath and North East Somerset acknowledges the responsibility it has for the administration of public funds and wishes to emphasise to the public and its staff the importance it places upon probity, financial control and transparency in its administration.

The Council is committed to prevention, deterrence, detection and investigation of all forms of fraud and corruption.

The Council recognises that fraud and corruption undermine the high standards of public service, which it promotes, and reduces the resources available for the good of the whole community.

The statement applies to all Members and employees of the Council and demonstrates to the community of Bath and North East Somerset Council our commitment to combating fraud and corruption wherever it is found.

The Fraud Prevention Statement – Key Principles:

Leading by example, our Council will ensure that:

- Everyone within the organisation takes responsibility for the prevention and detection of fraud and corruption.
- There is compliance with key policies and procedures.
- Fraud is not tolerated and that all such cases are thoroughly investigated.
- All officers and Members have proper training and guidance regarding anti-fraud and corruption issues.
- High standards of internal control are promoted.
- There is a safe environment to report suspected cases of fraud and corruption.
- Rigorous action is taken against anyone found guilty of fraud or corruption. This will be through the Council’s disciplinary process and by taking legal action as appropriate.

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Key Responsibilities for Members and Staff:

1. Strategic & Divisional Directors are responsible for the prevention and detection of fraud, error and wasteful practices within their Service environment.
2. They must inform the Divisional Director, Risk & Assurance, immediately of any suspected financial irregularity.
3. The Divisional Director, Risk & Assurance, shall report to the Chief Executive and relevant Strategic Directors any circumstances which could involve the Council in unlawful expenditure or action which could result in a potential loss or deficiency to the Council or unlawful entries in the accounts.
4. All employees have an important part to play in reporting concerns about wrong doing at work by other employees, Councillors, suppliers, contractors or others acting on behalf of the Council.
5. In this respect, employees are under a duty to assist with the discharge of these responsibilities by reporting to their managers, or through the Council's Whistleblowing Policy, any instance where financial irregularity is suspected.
6. In addition, the Council has a legal duty under the Money Laundering Regulations 2007 to report any suspected money laundering activity. Accordingly, any Member or employee, who in the course of Council business becomes aware that criminal property or funds could be involved, should report their suspicion promptly, in accordance with the Policy. Failure to do this may result in a criminal offence being committed.
7. Abuse of the Whistleblowing Policy by raising malicious, unfounded allegations will be treated as a serious disciplinary matter.
8. The UK Bribery Act, 2010 which came into force on the 1st July 2011 introduces a corporate offence of failure to prevent bribery.

The three key offences under the Act which may have an impact on the authority are:

- Bribery of another person
- Accepting a bribe
- Failing to prevent bribery

The offences carry criminal penalties for individuals and organisations. Individuals can be imprisoned for up to a maximum of ten years. Both individuals and organisations can be subject to an unlimited fine.

The Act states that organisations will be responsible for their employees' corrupt acts unless they can show they had adequate policies and procedures in place to combat bribery.

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Staff are responsible for the prevention, detection and reporting of bribery and other forms of corruption. If any member of staff or Council Member has concerns regarding a suspected instance of bribery they must refer to the Council's Whistleblowing Policy and report the matter.

In addition, please refer to:

The Council's Anti-fraud and Corruption Policy
Whistleblowing Policy
Fraud Response Plan
Anti-Money Laundering Policy
Council's Employee's Code of Conduct
Council's General Employment Standards and Rules

Section 6 - Budget Management and Control

Why is this important?

Budgets (spending plans) are needed so that the Council can plan, monitor and control the way resources are allocated and spent. Budgets reflect Council, Portfolio, Service and local priorities and give authority to Local Managers to incur expenditure to meet targets.

Budget management ensures that once the budget has been approved by the full Council, resources allocated are used for their intended purpose and are properly accounted for. Budgetary control is a continuous process, which reviews and manages spending against budget during the financial year. In addition, it provides the mechanism that calls to account managers responsible for defined elements of the budget.

The purpose of the Budget Management Scheme rules:

- a) To ensure that income and expenditure are in line with the agreed Council budgets and service plans (consistency of purpose),
- b) Overall Financial control of Council income and expenditure.

The implications of poor budget management:

1. the Council will not be operating within the law;
2. policies and objectives will not be achieved;
3. resources not being used in accordance with agreed authority;
4. failure to secure value for money (efficient & effective use of resources);
5. decisions made without the benefit of full or appropriate information;
6. inability to take appropriate action at the right time.

The key requirements for budget management and control are summarised as follows:

Section A: Revenue Budgets:

- Budget approval is required for all expenditure.
- The Chief Executive and Strategic Directors have overall responsibility for the delivery of the strategic objectives for their areas of responsibility and thus have a responsibility for effective performance monitoring of Divisional Directors on matters of budget management.
- Divisional Directors are responsible for Budget Management.
- Each Divisional Director will develop and maintain effective arrangements for financial management within his/her Service area.
- Each Divisional Director will nominate a Budget Manager for each cost centre heading, as appropriate.
- Budget Managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities.
- Budget Managers follow an approved certification process for all expenditure.
- Income and expenditure must be properly recorded and accounted for by all Budget Managers. This is achieved by ensuring the accurate use of accounting codes and timely monitoring of financial information.

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- Services are to be managed within their budgets using virement and carry forward, as appropriate.
- Expenditure is committed only against an approved budget head.
- Any virement which has the effect of changing a policy contained in the Policy Framework must be approved by the Council.
- All virements must be reported to the Cabinet on a quarterly basis.
- Any proposed use of general balances, in excess of limits set by the Budget Management Scheme, must be recommended by the Cabinet and/or approved by the Council.
- Any Council earmarked reserve set aside by Council for a specific purpose may not be spent on any other purpose without the permission of the Council.
- With effective budget planning and management, overspending should not occur. If, however, one occurs it must be recovered.
- Informal Cabinet and Senior Management Team will receive monthly finance dashboard reports starting with actual v budgets for May to be reported in July.
- The Cabinet will receive budget monitoring reports (including capital monitoring) at its public meetings four times a year (normally in September, November, February and July).
- The Cabinet is required to approve the outturn position in July following the financial year end.

Section B: Capital Budgets:

- Divisional Directors are generally responsible for budget management of all capital schemes (including major and other projects) within their service area, but all capital schemes must have a designated responsible Budget Manager who may or may not be a Divisional Director.
- Before any scheme is included in any programme, budget management responsibility must be assigned.
- The Capital Programme is agreed by Council following the process set out in Capital Review 2 (July 2006).
- With effective budget planning and management, overspending should not occur. If, however, one occurs it must be recovered. The Divisional Director is responsible for making proposals for the avoidance or recovery of any overspending to their Strategic Director in the first instance.
- Capital Project Boards will receive regular (at least quarterly) reports of progress on capital schemes in order to focus on the key issues and to identify project spend in both the current financial year and over the lifetime of each project, and associated funding and revenue implications.
- Divisional Directors should identify assets which are surplus to requirements or which are no longer suitable or sufficient for service delivery.
- Council will approve a sum that is to be set aside to reflect the overall risk from capital projects it has approved
- Strategic Directors will be responsible for ensuring the principles of this scheme are understood and enforced within their Service areas.

In addition, please refer to:

The Budget Management Scheme

Section 7 – Revenue Budget Preparation

The Council is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with carefully weighted priorities. The annual Revenue and Capital budgets are the financial expression of the Council's plans and policies.

Why is this important?

The revenue budget must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of the Council. Budgets (spending plans) are needed so that the Council can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for the Council to budget for a deficit. All key decisions on revenue expenditure must be made by Cabinet Members.

The format of the budget determines the level of detail to which financial control and management will be exercised. The format shapes how the rules around virement operate, the operation of cash limits, and sets the level at which funds may be reallocated within budgets.

A report on new proposals should explain the full financial implications, following consultation with the Chief Finance Officer. Strategic Directors must present a balanced budget and plan to contain the financial implications of such proposals within their cash limit.

Key Responsibilities for Members and Staff:

1. Specific budget approval is required for all expenditure.
2. Budget managers are consulted in the preparation of the budgets for which they will be held responsible and accept accountability within delegations set by the Strategic Director for their budgets and the level of service to be delivered. This is included in service delivery plans and individual employee's performance management and development scheme.
3. Preparation of the budget complies with all legal requirements.
4. The format complies with the requirements of the Chief Finance Officer and, where necessary, has regard to relevant accounting standards.
5. The format reflects the accountabilities of service delivery
6. The Chief Finance Officer will:
 - (a) Advise the Cabinet and Council on the format and timing of the budget to be approved by the full Council.
 - (b) Prepare and submit reports on budget prospects for the Cabinet, including resource constraints set by the Government. Reports should take account of medium-term prospects, where appropriate.
 - (c) To determine the detailed form of revenue budgets and the guidelines for their preparation, after consultation with the Cabinet and Strategic Directors.

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- (d) To prepare and submit reports to the Cabinet on the aggregate spending plans of directorates and on the resources available to fund them, identifying, the implications for the level of Council Tax to be levied.
- (e) To advise on the medium-term implications of spending decisions.
- (f) To encourage the best use of resources and value for money by working with Strategic Directors to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.

7. **Strategic Directors will:**

- (a) Prepare draft budgets of income and expenditure, in consultation with the Chief Finance Officer, to be submitted to the Cabinet.
- (b) Prepare draft budgets that are timely, balanced and consistent with any relevant cash limits, and with guidelines issued by the Cabinet. The format should be prescribed by the Chief Finance Officer, in consultation with the Cabinet.
- (c) Integrate financial and budget plans into service planning, so that budget plans are reflected, where appropriate, by financial and non-financial performance measures.
- (d) In consultation with the Chief Finance Officer and in accordance with the laid-down guidance and timetable, to prepare detailed draft revenue and capital budgets for consideration by the appropriate Executive.
- (e) When drawing up draft budget requirements, Strategic Directors will have regard to:
 - spending patterns and pressures revealed through the budget monitoring process
 - targets for growth/reduction set out in the medium term financial plan
 - fall out of external funding
 - legal requirements
 - other policy requirements as defined by the full Council in the approved policy framework
 - initiatives already under way.

In addition, please refer to:

The Budget Management Scheme
Medium Term Financial Plan
Service Plans

Section 8 – Capital Expenditure

Why is this important?

1. Capital expenditure involves acquisition or enhancement of fixed assets which have a long-term value to the Council, such as land, buildings, and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs. Capital expenditure must comply with the Council's Procurement Regulations.
2. The Local Government Act 2000, as amended in March 2002, requires local authorities to determine expenditure limits above which such expenditure would be a key decision. All key decisions on capital expenditure must be taken by Cabinet Members.
3. The Government places strict controls on the financing capacity of the Council. This means that capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources. Initiatives such as PFI (Private Finance Initiative) still have to comply fully with Financial Regulations.

Key Responsibilities for Members and Staff:

1. The Chief Finance Officer will bring together Directorate estimates for capital schemes and to report them to the Cabinet for approval or prioritisation within existing resources. Council approval is required where a Strategic Director proposes to bid for or exercise additional borrowing approval not anticipated in the capital programme. This is because the extra borrowing may create future commitments to financing costs.
2. The Chief Finance Officer will submit reports to the Cabinet on the projected income, expenditure and resources compared with the approved estimates.
3. The Chief Finance Officer will issue guidance concerning capital schemes and controls. The definition of 'capital' will be determined by the Section 151 Officer having regard to government regulations and accounting requirements.
4. The Chief Finance Officer will obtain authorisation from the Cabinet for individual schemes where the estimated expenditure exceeds the capital programme provision by more than the specified amount.
5. Divisional Directors must comply with guidance concerning capital schemes and controls issued by the Chief Finance Officer, including ensuring that all capital proposals have undergone a full project appraisal.
6. Divisional Directors must prepare regular reports reviewing the capital programme provisions for their Services. They must prepare a quarterly return of estimated final costs of schemes in the approved capital programme for submission to the Cabinet and to the Chief Finance Officer.
7. Divisional Directors must ensure that full records are maintained for all capital contracts.
8. Divisional Directors must proceed with projects only when there is adequate provision in the capital programme and with the agreement of the Chief Finance Officer.

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9. Divisional Directors must consult with the Chief Finance Officer, and to obtain authorisation from the relevant Cabinet Member, prior to the implementation of key decisions as part of the capital programme.
10. Divisional Directors must prepare and submit reports to the Cabinet Member, of any variation in contract costs greater than the approved limits. The Executive Member must meet cost increases by virement from savings elsewhere within their overall capital programme.
11. Divisional Directors must prepare and submit reports to the Cabinet Member, on completion of all projects where the final expenditure exceeds the approved budget by more than the specified amount.
12. Divisional Directors must ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the Chief Finance Officer and, if applicable, approval of the scheme through the capital programme.
13. Divisional Directors must consult with the Chief Finance Officer and to seek appropriate approval (Council / Cabinet) where the Strategic Director proposes to bid for capital financing to support expenditure that has not been included in the current year's capital programme.

In addition, please refer to:

The Budget Management Scheme
Medium Term Financial Plan
Service Plans

Section 9 - Treasury Management (Investments and Borrowing)

Why is this important?

Significant sums pass through the Council's accounts each year which need to be securely managed and controlled to maximise the Council's income. This is done in accordance with codes of practice that have been established with the aim of providing assurance that the Council's money is properly managed in a way that balances risk with return, but with the overriding consideration being given to the security of the Council's funds.

Key Objective:

The Council's borrowings and investments comply with the CIPFA Code of Practice on Treasury Management in Local Authorities and with the Council's Treasury Management Policy statement.

Key Responsibilities of Staff & Members:

1. The Chief Finance Officer will:
 - Prepare the Council's Treasury Management Policy Statement and Strategy in accordance with the CIPFA Code of Practice on Treasury Management in Local Authorities and to arrange for all Council borrowing and investment in such a manner as to comply with this Statement/Strategy.
 - Ensure that all investments of money are made in the name of the Council or in the name of nominees approved by the full Council.
 - Ensure that all securities that are the property of the Council or its nominees and the title deeds of all property in the Council's ownership are held in the custody of the appropriate Strategic Director.
 - Effect all borrowings in the name of the Council.
 - Act as the Council's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the Council.
 - Report to the Council, as requested, on Treasury Management activities.
2. Strategic Directors will:
 - Ensure that loans are not made to, and that interests are not acquired in, companies, joint ventures or other enterprises without the approval of the full Council, following consultation with the Chief Finance Officer.

In addition, please refer to:

Code of Practice No.1 – Investments & Borrowing
Treasury Management Strategy

Section 10 – Accounting Systems and Processes

Why is this important?

It is important to ensure that sound systems of accounting and financial control are in place throughout the Council in order that its assets and interests are effectively safeguarded against loss, and a high level of public confidence in the integrity of its financial administration is maintained.

Objectives of Accounting Systems and processes:

- To ensure that a true and complete record of all Council transactions is maintained.

Implications if above objectives are not achieved:

1. The council may not operate within the law;
2. Incorrect management information, leading to poor decision making;
3. Financial loss;
4. Adverse report from the Council's External Auditors;

Key Responsibilities for Staff & Members:

1. The Chief Finance Officer will be responsible for maintaining the accounts of the Council and for the approval of all accounting records and financial systems.
2. All Divisional Directors must ensure that all income and expenditure is accounted for separately and not set off, one against the other.
3. Capital expenditure must be accounted for separately from revenue expenditure and must, therefore, be coded to the appropriate capital expenditure code.
4. All Divisional Directors must ensure that their staff only use their designated accounting codes unless appropriate written authority has been given.
5. The Chief Finance Officer will be responsible for producing the timetable and standards for the production of final accounts each year.
6. The Chief Finance Officer shall agree all borrowing and lending arrangements and these shall operate in accordance with the Council's Treasury Management Policy Statement and the appropriate accounting bodies' Codes of Practice. All investments, borrowing, leasing and other capital financing arrangements shall be effected in the name of the Council.

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7. The Divisional Director – Property, shall hold all securities that are the property of or are in the name of the Council or its nominees and the title deeds of all properties in its ownership, in safe custody.
8. The Chief Finance Officer will:
 - Ensure that the Council does not enter into leasing contracts which compromise the Council's spending limits set with regard to its Prudential Indicators.
 - Provide financial expertise and advice on leasing arrangements and contracts.
 - Ensure that best value is achieved in leasing contracts, including aggregation of the Council's leasing requirement where appropriate.

All Strategic and Divisional Directors must refer all proposed leasing arrangements, within their Services, to the Chief Finance Officer.

9. All Trust Funds shall, wherever possible, be in the name of the Council and all officers acting as trustees by virtue of their official position shall deposit all securities and other documentation relating to the Trust Fund with the Divisional Director – Property.
11. The Chief Finance Officer will ensure that all Finance Managers and their teams work to recognised Financial Standards and will ensure that clear instructions are issued to all relevant members of staff on key processes, including:
 - Control Accounts
 - Coding Protocols
 - Cash Flow Management
 - Capital Grants
 - Capital Expenditure
 - Capital Charges
 - Balance Sheet Balances
 - BACS Payments
 - Accounting statements
 - Monthly Accruals
 - Year End Accruals
 - Interfaces with the Financial Management System
 - Suspense Accounts

In addition, please refer to:

Code of Practice No.2 – Petty Cash Accounts / Client Cash Floats

Section 11 - Payroll

Why is this important?

Staff costs are the largest item of expenditure for most Council services. It is therefore important that payments are accurate, timely, made only to the right people and that payments accord with individuals' conditions of employment.

It is important that all payments are accurately and completely recorded and accounted for, as this ensures accurate information for budget holders.

Income Tax and National Insurance contributions to HMRC must be complete and accurate. Individuals defined as employees must be paid through the Council's Payroll System.

Objectives of payroll processing:

- Payments are only made to those entitled to payments, (i.e. employees or pensioners) at the correct rate and time.
- All payments and associated deductions are properly accounted for.
- Processes are in place to meet Corporate and Service needs for accurate and timely management information regarding payroll costs.

Implications if above objectives are not achieved:

1. Payments are made:
 - for work not undertaken,
 - to a person not entitled,
 - at the wrong rate,
 - that contravene employment legislation,
 - leading to potential financial loss;
2. Adverse publicity because of failure to pay efficiently and effectively;
3. Untimely and inaccurate information to budget holders;
4. The Council being penalised by the HMRC for failure to account for statutory deductions.

Key Responsibilities for Staff & Members:

1. The payment of salaries, wages, allowances, pensions and other emoluments must be made under arrangements approved and controlled by the Chief Finance Officer.
2. Divisional Directors are responsible for providing the Payroll Service with the details of those Officers (4th tier Officers and above), in that Service area, that can authorise payroll documents / transactions.
3. All salary and wages notifications must be properly authorised and in accordance with the employment contract.

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4. All travelling, subsistence and other allowances (including staff Professional Subscriptions), for both staff and Members, must be paid through the Council's Payroll system.
5. The use of Petty Cash Account or other non-PAYE payment systems are not permitted under any circumstances, for the payment of salaries, wages, travelling and subsistence expenses.
6. No payments should be made to Self Employed Individuals without an assessment of that individual's employment status first being made in line with the HMRC criteria.
7. Each Divisional Director is responsible for ensuring that the person engaging someone to perform a task determines their employment status and whether they should be paid via payroll.
8. All Payroll documents / forms submitted must be the latest approved version.
9. Appropriate budget provision must be available.
10. Salary payments are made in accordance with employment law.
11. Statutory deductions are made in accordance with regulations and properly paid over to appropriate bodies.
12. Other non-statutory deductions are made in accordance with authorised requests.
13. Pension enhancements are awarded in accordance with approved policies.
14. All payments made are properly recorded and correctly charged to the appropriate expenditure codes and management information issued in a timely manner.
15. Members of staff who owe debts to the Council will have these debts deducted promptly from salary.
16. It is the responsibility of all Council Members and members of staff to immediately contact both their Manager and the Payroll administrators when they discover that any overpayment of salary, wage or allowance has occurred.

Failure to do this knowingly will be regarded as theft, under the law, and will be the subject of disciplinary action by the Council against the Member or officer concerned

In addition, please refer to:
Code of Practice No.3 – Payroll
Code of Practice No.4 – Employment Status
HR Policies & Procedures – Pay & Benefits

Section 12 – Commissioning, Procuring, Ordering and Paying for Works, Goods & Services

Why is this important?

The Council must be able to demonstrate probity and value for money in spending public money, in accordance with the Council's Smarter Commissioning & Procurement Framework. Local Authorities have a statutory duty to achieve best value in part through economy and efficiency.

All Council Members and employees of the Council have a responsibility for spending public funds wisely and ensuring that all payments are valid, legal and represent the best use of resources.

Objectives of order and payment processes:

- To secure value for money by obtaining the best price for the quality of works, goods and services required.
- The Council only pays bona-fide organisations or individuals the correct amount at the appropriate time in line with appropriate contractual terms and conditions
- The Council properly accounts for works goods & services ordered and payments due or made.
- The Council complies with legislation covering VAT, payments to Sub-Contractors and other taxable payments
- The Council undertakes appropriate employment status checks on organisations or individuals in line with HMRC requirements

Implications if above objectives are not achieved:

1. Council pays more than necessary for works goods or services.
2. Payments are made for goods / services not required or not received.
3. Duplicate payments are made.
4. Council fails to pay for works goods or services in a timely basis resulting in adverse publicity, loss of goodwill.
5. Incorrect recovery of VAT leading to assessments and penalties from HMRC or loss of recoverable VAT
6. HMRC penalties for failing to assess employment status appropriately
7. Inaccurate and untimely information provided to budget holders.

Placing Official Orders:

1. Officers **must** only use Council monies for the purchase of works, goods & services which are for the express use of the Council.
2. Members and Officer **must** declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the authority, in

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accordance with these Financial Regulations (Section 20) and the relevant Council's Code of Conduct.

3. Officers **must** issue Official Orders for all works, goods and services unless there is a specific exemption.
4. Divisional Directors **must** designate specific employees who are authorised to place orders on their behalf and operate procedures which secure value for money. The procedures **must** be properly recorded, communicated to staff and continuously monitored.
5. All Official Orders **must** be raised through the Council's Financial Management System.
6. **Under no circumstances** may individual employees use the Council's ordering or payments systems for personal use or benefit.
7. There may be occasions, in cases of emergency only, when a verbal order is placed. These must be the exception rather than the rule and **must** always be confirmed by the issue of an authorised order.
8. Before placing orders for goods and services the budget holder responsible **must** ensure that there is sufficient budget available.
9. All orders placed **must** comply with the Council's Standing Orders relating to Contracts, which provides guidance on obtaining alternative prices, seeking value for money and complying with National and European requirements.

Receiving Goods & Services:

10. When receiving works, goods or services, the budget holder is responsible for ensuring that timely checks are made to ensure that:
 - The works goods or services are in accordance with the order placed,
 - Any faults or deficiencies are reported to the contractor/supplier and remedial action taken,
 - Where necessary, inventories or stock records have been updated,
 - Goods delivered are placed in the safe custody of their authorised recipient.

Making Payments:

11. All payments on behalf of the Council will be made with the authority of the Chief Finance Officer.
12. All Divisional Directors are responsible for ensuring appropriate examination, verification, certification and authorisation of all accounts prior to payment.
13. Payments **must not** be made unless the works, goods and/or services have been received by the Council to the correct price, quantity and quality

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standards, and that an invoice for the same works, goods and/or services has not been previously passed for payment.

14. Divisional Directors **must** designate specific employees who are authorised to approve invoices for payment on their behalf.
15. **The designated employee certifying the invoice for “Goods received & Prices Checked” must not be the same person who placed the original order.**
16. **In addition, where an invoice is being processed, for which an official order has not been raised, the designated employee certifying the invoice for payment must not be the same person certifying the invoice for “Goods received & Prices Checked”.**
17. All Divisional Directors **must** ensure adherence to all instructions issued by the Chief Finance Officer in respect of year-end accounting arrangements.
18. Payments to employees of salaries, wages, and travel & subsistence expenses **must** be made through the Payroll system and not via any other payment system.
19. Where appropriate Corporate Purchasing Cards can be used to make payments (see Section 21).
20. Officers must ensure that appropriate VAT documentation is obtained from the contractor/supplier to ensure that VAT is correctly account for and that the Council can maximise recovery of recoverable VAT.
21. The Council must comply with the requirements of the Construction Industry Scheme when paying construction industry subcontractors, as described in Code of Practice No.7.

Making Payments through Petty Cash Accounts / Client Cash Floats:

22. All payments through Petty Cash Accounts / Client Cash Floats must be made in accordance with guidelines set down in the Code of Practice No.2.
23. The Chief Finance Officer will authorise the use of a Petty Cash / Client Cash Floats or change float.
24. The Service operating the Petty Cash Account / Client Cash Float must arrange for a nominated Responsible Officer to keep and maintain the account. The name of the Responsible Officer and the purpose of the account must be notified to the Chief Finance Officer.
25. Responsible officers must maintain records and operate the account in accordance with the Petty Cash Accounts / Client Cash Floats Code of Practice.

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26. Receipts, vouchers and invoices must be retained to substantiate every transaction.
27. Personal loans must never be given or personal cheques cashed from the Petty Cash Account / Client Cash Float.
28. Wherever possible VAT should be identified on payments made, so that the Council can recover the VAT. VAT may only be claimed where the Council has a valid VAT invoice bearing the VAT registration number of the supplier. For further details on whether VAT should be claimed please refer to the VAT guidelines.

In addition, please refer to:

Code of Practice No.2 – Petty Cash Accounts / Client Cash Floats
Code of Practice No.5 – Ordering of Goods & Services
Code of Practice No.6 – Payment of Accounts
Code of Practice No.7 – Construction Industry Scheme
Council Contract Standing Orders
VAT Guidance

Section 13 – Income Collection

Why is this important?

Income can be vulnerable to loss. Effective income collection systems are necessary to ensure that all income due is properly identified, collected, receipted, banked, and brought to account.

Objectives of income processes:

- To ensure that all sources of income that may be due to the Council are identified, claimed and collected at the right time.
- All payments received are accepted, recorded, reconciled and banked promptly and correctly.
- Local Managers and employees have a clear understanding of their responsibilities regarding the identification, collection, banking and reconciliation of income due to the Council.

Implications if above objectives are not achieved:

1. Income being lost to the Council;
2. Resources may be wasted by the failure to collect income quickly and economically;
3. Adverse publicity caused by the failure to collect income efficiently and effectively;
4. Theft, misappropriation or loss of income;
5. High levels of bad debt leading to a large number of write-offs.
6. Failure to deal with VAT correctly results in assessments and penalties from HM Revenue & Customs or a loss of income to the Council

Key Responsibilities for Staff & Members:

1. All arrangements for the collection, accounting and banking of income due to the Council must be subject to the approval of the Section 151 Officer.
2. The appropriate Divisional Director will be directly responsible for the safe custody, recording, control, issue and use of official receipting systems, receipt books, tickets, account books and other income documentation in their specific Service area.
3. Responsibility for income collection must be separated from the person responsible for raising the debt.
4. Only payment or write-off shall discharge all sums due to the Council.
5. All refunds of overpayments must be made through the Council's Creditors system and NOT out of income. To help prevent money laundering activity refunds must always be paid back to the same bank account as the original payment.

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6. Under no circumstances must personal cheques be cashed in, or money borrowed from, income or other Council monies.
7. All amounts written-off will be authorised by the Chief Finance Officer and the Head of Legal Services (or their nominated representatives) and / or the appropriate Cabinet Member, in accordance with the Council's Code of Practice.
8. Sums due to the Council as debts from members of staff shall be deducted promptly from salary. Divisional Directors will ensure that all debts due are recovered promptly and any outstanding balances due, at the time of cessation of employment, are deducted from employee's final salary or any other monies due to that employee.
9. VAT is charged where appropriate, in accordance with the HM Revenue & Customs regulations. Where an individual Service makes a new type of charge for any reason they must consult the Council's VAT Analyst before setting prices.
10. Divisional Directors must ensure that all members of staff, within their Service, responsible for the collection and reconciliation of income, comply with the requirements of the Council's Anti Money Laundering Policy.

In addition, please refer to:

Code of Practice No.8 – Income Collection
Council's Anti Money Laundering Policy
VAT Guidance

Section 14 – Bank Accounts, Banking and Cash Handling

Why is this important?

Local Managers and employees need to have a clear understanding of their responsibilities regarding the setting up and use of Council Bank Accounts, obtaining foreign currency and Banking & Cash Handling. Most bank accounts are held and managed centrally. However, there will be Local Managers who are responsible for voluntary funds, petty cash accounts and other bank accounts.

Objectives of Banking & Cash Handling processes:

- To ensure that all income and expenditure is transacted through authorised bank accounts.
- To ensure that all money is held securely, banked in an authorised bank account as soon as possible and accounted for properly.

Implications if above objectives are not achieved:

1. Theft or loss;
2. Staff and premises vulnerable to attack;
3. Resources wasted due to poor cash flow management;
4. Inability to prove that deposits have been made into the bank account or that payments have been made by debtors;
5. Damage to the Council's reputation through adverse publicity;
6. Failure to deal with VAT correctly results in assessments and penalties from HM Revenues & Customs or a loss of income to the Council.

Key Responsibilities for Staff & Members:

1. The Chief Finance Officer will be responsible for making such arrangements as are appropriate and necessary with the Council's Bankers relating to all financial transactions.
2. All bank accounts must be opened and closed by the Chief Finance Officer. Any subsidiary Bank Accounts can only be opened with the express authority of the Chief Finance Officer, who will provide specific instructions on the control and use of such accounts.
3. The Chief Finance Officer will authorise the use of a petty cash account or change float.
4. All cheques and payment forms will be ordered by the Chief Finance Officer, who shall be responsible for their safe custody.
5. All money received by an employee, on behalf of the Council, must be properly recorded and paid without delay into the Council's bank account.

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6. Income paid into Council cash machines, must be accounted for and banked on a daily basis.
7. Prior to banking, income must be held securely, usually in a safe or other locked receptacle.
8. Whilst being safeguarded cash, cheques and other forms of income should be the responsibility of a nominated Officer. Responsibility should be limited to a single Officer, i.e. access to keys etc.
9. All appropriate income documents relating to banking are retained and stored for the defined period in accordance with the document retention guidelines.
10. Money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.
11. The Chief Finance Officer will specify arrangements for the collection and banking of all income due to the Council, and to approve the procedures, systems and documentation for its collection, security and banking.
12. Where third parties are contracted to bank income on behalf of the Council, the Chief Finance Officer will specify and agree the contract arrangements, prior to entering into any such contract.
13. To officially acknowledge all income and ensure that it is paid fully and promptly into the appropriate Council bank account in the form in which it is received. Appropriate details should be recorded onto paying-in slips to provide an audit and management trail. These details should match the payment to the account or invoice to be credited.
14. All monies must be kept secure at all times to safeguard against loss or theft.
15. All monies, held on premises, must not be in excess of approved insurance limits.
16. All keys to safes and similar receptacles must be carried by the person responsible at all times; loss of such keys must be reported, without delay, to the Chief Finance Officer.
17. Under no circumstances must income be used to cash personal cheques or make any other payments.

In addition, please refer to:

Code of Practice No.2 – Petty Cash Accounts / Client Cash Floats
Code of Practice No.9– Bank Accounts, Banking & Cash Handling

Section 15 – Asset Management

Why is this important?

The Council holds fixed and moveable assets in the form of land, buildings, plant and machinery, vehicles, equipment, software, and other items with significant value. It is important that all assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations.

An up-to-date asset register is a prerequisite for proper fixed asset accounting and sound asset management. Inventories of moveable items are particularly important in connection with potential insurance claims.

Objective of asset management:

- To ensure that assets are used to achieve the approved policies and objectives of the Council with the minimum level of waste, inefficiency or loss for other reasons.

Implications if above objective is not achieved:

1. Money may be wasted by acquiring inappropriate assets;
2. Assets may be used inefficiently;
3. Loss or damage;
4. Money may be wasted by maintaining obsolete or unnecessary assets;
5. Income may be lost by not achieving best terms for disposal of assets.

Key Responsibilities for Staff & Members:

1. Every Divisional Director shall be responsible for the custody of all buildings, equipment, stocks, stores, vehicles, furniture and cash used within their Service environment and for their general security.
2. Official inventories and stores records shall be kept under arrangements approved by the Chief Finance Officer, and all desirable and portable property shall be securely marked "Property of Bath & North East Somerset Council".
3. Items recorded in official inventories must subject to a regular independent physical check (at least annually). All discrepancies should be investigated and pursued to a satisfactory conclusion. Any discrepancies not resolved must be reported to the appropriate Divisional Director and Internal Audit.
4. The Chief Finance Officer (or their authorised representative) has the right of access to all Council establishments, to verify stores, records or accounts.

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5. Divisional Directors should ensure that stocks and stores are not carried in excess of economic requirements.
6. All 'moveable' property will only be disposed of in accordance with the Council's Stocks and Stores and Inventories Codes of Practice.
7. The Divisional Director (Property) shall maintain, in a form approved by the Chief Finance Officer, a register of all properties owned by the Council.
8. The Divisional Director (Property) shall inform the Chief Finance Officer of all relevant details, including financial implications, relating to the purchase, lease, holding or sale of property held on the Council's behalf.
9. All Divisional Directors responsible for the private property of a person under their guardianship or supervision shall arrange for an inventory of all items and ensure the safe custody of the items in accordance with the Clients' Private Property Code of Practice.
10. All Council assets must be used solely for official Council business. Council assets must not be used for personal use.
11. Where any irregularity is suspected in the custody or use of a Council asset, the matter must be treated as a financial irregularity and reported immediately to the appropriate Divisional Director and Internal Audit.

In addition, please refer to:

Code of Practice No.10 – Stocks and Stores
Code of Practice No.11 – Inventories
Asset Management Strategy

Section 16 – Asset Leasing

Why is this important?

Why is this important?

The implementation of the Prudential Code in April 2004 has introduced new freedoms for Local Authorities to pursue various capital and revenue options for the funding of asset acquisitions. It is therefore important to ensure the most cost effective form of funding is sourced for each acquisition.

Objectives of controlling Asset Leases:

- To ensure compliance with the Prudential Code
- To ensure terms and conditions of leases are appropriate.
- To ensure the lease is correctly recorded in the Council's accounts.
- To ensure compliance with Procurement Regulations.

Implications if above objectives are not achieved:

1. Non-compliance with the Prudential Code value for money requirements.
2. The cost of leasing the asset is greater than alternative finance options.
3. The council's accounts are incorrectly stated.
4. Legal challenge as a result of a breach in Procurement Regulations.

Key Responsibilities for Staff & Members:

1. Every Strategic and Divisional Director must refer all proposed leasing arrangements, within their Services, to the Chief Finance Officer.
2. Approval must be obtained from the Chief Finance Officer for all asset leases.

Section 17 – Insurance

Why is this important?

All organisations, whether private or public sector, face risks to people, property and continued operations. Insurance, either through external providers or through the Council's own fund, form a vital part of the management of these risks.

Objectives of Insurance:

- To ensure that risks exceeding acceptable levels are determined and adequately insured against where appropriate.
- Material risks are monitored on an ongoing basis, and the level of insurance cover (external or internal) adjusted accordingly.

Implications if above objectives are not achieved:

1. The Council maintains insufficient risk reserves or insurance policies to cover the potential financial costs of replacement.
2. Claims are not processed efficiently or effectively.
3. Adverse publicity for the Council.

Key Responsibilities for Staff & Members:

1. The Chief Finance Officer shall be responsible for:
 - 1) Effecting appropriate insurance cover and maintaining the relevant administrative systems.
 - 2) To manage the Council's internal funding, including prescribing how claims on the Council's Insurance Fund should be made.
 - 3) To negotiate all claims in consultation with the Insurers, Legal Services and other officers, as necessary.
 - 4) To include all appropriate employees of the authority in a suitable fidelity guarantee insurance, and provide adequate public liability, and employer's liability cover.
 - 5) To offer insurance cover to schools in accordance with the Scheme of Delegation.
 - 6) To periodically undertake a general revaluation of Council buildings and effect appropriate changes to the corresponding insurance cover following revaluation.
 - 7) To identify claims trends and implement appropriate risk management measures.
2. Divisional Directors shall notify the Chief Finance Officer (or their Insurance representative) promptly on any matters affecting insurance cover, including all new risks and amendments to existing risks.
3. Divisional Directors shall notify the Chief Finance Officer (or their Insurance representative) immediately, in writing, of any accident, loss, liability or

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damage or any event likely to lead to a claim on or by the Council whether covered by insurance or not. An admission of liability or blame should not be made either verbally or in writing.

4. Divisional Directors shall take all reasonable measures to reduce risk and liability within their Service areas. In addition, they shall ensure that work for external organisations is appropriately covered by professional indemnity insurance.
4. Members and Officers of the Council who intend to travel abroad on official business must ensure that the necessary insurance cover has been arranged.

In addition, please refer to:

Code of Practice No.12 – Insurance
Code of Practice No.13 – International Travel

Section 18 – Value Added Tax (VAT)

Why is this important?

The purpose of this section of the regulations is to ensure that service managers and employees have a clear understanding of their responsibilities regarding VAT.

Like all organisations, the Council is responsible for ensuring that its VAT affairs are managed efficiently and in accordance with legislation. Tax issues are often very complex and the penalties for incorrect accounting for VAT can be severe. It is therefore very important that all officers are aware of their role so that the Council adheres to current VAT law and best practice.

In particular the Council can only recover VAT incurred on 'VAT-exempt' business activities if the total falls below its 'partial exemption' limit. Detailed planning is required to ensure that the Council can continue to recover this VAT, on both new schemes and existing expenditure.

Objectives of taxation control processes:

To ensure that the Council only pays the correct amount of VAT and accounts for it in accordance with statutory requirements:

- budget managers are provided with relevant information and kept up to date on VAT issues
- budget managers are instructed on required record keeping
- all taxable charges and payments are identified, properly carried out and accounted for within stipulated timescales
- records are maintained in accordance with Council instructions and subject to internal checks
- accurate returns are made to the appropriate authorities within the stipulated timescale.

Implications if above objectives are not achieved:

1. Unnecessary payment of taxes or under-recovery of tax due, leading to wasted resources;
2. Failure to identify taxable income and pay over the tax due, leading to possible assessments, interest and penalties, as well as considerable extra work;
3. Incorrect or duplicate recovery of VAT paid to suppliers, again leading to additional costs and work;
4. Inadequate planning or lack of consultation leads to poor decisions, resulting in errors or a loss of income;

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5. Failure to consult early on expenditure related to VAT-exempt income adding to the risk of the Council breaching its 'partial exemption' limit at a cost of over £1m

Key Responsibilities:

1. The Chief Finance Officer will:

- Maintain up to date guidance about VAT for Council employees on the intranet, and provide updates and advice to staff.
- Respond to all queries from Services, seeking external advice if necessary.
- Make checks of VAT charged to customers and to be reclaimed, then ensure completion of a monthly return of VAT inputs and outputs to Her Majesty's Revenue & Customs (HMRC).
- Deal with all visits and correspondence from HMRC.
- Ensure that the VAT incurred in relation to 'exempt' business income is not at risk of exceeding the partial exemption limit in any financial year, and undertake the annual calculation after the year end.

2. Divisional Directors will have responsibility:

- To ensure that staff are trained to deal with VAT correctly
- To ensure that the correct VAT is paid from income due to the Council, and that VAT on purchases is recovered in line with HMRC regulations.
- To follow the instructions on taxation issued by the Chief Finance Officer on the Council's VAT intranet site and in other documents.
- To check the VAT status of any new type of income with the VAT Analyst
- To ensure that all new schemes, or changes to current arrangements, that involve VAT-exempt income, are notified to the Council's VAT Analyst at the earliest opportunity.
- To liaise with the Council's VAT Analyst if there is any type of query concerning VAT or if it is believed that an error may have occurred.

In addition, please refer to:

VAT Guidance

Section 19 - Information Systems Management

Why is this important?

Information is a key business enabler and Services are heavily reliant on information and information systems (electronic or manual) to deliver services and manage business processes. As such, reliable and well managed information systems are an essential element of service provision.

The purpose of this section of Financial Regulations is to ensure that users of the Council's information and information systems are aware of their role and responsibilities relating to the processing, handling and storage of information.

Objectives and Risks

The principle objectives of good information systems management are to ensure that:

- All information systems conform to Council policies and standards;
- Systems are reliable and well managed, information is secured and protected and that confidentiality, integrity and availability are maintained;
- Systems are procured, developed, implemented and maintained to ensure that maximum benefit is obtained by using them to their full potential; and
- Contingency plans are developed and maintained so that loss and service delivery disruption is minimised in the event of disaster occurring.

The Council's information and information systems are important business assets and as such need to be appropriately managed to ensure that customer satisfaction, competitive edge, financial viability, legal compliance and reputation are maintained.

Information and information systems are faced with risks and threats from a wide range of sources, including technology-assisted fraud, espionage, sabotage, vandalism and environmental disasters such as fire and flood.

In order to mitigate these risks the Council has identified the following factors as critical to the successful implementation of good information systems management.

1. Information Management Policies

The **Chief Finance Officer** shall ensure that appropriate policies and procedures are in place to set clear direction in line with business objectives and demonstrate support for, and commitment to, information management standards throughout the Council.

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The Council's principle objectives in good information management are outlined in the [Information Security Policy](#) and [Electronic Communications - Acceptable Use Policy & Guidelines](#).

NB Details of the essential supporting policies are provided in the appropriate sections below.

2. Organisational Security

The Chief Finance Officer shall ensure that a management framework is established to initiate and control the implementation of good information management throughout the Council.

Information management is a business responsibility shared by all information users, therefore all managers and users have a role and responsibility for adopting good practice, processing information in a secure and efficient manner and complying with Council Policies and standards.

3. Asset Control

Owners should be identified for all assets, hardware, software and information, and the responsibility for the maintenance of appropriate controls should be assigned. The implementation of specific controls may be delegated by the owner as appropriate but the owner remains responsible for the proper protection of these assets.

Information, (including: databases & data files, contracts & agreements, system documentation, user manuals, training material, operational or support procedures), is an asset and to ensure that information receives an appropriate level of protection it should be classified to indicate the need, priorities, and expected degree of protection. The Council's information classification scheme should be used to define an appropriate set of protection levels and communicate the need for special handling measures.

Further guidance is to be found at Appendix B of the [Information Security Policy](#).

4. Records Management

Records Retention - System owners are responsible for disseminating responsibility to their staff, to ensure that all records are kept for the minimum amount of time as detailed in the Council's [Records Retention Schedules](#).

The [Retention of Records Policy](#) provides further detail.

Records Disposal - All hardware, software and records, both electronic and hardcopy, that are obsolete or have reached the end of their lifecycle should be securely destroyed in accordance with the Council's disposal policies.

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Initial guidance is available in the [Confidential Waste Guidelines](#) and the [Records Management & Data Quality, and Disposal of Removable Media Policies](#) provide further detail.

5. Personnel Security

The Head of Human Resources shall ensure that information management responsibilities are addressed prior to engagement and that the terms and conditions of employment provide assurance that employees, contractors and third party users understand their responsibilities.

All employees of the Council and, where relevant, contractors and third party users should receive appropriate awareness training and regular updates in Council policies and procedures. Third party users are required under the Application Hosting Policy to sign an agreement in relation to their roles and responsibilities.

6. Physical and Environmental Security

To prevent unauthorised access, damage, or interference to Council premises, equipment and information processing facilities the Chief Finance Officer is to ensure that procedures are implemented that ensure:

- all critical and/or sensitive information processing facilities and equipment are housed in secure areas;
- buildings are protected by defined security perimeters, with appropriate security barriers and entry controls; and
- precautions are taken to ensure that access to all PCs, laptops and any other communications devices is restricted at all times to authorised personnel. (Refer to the System Access & Password Management Policy)

7. Information Processing

The Chief Finance Officer is to ensure that responsibilities and procedures for the management and operation of all information processing facilities are established. Segregation of duties should be implemented, where appropriate, to reduce the risk of negligent or deliberate system misuse.

8. Access Control

Access to information, information processing facilities, and business processes should be controlled on the basis of business and security requirements. Access control rules should take account of the Council's policies for information dissemination and authorisation.

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The [System Access and Password Management Policy](#) provides further detail.

9. System Procurement, Development and Maintenance

Information management requirements should be identified and agreed prior to the any procurement, development and/or implementation of information systems. All information management requirements should be identified at the requirements phase of a project, justified, agreed, and documented as part of the overall business case for an information system.

Major procurement of hardware and software systems is in the first instance to be referred to the Council's IT Client Services Delivery and Corporate Procurement Managers for advice and approval. The Information Governance Team must also be consulted to ensure that security, legal compliance and information management issues are managed.

10. Information Security Incident Management

The Chief Finance Officer shall ensure that formal security incident reporting and escalation procedures are in place.

All employees, contractors and third party users should be made aware of the procedures for reporting the different types of incidents, events and weaknesses that might have an impact on the management of the Council's information and information systems.

The [Security Incident Management Policy](#) provides further detail.

11. Business Continuity Management

The Council shall ensure that a business continuity management process is implemented to minimise the impact on the Council and recover from loss of information assets (which may be the result of, for example, natural disasters, accidents, equipment failures, and deliberate actions) to an acceptable level through a combination of preventive and recovery controls.

This process should identify the critical business processes and integrate the information security management requirements of business continuity with other continuity requirements relating to such aspects as operations, staffing, materials, transport and facilities.

12. Compliance

The Chief Finance Officer shall ensure that adequate policies and procedures are in place to ensure compliance with all relevant legislation in respect of information held, both electronic and hard copy, including, but not limited to:

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- Data Protection Act 1998
- Freedom of Information Act 2000
- Environmental Information Regulations 2004
- Computer Misuse Act 1990
- Copyright, Designs and Patents Act 1988

Divisional Directors shall ensure that the processing of person-identifiable information within their service areas is carried out in accordance with the 8 Data Protection Principles.

Divisional Directors are to ensure that adequate processes and procedures are in place within their service areas to liaise with the Information Compliance Manager to ensure that information requests are satisfied within the statutory timescales contained within the appropriate legislation.

Divisional Directors shall inform the Council's Information Compliance Manager of all issues concerning data protection identified within their service areas.

The [Data Protection Act Policy](#), [Freedom of Information Act Policy](#) and [Environmental Information Regulations Policy](#) provide further details.

Information Management Contact Details

If users are in any doubt as to the appropriateness of their information processing they can obtain further advice and support from Information_Governance@bathnes.gov.uk

In addition, please refer to:

Data Protection Act Policy
Freedom of Information Act Policy
Environmental Information Regulations Policy
Security Incident Management Policy
System Access and Password Management Policy
Confidential Waste Guidelines
Records Management and Data Quality Policy
Records Retention Schedules
Retention of Records Policy
Information Security Policy
Electronic Communications – Acceptable Use Policy
Clear Workspace Guidelines

Section 20 – ‘Employee’ Interests, Gifts and Hospitality

Why is this important?

The public is entitled to expect conduct of the highest standard from Local Government employees. Public confidence in the integrity of such persons will be shaken by the least suspicion, however ill-founded, of influence being exerted on Council business, through financial (or other) inducements or conflicts of interests.

The purpose of this section of the regulations is to ensure that all employees (and other individuals engaged in official Council business) have a clear understanding of their responsibilities when they have an interest or receive / give gifts and hospitality related to their Council position.

Failure to declare interests, gifts and hospitality could be a breach of legislation. Section 117 of the 1972 Local Government Act requires individuals to declare any financial interest, whether direct or indirect, in any existing or proposed contract. The Bribery Act 2010 makes it an offence to offer, promise or give a bribe (Section 1). It is also be an offence to request, agree to receive, or accept a bribe (Section 2). Section 6 of the Act creates a separate offence of bribing a foreign public official with the intention of obtaining or retaining business or an advantage in the conduct of business. A corporate offence is created under Section 7 of failure by a commercial organisation to prevent bribery that is intended to obtain or retain business, or an advantage in the conduct of business, for the organisation. An organisation will have a defence to this corporate offence if it can show that it had in place "adequate procedures" designed to prevent bribery by or of persons associated with the organisation.

Objectives of guidance and rules governing possible conflicts of interest:

The key objectives are:

- Ensure that the interests of the public remain paramount;
- Officers are impartial and honest in the conduct of their official business;
- Public monies is used to the best advantage of the Council, always ensuring value for money.

It is important that all potential conflicts of interests are properly identified and recorded and that a record of appropriate action taken is made. This will assist in maintaining public confidence and assist in achieving the Council's commitment to tackle fraud and corruption within or external to the organisation.

Key Responsibilities for Employees and other individuals engaged on Council business:

1. All employees must be aware of the Employees Code of Conduct.
2. On starting employment / engagement (consultant or agency worker) on Council work or at any time during the period of employment / engagement individuals must declare interests using the electronic Register. An electronic

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'Interests' Register will be maintained to enable employees to submit on-line declarations. Interests will include:

- Organisation Membership (not open to the public without formal membership and commitment of allegiance and which has secrecy about rules or membership or conduct)
- Other employment / business
- Land Interest
- Financial Interest
- Family / Friends

3. During the course of their duties, employees may receive offers of gifts and hospitality of one form or another and it is important that employees are able to recognise what is, and what is not, acceptable. The following guidelines should be adhered to:

- Acceptance or refusal of gifts and hospitality must be recorded in Gifts & Hospitality Electronic Register. Each register entry will be subject to management approval and periodic Audit inspection.
- Gifts which may be sent / offered to employees by outside contractors or organisations should be returned politely with a suitable official letter, and details recorded in the Register.
- Gifts can only be accepted when they are of nominal value, functional, items suitable for business use, e.g. diaries, calendars, and pens.
- On no account should an employee accept either secondary employment or a financial payment from any person, body or organisation, with which the Council is involved, e.g. contractors, developers, consultants.
- Normally, visits by employees to exhibitions, demonstrations, conferences, business meals, social functions, in connection with their official duties shall be at the Council's expense.
- Where hospitality, in the form of meals and drinks, is offered by a third party, this is normally only acceptable where it forms part of, or immediately follows on from, normal business meetings/discussions held during the normal working day.
- Where offers of hospitality are made, i.e. invitations to dinners, these should only be accepted if there is a clear and demonstrable benefit to the Council, and the hospitality would not expose the Council to criticism that the provider of the hospitality was achieving undue influence. Attendance must have the relevant Divisional Director's approval in advance, and must be recorded in the Register of Gifts and Hospitality.
- Offers of hospitality in the form of purely social events and sporting occasions should on **no account** be accepted when these are from organisations with which the Council has commercial links. However, invitations to social events from non-commercial organisations with which the Council has a partnership arrangement will be acceptable, but must have the Divisional Director's advance approval, and must be recorded in the Electronic Register. Offers of hospitality refused must, in addition, be recorded in the Register.
- Regular social contact, i.e. drinks in a public house, with representatives of organisations which supply, or hope to supply, goods or services to the Council must be avoided. Where such instances do occasionally take place, i.e. after late working, officers should ensure that they "pay their

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way” and that the costs of such contact are not met in full by the other party.

- For their own protection, officers may wish to consider recording such events in the Electronic Register.
 - Apart from participating in concessionary schemes arranged by the Council, trade unions or other groups for their members, employees shall not avail themselves of the services of contractors employed by the Council for acquiring services, materials, labour or plant at cost, trade or discount prices.
4. Suspected irregularities concerning conflicts of interest, giving and acceptance of gifts & hospitality must be reported without delay to Divisional Director, Risk & Assurance, and where appropriate, to the Chief Executive and the appropriate Cabinet Member.
 5. Employees responsible for the purchase of goods and supplies on behalf of the Council should note that any promotional offers given by suppliers are the property of the Council.
 6. These promotional offers normally take the form of a free gift, a holiday offer or vouchers towards goods. Promotional offers should **ONLY** be used for the benefit of the Council, and the Divisional Director concerned will decide how such offers are to be used.
 7. All promotional offers accepted and declined and the course of action determined by the Divisional Director must be recorded in the Electronic Register.

Section 21 – Corporate Purchasing Cards (Credit Cards)

Why is this important?

The purpose of this section of the regulations is to ensure that all employees have a clear understanding of their responsibilities when using the Council's Corporate Purchasing Card.

Objectives of the Corporate Purchasing Card:

Purchasing Cards streamline the purchasing process, eliminating the need for unnecessary paperwork. They offer the following benefits, namely:

- ❑ Reduction in the number of orders raised,
- ❑ Eliminating the payment of invoices,
- ❑ Improved payment performance,
- ❑ Electronic update of accounts,
- ❑ The modern way of trading,
- ❑ Reduced costs of doing business,
- ❑ Simplified administration and reduction in paperwork.

Implications if above objectives are not achieved:

1. Failure to secure value for money;
2. Payments made for unauthorised items or to unauthorised creditors;
3. Duplicate payments;
4. Loss of recoverable VAT;
5. Fraud & theft.

Key Responsibilities for Staff:

1. The only Purchasing Cards issued on behalf of the Council will be those authorised by the Chief Finance Officer.
2. Divisional Directors must authorise the issue of all new Purchasing Cards to members of staff within their Service.
3. Divisional Directors will be responsible for agreeing the transaction and monthly credit limits for all Corporate Purchasing Cards issued within their Service and the category of expenditure they will be used for.
4. The Chief Finance Officer, or delegated officer, will be responsible for authorising all Purchasing Card application forms.
5. All Cardholders must abide by the requirements of the Corporate Purchasing Card Procedure Guide whenever using the Card in their possession.
6. The cardholder must ensure that the Purchasing Card issued to them is kept in a safe place at all times.
7. The Purchasing Card must only be used to purchase goods or services on behalf of the Council and must only be used by the named cardholder.

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8. Unless a supplier is known to be “VAT-enabled” (i.e. they show VAT on the statement issued by the bank) the card holder must obtain a VAT receipt or “retailer’s receipt” and use this to claim a refund of the VAT paid.
9. Divisional Directors must ensure that the detailed procedures and key controls, as specified in the Purchasing Cards Procedures Guide, are strictly followed.
10. Any misuse of the Purchasing Card will be treated as gross misconduct and subject to normal disciplinary procedures.

In addition, please refer to:

Corporate Purchasing Card Procedures

Section 22 – International Travel

Why is this important?

If International travel, by Council Officers and Members, is not administered efficiently and robustly, the Council is very open to criticism and loss of reputation.

It is critical that the decision making process and rationale is clearly documented to include all aspects of the trip, such as expected outcomes/benefits, lead officer, number of council officers, external parties/delegates, rationale for numbers etc, overall budget required and reporting requirements both before and after the trip.

The Council's Financial Regulations and Standing Orders will continue to apply when arranging and making payments for international visits.

Objectives of International Travel Guidelines:

- To ensure that Council Members and Officers obtain value for money and that the Council only incurs expenditure on activities relating to officially approved international visits.

Implications if above objectives are not achieved:

1. Failure to secure value for money.
2. Travel not officially authorised
3. Resources may be used inappropriately
4. Loss of reputation to the Council and adverse publicity
5. Loss of recoverable VAT

Key Responsibilities for Staff & Members:

1. The Council's Financial Regulations and Standing Orders will continue to apply when arranging and making payments for international visits.
2. All Council Members and Officers must have formal, official approval before taking part in an international visit and entering into any commitments concerning that visit. An 'International Visits Approval Form' must be completed in each case.
3. This Code of Practice will apply to all parts of international journeys, including the initial and final part of the journey in the U.K.
4. All staff taking part in international visits are under an obligation to minimise official expenditure, e.g. economy class air fares. However, staff should not expect to be out of pocket on official visits (unless they undertake optional or private extensions or modifications to essential itineraries).
5. The maintenance of detailed and precise records of expenditure, together with obtaining receipts for all expenditure incurred, are essential. All financial records, associated with the visit, must be retained, as specified in

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the attached Code of Practice. Reimbursement of expenses claimed will only be made against receipts.

6. Travel Insurance must be obtained from the Council's Insurance Officer immediately on booking any travel arrangements.
7. If free accommodation is offered in a host country, either in the homes of colleagues or elsewhere then staff are expected to accept it.
8. Council Purchasing Cards (Credit Cards) must only be used for Official Council expenditure incurred on approved visits.
9. A report detailing the benefits of the visit must be submitted to the relevant Strategic Director, Member or Cabinet, upon the completion of the visit. This report should detail the objective/purpose of the visit (as detailed on the 'International Visits Approval Form').

In addition, please refer to:

Code of Practice No.13 - International Travel

Section 23 – Commissioning & Procurement

Why is this important?

1. The Council spends a large sum of money each year on contracts, for works, supplies or services. These Financial Regulations apply to all contracts and must be read in conjunction with the Council's Smarter Commissioning & Procurement Framework which includes the Council's Contract Standing Orders.

These Financial Regulations are intended to support the Council's Smarter Commission & Procurement Strategy in order to:

- Secure the best value for the Council,
- Prevent corruption or the suspicion of it; and
- Subject to the above, be fair and transparent to those seeking to contract with the Council.

Objectives of the Smarter Commissioning & Procurement Framework:

- To ensure that works, goods and/or services meet the needs of the Council
- To secure value for money by obtaining the best price and quality for works goods and/or services ordered.
- To establish contractual arrangements that clearly defines the responsibilities of each party to the contract.
- To ensure the Council complies with EU legislation.
- To ensure that appropriate contract management arrangements are put in place.

Implications if above objectives are not achieved:

1. Failure to secure value for money;
2. Delays to delivery of contracts whilst legal challenges are dealt with and increased costs incurred in order to defend the Council's position.

Key Responsibilities for Staff & Members:

1. Divisional Directors **must** establish a commissioning intentions schedule that at minimum covers a 3 year rolling programme of future commissioning and procurement activity.
2. Every contract made by the Council **must** be awarded in line with the Council's Smarter Commission & Procurement Framework including complying with the Council's Contract Standing Orders,
3. Divisional Directors **must** ensure that all Officers in their Service that have been nominated as 'Responsible Officers' (RO) for contract management purposes have been appropriately trained in the use of the Smarter

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Commissioning & Procurement Framework (including use of the Council's e-procurement systems)

4. Divisional Directors **must** ensure that all contracts are appropriately recorded on the Council's Contracts Register.
5. Divisional Directors **must** ensure that requests for quotations and invitations to contract with the Council comply with Council's E Procurement Policy.
6. Where corporate contracts are in place Divisional Directors **must** ensure they are used.
7. The RO for each contract shall ensure that all instructions have been appropriately authorised and issued before the goods are ordered, services requested or works are undertaken.
8. The RO must obtain appropriate VAT advice in relation to all contracts to provide services to the public to ensure the appropriate VAT treatment is applied.
9. The RO **must** ensure that all contract documentation is correct (obtaining appropriate technical advice) before agreeing on the Council's behalf. This will include any clearance required through the Council's Democratic processes.
10. Any changes to the nature, value, term or any other changes **must** be agreed by the Divisional Director in line with the contract variation process identified in the original contract (subject to appropriate technical advice and clearance through the Council's Democratic processes. Any change **must** be reflected and updated on the Contract Register
11. All instructions to suppliers and payment arrangements **must** be in a form agreed by the Chief Finance Officer or his/her delegated Officer.
12. The Chief Finance Officer **must** agree arrangements for the financial vetting of prospective contractors.
13. The Divisional Director **must** establish appropriate contract management arrangement for the regular review of contractual performance of the contractor that allows performance issues to be identified and addressed in line with the terms of the contract.

In addition, please refer to:

Council Contract Standing Orders
Council Corporate Procurement Strategy

Section 24 – Members’ Allowances and Expenses

Why is this important?

It is important that payments of Members’ allowances and expenses are accurate, timely, and authorised in accordance with the scheme adopted by the Council. Expenses must be incurred on Council business and properly payable.

Objectives of the Members’ Allowances and Expenses processes:

- To ensure that proper authorisation procedures are in place.
- To ensure payments are made on the basis of correctly submitted claims, supported by receipts for payments made wherever possible.
- To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention guidelines.
- To ensure compliance with HMRC regulations.

Implications if above objectives are not achieved:

1. Failure to comply with HMRC regulations
2. Unauthorised payments are made
3. Inaccurate payments are made
4. Loss of reputation

Key Responsibilities for Members and Staff:

1. All Members must adhere to the “Bath & North East Somerset Members’ Allowances Scheme”, approved by Full Council.
2. Any amendments to the scheme will be solely determined by the Council following receipt of recommendations from the Independent Remuneration Panel.
3. The Chief Finance Officer is authorised, on receipt of verification from the Solicitor to the Council of a claim from a Member, to pay the appropriate allowances in accordance with the payment arrangements described in the scheme.
4. Travel and subsistence allowances may be claimed by Councillors. The arrangements for these allowances are included in Part 2 of the scheme.
5. Subsistence allowances may be claimed by Councillors, in respect of each occasion on which a Councillor carries out a duty as specified in Schedule 2 to the Scheme.
6. In order to claim subsistence allowance a claimant must have personally incurred expenditure on subsistence.

In addition, please refer to:

Councillors’ Allowances Guidance

Section 25 – External Arrangements Partnerships

Partnerships bring together key public agencies, the business community and the independent sector (voluntary and community sector organisations, further and higher education, neighbourhoods) to address the shared priorities for the area and to tackle the issues that no single agency can do on their own.

A Partnership is a joint working arrangement where the partners:

- are otherwise independent bodies;
- agree to jointly deliver common goals and outcomes for the community;
- share accountability, risks and resources, and
- create an organisational structure with agreed processes and programmes.

The term 'partnership working' is also used to describe a more co-operative way of running construction contracts. This also is quite different from what this section of the financial regulations is intended to cover.

Partners have common responsibilities:

- (a) to be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation;
- (b) to act in good faith at all times and in the best interests of the partnership's aims and objectives;
- (c) be open about any conflict of interests that might arise, including those where Council staff have been seconded to work on the project;
- (d) to encourage joint working and promote the sharing of information, resources and skills between public, private and community sectors;
- (e) to hold confidentially any information received as a result of partnership activities or duties that is of a confidential or commercially sensitive nature;
- (f) to act wherever possible as ambassadors for the project.

Why is this important?

The Council provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders. It must also act to achieve the promotion or improvement of the economic, social or environmental well-being of its area.

Partnerships can play a key role in delivering community strategies and in helping to promote and improve the well-being of the area. Local Authorities co-operate with others – public agencies, private companies, community groups and voluntary organisations, and their distinctive leadership role is to bring together the contributions of the various stakeholders.

Local Authorities can mobilise investment, bid for funds, champion the needs of their areas and harness the energies of local people and community organisations. Local Authorities will be measured by what they achieve in co-operation with others.

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Key controls

The key controls for partnership arrangements are:

- (a) ensuring that partnership arrangements are underpinned by clear and well documented internal controls.
- (b) risk management processes are in place to identify, assess and allocate all known risks.
- (c) appraisal processes are in place to assess the viability of the partnership in terms of resources, staffing and expertise.
- (d) the roles and responsibilities of each partner involved in the project are agreed and formally accepted before the project commences.
- (e) adequate arrangements are in place to ensure the accountability of other organisations for Council money, and that such money is only released against proper controls.
- (f) regular communication is maintained with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution.
- (g) documentation is in place setting out and limiting the commitments of parties to each other and the project.

Responsibilities of the Chief Finance Officer

- (i) To advise on effective controls that will ensure that resources are not wasted.
- (ii) To advise on the key elements of funding a project. They include:
 - (a) scheme appraisal for financial viability in both the current and future years.
 - (b) risk appraisal and management.
 - (c) resourcing, including taxation issues.
 - (d) audit, security and control requirements.
 - (e) carry-forward arrangements.
- (iii) To ensure that the accounting and reporting arrangements are satisfactory.
- (iv) Advising on the governance and performance management of partnership arrangements.
- (v) Ensuring that when the Council is the "Accountable Body" there are adequate controls and governance arrangements in place.

Responsibilities of Strategic Directors

- (i) To ensure that the key components of a Partnership Governance Framework are in place. This includes:
 - (a) Ensuring that, before entering into agreements with external bodies, a business case and risk management appraisal has been prepared and considered.
 - (b) Ensuring that all agreements and arrangements are properly documented.
 - (c) Ensuring that such agreements and arrangements do not impact adversely upon the services provided by the Council.

Detailed Requirements

1. The Cabinet is responsible for approving significant partnership arrangements. The Cabinet is the focus for forming partnership arrangements with other public, voluntary and community sector organisations to address local needs.
2. The Cabinet can delegate functions, including those related to partnership, to officers. This is set out in the scheme of delegation that forms part of the Council's

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constitution. When functions are delegated, the Cabinet remains accountable for them to the whole Council.

3. A Business Case for partnership must be submitted for approval to the Cabinet for significant partnerships. A thorough risk assessment of the partnership must be made as part of the Business Case.

4. For each approved partnership, a Link Officer must be appointed. The Link Officer is responsible for reviewing governance arrangement and effectiveness and reporting to the relevant Strategic Director.

5. A Partnership Agreement must be completed and signed by all members of the Partnership.

This agreement must follow an approved format as agreed with Council Solicitor.

6. The Link Officer must perform a review of the partnerships governance, performance and effectiveness at least annually for review by the Cabinet or relevant Strategic Director. The review must demonstrate a continuing business case for the partnership or if not exiting the partnership must be considered.

7. The partnership must perform regular risk assessments and maintain a risk register.

8. It shall be clear that officers put forward to represent the Council on partnerships and external bodies are there on the Council's behalf and to ensure that the Council's interests, position and aspirations are protected. If the achievement of the objectives of the partnership becomes inconsistent with this, there is a conflict of interest. If there is a conflict of interest, an officer's first duty is always to the interests of the Council. Where an officer is appointed to a legally constituted company (not a partnership) the officer will be bound by the company's memorandum and articles. In this appointment the officer must represent the interests of the Company.

Section 26 – External Funding

Why is this important?

External funding is potentially a very important source of finance, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Council. Local Authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers. Funds from external sources such as the National Lottery and European Union provide additional resources to assist the Council to deliver services to the local community. However, in some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the Council's overall plan.

Key controls

The key controls for external funding are that:

- funds are accepted only if they meet the priorities approved in the policy framework by the full Council.
- the requirements of the Funding Body are clearly understood to ensure that key conditions of funding and any statutory requirements are complied with.
- any match-funding requirements are given due consideration prior to entering into long-term agreements and that revenue budgets reflect these requirements.

Responsibilities of the Chief Finance Officer

To ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts.

To ensure that audit requirements are met.

Responsibilities of Strategic Directors

- i. To ensure that all claims for funds are made by the due date.
- ii. To ensure that the project progresses in accordance with the agreed project plan and that all expenditure is properly incurred and recorded.
- iii. To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenues are able to meet these requirements.

Section 27 – Work for Third Parties

Why is this important?

Local authorities can enter into a wide range of agreements to do work with each other and with some (but not all) public bodies. It is usually illegal for them to enter into agreements to do work for the private sector.

Such an agreement may enable the Council to provide a range of services to other bodies. Such work may enable a unit to maintain economies of scale and existing expertise. Arrangements should be in place to ensure that any risks associated with this work is minimised and that such work is intra vires (i.e. within the Council's legal powers).

Key controls

The key controls for working with third parties are that:

- proposals are costed and reviewed for accuracy and completeness prior to submission;
- no process is started that might lead to the Council agreeing to do work for an outside body whether public sector or otherwise, without first seeking the advice of the Council Solicitor as to whether this is within the Council's legal powers;
- no process is started that might lead to the Council agreeing to do work for an outside body, whether public sector or otherwise without first establishing and recording that there is a clear economic case why doing the work is in the Council's best interests;
- contracts are drawn up using with the advice / guidance of the Council Solicitor;
- guidance is issued with regard to the financial aspects of third party contracts and the maintenance of the contract register;
- the Council has insurance cover for any potential liabilities that could arise to the recipient of the service and any third party, and that the cost of this has been included with the overheads when calculating the fees to be charged.

Responsibilities of Chief Finance Officer

i. To issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register.

Responsibilities of Strategic Directors

i. To ensure that the approval of the Cabinet is obtained before any negotiations are concluded to work for third parties.

ii. To ensure that the Council does not enter into any agreement that is beyond its power.

iii. To ensure that no contract is subsidised by the Council.

iv. To ensure that, wherever possible, payment is received in advance of the delivery of the service.

v. To ensure that the Service / Team has the appropriate expertise to undertake the contract, and that such contracts do not impact adversely upon the services provided for the Council.

vi. To ensure that all contracts are properly documented.

Section 28 – Avon Pension Fund

1. In its role as 'administering authority', Bath & North East Somerset Council has executive responsibility for the Avon Pension Fund. The Council is legally responsible for the Fund as set out in the LGPS Regulations.
2. The Council delegates its responsibility for administering the Fund to the Avon Pension Fund Committee.
3. The Pensions Committee shall be responsible for the strategic policy of the Avon Pension Fund and the Fund's investment management arrangements. The Pensions Committee shall also make whatever arrangements it considers appropriate for the custody of the Fund's investments.
4. The Divisional Director of Property shall maintain a terrier of all investment properties owned by the Fund.
5. The Council shall manage on an agency basis any cash balances belonging to the Avon Pension Fund which are held with the Council's bankers. A Service Level Agreement with the Council's Treasury Services Section shall regulate the way in which these balances are managed.
6. The Chief Finance Officer shall report quarterly to the Pensions Committee on the performance of the Fund's investment managers and all other matters affecting the administration of the Fund's investments. The mandates of the investment managers shall be subject to periodic review.
7. The Pensions Committee shall appoint an actuary to the Fund and shall review the appointment periodically.
8. The Pensions Committee shall appoint a "local referee" to the Fund in compliance with the Internal Dispute Resolution Procedure set out in the Local Government Pension Scheme Regulations and shall review the appointment periodically.
9. The Pensions Committee shall approve an annual budget for the Fund's administrative expenses and all disbursements shall be met from within this budget. Reports monitoring expenditure against budget shall be submitted to the Pensions Committee quarterly.
10. Except where otherwise provided, the Pensions Committee shall approve all discretionary policies falling to be exercised by the Administering Authority under the Local Government Pension Scheme Regulations.

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11. The Chief Finance Officer shall approve a list of authorised signatories, which shall apply to all disbursements made by the Fund.
12. The Chief Finance Officer shall be responsible for preparing an Annual Report and Accounts for the Fund.
13. The Chief Finance Officer shall make arrangements for the collection of all employer and employee contributions due to the Fund.
14. The Chief Finance Officer shall make arrangements for the payment of transfer values owed by the Fund and the collection of transfer values owed to the Fund.
15. The payment of all benefits will be made under arrangements approved and controlled by the Chief Finance Officer.
16. The following action shall be taken in the event of an overpayment of pension arising from the death of a pensioner:-
 - i. in any month where the death occurs after the pension payment has been made, the overpayment shall not be recovered;
 - ii. in any month where the death occurs before the pension payment is due to be made and the Fund is not advised of the death until after the pension has been paid, the overpayment shall be recovered from the estate of the deceased.
 - Save that, in the case of 16 (ii), where an overpayment is £40 or less, the amount shall not be recovered.

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Bath and North East Somerset Council Financial Regulations

Code of Practice No.1

Treasury Management (Investments and Borrowing)

1. The Council will create and maintain, as the cornerstones for effective treasury management:
 - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.
 - Suitable Treasury Management Practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the policy statement and TMPs will follow the recommendations contained within Sections 6 and 7 of the CIPFA Treasury Management Code of Practice, subject only to amendment where necessary to reflect the particular circumstances of this Council. Such amendments will not result in the Council materially deviating from the Code's key principles.

2. 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.
3. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to its approved Chief Finance Officer, who will act in accordance with the Council's policy statement and TMPs and if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
4. The Council nominates the Corporate Audit Committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and Policies.
5. The Chief Finance Officer shall be responsible for the overall strategic management of the Council's investment, borrowing, leasing and other capital financing arrangements, under the general direction of the Cabinet.

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6. The Chief Finance Officer may appoint investment managers to manage specific parts of the authority's investments and all such appointments shall be reported to the Cabinet.
7. The Chief Finance Officer shall approve arrangements for the delegation of the investment of balances as required under schemes for local management of schools and colleges.
8. The Chief Finance Officer shall maintain records of all borrowings and lending of money by the Council.
9. All executive decisions on borrowing, investment or financing shall be delegated to the Chief Finance Officer who shall be required to act in accordance with the CIPFA "Code for Treasury Management in Local Authorities".
10. In certain cases it may be agreed that internal funds reserved for specific purposes will receive interest. The rate of interest paid on these funds will be agreed by the Chief Finance Officer taking into account, where appropriate, an allowance for central administrative expenses.

Further information about the above matters is available from the Corporate Finance Team.

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Bath and North East Somerset Council Financial Regulations

Code of Practice No.2

Petty Cash Accounts / Client Cash Floats

1. Petty Cash accounts are used to cover minor expenditure by the Council, including small purchases and certain types of expenses. Operating such accounts negates the need to use the computerised Creditors system for small payments.
2. Client Cash Floats are held by Services to enable Council Officers to make purchases on behalf of Adult & Children clients where other forms of payment are not accepted.
3. All new petty cash bank accounts are arranged through Exchequer & Insurance Section in liaison with the appropriate Service Finance Managers.
4. Requests to set up a petty cash bank account should initially be directed to the appropriate Service Finance Manager. The Finance Manager is responsible for approving the petty cash bank account and the amount. If approved the Finance Manager will send an e-mail to Exchequer & Insurance Section requesting that the account is created.
5. The Exchequer & Insurance Section will send the necessary bank mandate and authorised signatory forms to the Service / Establishment requesting the account. These forms should be completed (including Finance Manager authorisation) and returned to the Exchequer & Insurance Section who will then liaise with the bank to set up an account. The bank will send the cheque book to the Service / Establishment.
6. To enable the initial agreed float amount to be credited to the bank account the Exchequer & Insurance Section will contact the Corporate Finance Team. A 'Request for Payment' will be completed and authorised by the Corporate Finance Manager. This will be used to generate a BACS payment to credit the bank account.
7. Each Petty Cash Account / Client Cash Float should be administered by a '**Responsible Officer**'. Responsible Officers will be responsible for:
 - Securing the cash expenditure vouchers
 - Maintaining detailed records
 - Ensuring cash and documents are held securely
 - Reconciling the accounts and claiming regular reimbursements
8. All Responsible Officers of Petty Cash accounts / Client Cash Floats will have a prescribed imprest amount. When a new account is arranged a set of

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specimen authorised signatories, for cashing cheques, signing cheques and signing the petty cash / client cash float reimbursement form **must** be supplied.

9. Any proposed increase in the Petty Cash Account / Client Cash Float amount must be approved by the Service Finance Manager. The Service Finance Manager will liaise with the Corporate Finance Team to process the payment.
10. If the Petty Cash Account / Client Cash Float amount is to be reduced or deleted, the responsible officer for the account should notify their Finance Manager and the Corporate Finance Team. The Corporate Finance Team will liaise with the Exchequer & Insurance Section as appropriate.
11. Petty Cash Floats should be used for the reimbursement of small amounts of expenditure incurred, generally up to a **maximum value of £25.00**. Due to the nature of a Client Cash Float it is not reasonable to prescribe a maximum value for these transactions.
12. Petty Cash / Client Cash Floats **must be** kept securely (i.e. in a locked safe, cabinet or drawer.)
13. Loans **should not** be made from Petty Cash / Client Cash Floats. However, cash advances can be made if necessary, providing a voucher is completed for the amount advanced and receipts or monies are provided promptly and a new expenditure voucher completed.
14. Under **no circumstance** must third party cheques or personal cheques be cashed through the Petty Cash Account / Client Cash Float.
15. Petty Cash / Client Cash Floats **must not** be subsidised from any other source.
16. In general, payments to employees **should not** be made from Petty Cash Accounts. This will include payments for the following:
 - Public Transport reimbursement
 - Car Parking refunds
 - Subsistence Expenses
 - Taxi fares
 - Training expenses
 - Display Screen Equipment (DSE) Eyesight tests
17. In exceptional circumstances reimbursement of expenses (e.g. expenses incurred on behalf of clients) may be claimed through petty cash. Approval for reimbursing employees should be sought from the Service Finance Manager and the 'approval' should be recorded on the Petty Cash Voucher. In all cases the above employee payments **must** be claimed on the appropriate expenses reimbursement forms.

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18. Whenever possible, if items are frequently purchased through the same supplier, an account should be set up with that supplier and the items purchased via an official Council order. The supplier should then invoice for goods received and payment made through the Council's Creditors system.
19. Petty Cash / Client Cash should only be paid out to cover actual expenditure incurred and this expenditure **must always** be supported by a receipt. Wherever possible, the receipt must indicate whether the item purchased is subject to VAT. If necessary, the supplier must be asked to provide a VAT receipt.
20. Income received on behalf of the Council may not be paid into a Petty Cash Account / Client Cash Float but must be banked or paid to the authority, as provided elsewhere within the Financial Regulations. Only Petty Cash Account reimbursements received following submission of a Reimbursement Form will be received into the Petty Cash Account / Client Cash Float.
21. Cash should only be paid out when the claimant has completed a Petty Cash Voucher (see related documents Petty Cash Voucher). This voucher must be numbered and the following details recorded:
 - The date the expenditure was incurred.
 - The item(s) purchased.
 - The cost of the item including the VAT amount.
 - The name and signature of the claimant.
 - The expenditure code allocated by the Responsible Officer
 - The signature of the Responsible Officer
22. The receipt for the item(s) purchased must always be attached to the Petty Cash Voucher.
23. The information from each Petty Cash Voucher must be recorded on a Petty Cash Account Form (**accessible through the intranet**).
24. When the Petty Cash falls to a level where reimbursement is required, the Responsible Officer should complete a Petty Cash Reimbursement Form (**accessible through the intranet**). An authorised signatory should review the accurate completion of the Reimbursement Form prior to signature.
25. The authorised signatory must be independent of the role of 'Responsible Officer'.
26. The original copies of the Reimbursement Form and the Petty Cash Account Form should be sent to Exchequer & Insurance Section to enable the Petty Cash Account to be reimbursed.
27. A copy of the completed Reimbursement Form and the Petty Cash Account Form should be retained with the Petty Cash vouchers and receipts. This

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documentation should be placed in a sealed envelope to safeguard the documentation.

28. At the end of each Financial Year, Responsible Officers should ensure that Petty Cash Account reimbursement requests be made after the last working day of the financial year, thus expenditure made in one year is not claimed in the following year.
29. The Petty Cash Reconciliation should balance. However, in the unlikely event that the Petty Cash Reimbursement Form details a surplus, i.e. the total cash and vouchers held add up to more than the Petty Cash Account amount, the Responsible Officer should only claim reimbursement for the difference between the Account level and the cash held. A decision will have to be taken by the responsible officer and authorised signatory on which expenditure code to undercharge. The surplus amount and action taken to balance the Account should be recorded on the Petty Cash Reimbursement Form.
30. If the Petty Cash Reimbursement Form details a deficit, the Responsible Officer should inform the relevant Finance Manager. The Finance Manager should advise the Responsible Officer of the action to be taken. An expenditure code will have to incur the expenditure and a Petty Cash Voucher completed and authorised by the Finance Manager. In cases where a deficit re-occurs on subsequent claims the Finance Manager should inform the Internal Audit Service who will investigate the reasons for the re-occurring deficits.
31. If the Exchequer & Insurance Section receive a Petty Cash Reimbursement Form that proves to be incomplete or incorrect, the claim will be returned to the Responsible Officer for the necessary alteration. The circumstances that will necessitate this action will be:
 - Incorrect coding of expenditure on Petty Cash Reimbursement Form
 - Incorrect coding of VAT on Petty Cash Reimbursement Form
 - The Petty Cash Documents not being signed by an 'authorised' officer.

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Bath and North East Somerset Council Financial Regulations

Code of Practice No.3

Payroll

1. The payment of all salaries, wages, expenses and other allowances that are the responsibility of the Council shall only be made under arrangements approved and controlled by the Chief Finance Officer.
2. In order to ensure that the Council complies with the requirements of HMRC, Income Tax and National Insurance will be deducted from all payments at the appropriate rate unless the Council has notification in writing from the Council's Tax Office that:
 - payment can be made without the deduction of Tax and National Insurance, or
 - payment can be made without deduction of tax (NT code) but with National Insurance deducted.
3. In order to ensure correct treatment for Tax and National Insurance, **ALL** salary payments, all travelling, subsistence and other allowances, for both staff and elected Members, must be paid through the Council's Payroll. This will include casual employees or payments for additional casual work. **THE USE OF PETTY CASH, CREDITORS, AND OTHER NON-PAYE PAYMENT METHODS ARE NOT PERMITTED UNDER ANY CIRCUMSTANCES.**
4. All payroll records relating to Income Tax and National Insurance must be retained for six years to satisfy the requirements of the Taxes Management Act.
5. Each Divisional Director or their nominated manager (4th tier or above) must notify Payroll promptly on the approved form, all matters affecting the remuneration of employees and in particular:
 - a) appointments, resignations, dismissals, secondments and transfers;
 - b) absences from duty for sickness or other reasons, apart from approved leave;
 - c) changes in remuneration, other than normal increments and pay awards and agreements of general application; and
 - d) information necessary to maintain records of service for pensions, income tax, and national insurance.
6. The Payroll Service will maintain all necessary personal records concerning pay, pensions, national insurance contributions, income tax and any other agreed legislative deductions and make all relevant payments on behalf of both employees and the Council to the appropriate Government agencies or other third parties as applicable.

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7. All employee appointments shall be made in accordance with the Council's Policies & Procedures.
8. The format of payroll forms can change from time to time. The Authorising Officer should ensure that the latest version of the relevant form is completed prior to authorisation and submission.
9. It is the responsibility of Divisional Directors and Managers (authorising & submitting payroll documents) to communicate to staff that they must claim expenses in a timely manner. Employees are responsible to submit claims in a timely manner. Failure to submit claims promptly may result in the authorising officer not being able to confirm the expenditure was incurred on legitimate Council business.
10. Before approving claims for payment, certifying officers must ensure that the journeys were authorised, the expense properly and necessarily incurred and that the allowances are properly payable by the Council.
11. The certifying officer must ensure that all relevant receipts are attached to the claim or retained by them if directed to do so by Council Policies and Procedures.
12. The claimant must complete a declaration process to confirm that the journeys were carried out on official business, that the mileage claimed is correct and that any expenses are properly incurred.
13. The overpayment of any salary or allowance made in error to an elected Member or member of staff will be deducted where possible from the next salary payment.
14. If the overpayment identified was paid over more than one payment period, then the overpayment can be repaid over the same period of time by equal instalments. Advice should be sought from the Head of Human Resources.
15. If an individual has left the employment of the Council and an overpayment of salary / expense is identified then recovery should be sought immediately by raising a Sundry Debtor Account for the full amount of the overpayment.
16. **It is the responsibility of individual members of staff to immediately inform both their Manager and the Payroll Service when they discover that any overpayment of salary, wage or allowance has occurred. Failure to do this may be regarded as theft, under the law, and may be the subject of disciplinary action by the Council against the employee concerned.**

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Bath and North East Somerset Council Financial Regulations

Code of Practice No.4

Employment Status

17. As stated in Section 11 of the Financial Regulations (Payroll) Income Tax and National Insurance contributions to HMRC must be complete and accurate. Individuals defined as employees must be paid through the Council's Payroll System. Self-Employed individuals will be paid through the Council's Creditor Payment System.
18. Unless an individual requests payment through the Creditor Payment System the default position will be to treat the individual as an employee paid through the Council's Payroll System.
19. If an individual makes a request to be set up as a Supplier then the relevant Manager should complete the HMRC Employment Status Indicator. Only if the Indicator concludes that the individual can be treated as self-employed should further action be taken to set them up as a supplier.
20. The relevant Divisional Director must authorise an individual to be set-up as a supplier. The Supplier Set-Up form and a copy of the HMRC Employment Status Indicator must be submitted to the Corporate Procurement Team.
21. Employment status must be resolved and payment method agreed before the individual is employed / engaged.
22. An individual's ability to demonstrate that they are registered with HMRC as self-employed does not mean that they should necessarily be treated as such when they undertake an engagement for the Council.
23. If you engage a registered company or a proper agency (with a company registration number) then so long as the only payments are made to the registered company or agency name we do not have to consider employment status. Payments must not be made to an individual employed by the company in this circumstance.
24. If we engage an individual incorrectly and Her Majesty's Revenue and Customs (HMRC) impose charges and penalties then these will be charged to the relevant Cost Centre. HMRC will normally go back as far as 6 years plus current for unpaid Income Tax, NI, interest and penalties.
25. Employment status still needs to be considered for those individuals who might fall under the Construction Industry Scheme (CIS).
26. Any person engaged and who can be genuinely treated as self-employed must go through the risk assessment process to determine whether they are required to hold professional indemnity and / or public liability insurance.

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Bath and North East Somerset Council Financial Regulations

Code of Practice No.5

Ordering of Goods & Services

- 1 An Official Council Purchase Order must be issued, through the corporate Financial Management System, for all goods and services to be supplied to the Council with the exception of:
 - petty cash purchases,
 - Corporate Purchasing Card payments,
 - an obligatory or statutory duty exists (e.g. water rates),
 - Payment being made via the corporate Financial Management system via an interface with third party software
 - Periodic paymentsAny other exceptions must be approved by the Chief Finance Officer.
- 2 Each Divisional Director will be responsible for the validity and necessity of all orders issued within their Service and for ensuring that the expenditure is covered by approved estimates and that Contract Standing Orders have been complied with. In addition, the Divisional Director is responsible for ensuring value for money is achieved on all orders placed.

Security

- 3 Access to create electronic Purchase orders must be restricted to officers, as authorised by Divisional Directors.
- 4 Only standard Purchase Orders as part of the Council's Corporate Financial System can be used.
- 5 Each order must conform to the directions of the Council with respect to any policy on central purchasing, standardisation and quality.
- 6 Orders for goods & services can only be placed where there is provision for the cost within the budget (or covered by a special financial provision).
- 7 **Official Orders must not be raised for any personal or private purchase, nor must personal or private use be made of Council contracts.**

Verbal Orders

- 8 Verbal orders can only be given by officers authorised to raise Purchase Orders and must be confirmed by the Purchase Order (marked as a

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"confirmation" order), the same day. **Verbal orders should only be issued for unavoidable emergencies.**

EU Regulations

- 9 Goods or Services **MUST NOT** be subdivided into smaller packages to avoid the requirements of regulations relating to quotations and / or tendering procedures and or EU directives. Full details will be found in Council Contract Standing Orders.

Receipt of Goods or Services

10. The Purchase Order should be Goods Receipted on the corporate Financial Management System before the invoice is passed for payment.

Division of Responsibility

11. Officers with the ability to raise purchase order requisitions and / or process supplier invoices must not be able to approve purchase orders and / or approve invoice payments. There must be a segregation so more than one person with a good knowledge of the goods / services required are involved in the purchasing process.

Do you know the cost?

12. Orders must not be issued without a price on the corporate Financial management system. If a definite price cannot be obtained than an upper limit must be placed on the order. Note: A 'No value shown' purchase order template can be used so the supplier is not aware of the value assigned.

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Bath and North East Somerset Council Financial Regulations

Code of Practice No.6

Payment of Accounts

1. All payments on behalf of the Council are to be made by the Chief Finance Officer with the exception of disbursements from subsidiary bank accounts, which have been authorised by the Chief Finance Officer.
2. The standard method of payment shall be by BACS. Other available payment methods shall be cheque (or other instrument drawn on the Council's banking account) or CHAPS, but these will only be used in exceptional circumstances, e.g. Treasury Investment payments requiring immediate payment.
3. Divisional Directors are responsible for the prompt electronic submission and certification of accounts for payment.
4. An official Council Purchase Order must be raised through the corporate Financial Management System for all goods and services to be supplied to the Council, with the exception of:
 - 1) Petty Cash purchases
 - 2) Corporate Purchasing card payments
 - 3) An obligatory or statutory duty exists, (e.g. water rates)
 - 4) Payments coming into the corporate Financial management system via interface with third party software
 - 5) Periodic payments.Any other exceptions must be approved by the Chief Finance Officer.
5. Access to create new suppliers on the corporate financial management system is restricted to the Exchequer & Insurance Services section. Request to set up new suppliers should be sent to Exchequer & Insurance Services on standard documentation and approved by Corporate Procurement section.
6. Each Divisional Director issuing an order is responsible for examining, verifying and certifying the related electronic invoice or other documents relating to accounts arising from the Service. Certification should be made electronically and be by or on behalf of the Service. The names of officers authorised to 'sign' such records and the financial limits are to be provided to the Corporate Financial Management System Administrator by each Divisional Director.
7. Clear written instructions should exist in each Service as to the grade of officers approved to verify and certify the validity of bills and other demands for payment. This should include verification that:

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- a) The relevant expenditure has been properly incurred, is correctly coded, is properly chargeable to and within the relevant estimate and appropriate entries have been made in inventories, stores records or stock books as required and there is a valid budget.
- b) The code used to post the expenditure to the Council's accounts must reflect the purpose and type of expenditure.
- c) The work, goods or services to which the invoice relates were properly ordered, received, carried out, examined and approved as to quality and quantity and that these checks are evidenced by the electronic signature of the budget manager/approver.
- d) The price, extensions, calculation, trade discounts, other allowances, credits and the VAT input tax has been correctly calculated and accords with the terms of the order or contract and is arithmetically correct.
- e) That the appropriate deductions have been made for discounts.
- f) Payment has not already been made.
- g) No part of the invoice has been previously passed for payment and is a proper liability of the Council;

The on-line authorisation of the Certifying Officer can then be made.

8. Due account will be taken of normal business invoice payment practice and payments will be delayed, where such a delay is not unreasonable, so as to maximise the Council's cash flow benefit.
9. The Late Payment of Commercial Debts (Interest) Act (1998) enables companies and other organisations to claim interest on late payments against invoices paid after 30 days or agreed terms. Claims may be backdated for six years. To avoid incurring such interest charges, Directorates should ensure that all invoices are processed promptly. Disputed invoices should be reported to the supplier in writing immediately, and the dispute resolved as soon as possible. A User's Guide to the Act states "If a dispute or complaint arises, purchasers should obtain (where possible) written confirmation from the supplier that a query exists." In such cases all supporting documentation should be retained for the prescribed period, and appropriate notes entered onto the Creditors system. **These provisions will apply to all companies and public bodies.**
10. CHAPS payments requests must be authorised by one of the Divisional Director or senior manager. **After processing, the CHAPS payment must be approved on Bankline system by one of the pre-approved card holders.**
11. Any suppliers classifying themselves as 'self-employed' must be subject to an assessment in line with Her Majesty's Revenue & Customs (HMRC) guidelines in respect of whether the supplier should be classified as 'an employee' or 'self-employed' by the Council. Payments to Self-Employed via the corporate financial system must only be made once the Divisional Director has undertaken this assessment, and certified that the supplier has

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been correctly assessed as self-employed in accordance with the HMRC criteria.

12. Further assistance, including a guidance note on the circumstances in which a worker should be a contractor or a temporary employee, may be obtained from Exchequer & Insurance Services section.
13. **For similar reasons, all payments to employees for additional casual work must be made via the payroll system.**
14. A supplier's invoice is a tax document and should not be altered in any way. A payment should not exceed the amount of the invoice. If there is an error on the invoice it should be returned to the issuer with a request for a new invoice.
15. A copy of a supplier's invoice must not be passed for payment without the express permission of the authorising officer. When a supplier's invoice is entered into the Payments System, the supplier's invoice reference is used to identify if it is a duplicate entry. If the system warns the processing officer that the reference is a duplicate, then this invoice must not be processed until the processing officer is satisfied that the original has not been paid.
16. Each Divisional Director must comply with any instructions issued by the Chief Finance Officer in connection with year-end accounting arrangements

Further information and advice can be obtained from Exchequer & Insurance Services.

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Bath and North East Somerset Council Financial Regulations

Code of Practice No.7

CONSTRUCTION INDUSTRY SCHEME

1. Businesses in the construction industry are known as contractors and subcontractors. Local Authorities are identified as contractors. Contractors pay subcontractors for construction operations. Subcontractors must be verified with HM Revenues & Customs (HMRC) before they can be paid under the Scheme. Where a subcontractor is verified as a Net Supplier, the contractor must make a deduction from all payments for labour of an amount on account of the subcontractor's tax and National Insurance contribution liability. Where the subcontractor is verified as a Gross supplier, the contractors will pay him or her without deduction. Where a subcontractor cannot be verified by HM Revenues & Customs they can be paid, but a deduction at a higher rate must be taken from the payment.
2. When an invoice is received the content **must** be checked to see if the work carried out can be identified as part of Construction Industry Scheme. If the work is part of the Construction Industry Scheme a member of Exchequer Services will contact HM Revenues & Customs to verify the supplier.
3. The HMRC will state whether a supplier is to be paid net or gross and will provide a verification number, this is entered against the supplier number in Corporate Financial Management System.
4. The Exchequer Services team will complete monthly returns (after 5th of the month) this return shows all payments made to each sub-contractor and any deductions made. A payment of the total month's deductions is made to the HMRC and sent along with the return by 19th of the month.
5. Statements are issued for all sub-contractors for whom deductions have been taken, these are sent to the sub-contractors for their records.

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Bath and North East Somerset Council Financial Regulations

Code of Practice No.8

Income Collection

1. All books and forms of account and all official receipts, licences, tickets and all documents or vouchers or tokens representing receipts or money shall be in a form approved by the Chief Finance Officer.
2. The arrangements for the ordering and control of such receipts, forms, books and other documents shall be subject to the approval of the Chief Finance Officer. All receipts and issues of such documents shall be properly recorded and acknowledged in a manner approved by the Chief Finance Officer.
3. All monies received on behalf of the Council shall be properly acknowledged by the issue of an official Council receipt or other document of a type referred to in paragraph 1 above, unless alternative arrangements have been agreed with the Chief Finance Officer.
4. In accordance with the Council's Anti-Money Laundering Policy, the Council will not accept cash payments in excess of £5,000.
5. Payments received by automated methods, such as by debit/credit cards or via the Internet, must be recorded in such a manner as to facilitate reconciliation of the amounts received with the account(s) to be credited
6. All payments received by debit / credit card must be processed strictly in accordance with payment card industry standards (PCCI & PCCI DSS)
7. All monies received on behalf of the Council must be properly safeguarded (normally kept in a safe or locked receptacle). Employees must ensure that keys entrusted to their custody are held at all times under their personal control. Nominated substitute key holders should be available in the absence of the principal holder.
8. Monies must be banked intact, i.e. to include all monies received that day (or for a longer period if considered appropriate).
9. Staff should never mix their own personal cash with Council money. Personal cheques cannot be cashed out of the money held on behalf of the Council.
10. Officers responsible for the retention of safe keys shall not accept unofficial funds for depositing in their safes unless such deposits are in special sealed envelopes or locked containers. It should be made clear to the depositors that the Council is not to be held liable for any loss. Written indemnities must be

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obtained from the organisation or individual absolving the Council from any loss

11. Refunds of overpayments must be made through the Creditors system. Refunds must not be processed using monies received through an income system. To help prevent money laundering activity refunds must always be paid back to the same bank account (debit card) or credit card account as the original payment transaction. Refunds should not be made until the original payment is actually confirmed as “cleared funds” in the Council's bank account. For further information on identifying suspected money laundering activity please refer to the Anti-Money Laundering Policy and Guidance note.

Cash Collection:

12. Whenever possible the duty of receiving money or cheques should be performed by officers other than those who initiate, handle or account for the transactions which give rise to the receipts.
13. On occasions where monies are transferred from one cashier / collector to another for safekeeping a register must be maintained by the service detailing the date / time of transfer, the amount, and the names of the individuals. Each entry in the register should be signed and dated by the receiving officer.
14. All monies taken and recorded by way of cash registers (issuing a till receipt) or other cash receipting system should be reconciled with two people in attendance.
15. The reconciliation and banking process should be carried out daily if possible. If daily reconciliation / banking is not possible the income and receipt records must be securely stored and only accessible when two people are in attendance to enable the reconciliation and banking procedure.
16. All till rolls and receipts should be retained for inspection in line with the Council's “Retention of Records” schedules and payment card industry security (PCCI & PCIDSS) requirements.
17. When cash is collected from coin boxes, e.g. vending machines, collection should be undertaken at prescribed intervals and by at least two people. This cash should be either:
 - 1) placed immediately into a tamper proof container for subsequent counting and recording in a ‘controlled’ environment; or
 - 2) counted and recorded by the two individuals before being banked.Responsibility for cash must be clearly identifiable through the cash collection / banking process.

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Post Opening:

18. Arrangements should be made by Divisional Directors for the receipt, opening and discharge of post containing remittances at all offices and establishments of the Council.
19. All remittances received in Council Offices must be sent to Exchequer & Insurance Services immediately for processing.

Frequency of banking:

20. When income is received it should be processed immediately on receipt and banked without delay. If daily reconciliation / banking is not possible the income and receipt records must be securely stored and only accessible when two people are in attendance to enable the reconciliation and banking procedure.
21. All cash/cheques, not banked immediately on receipt, must be locked in a secure place until such time as arrangements are made to bank the income.
22. Any income posted to the Council's bank account must be reconciled daily. Entries posted as unidentified income to a suspense code or another equivalent code must be cleared within five working days.

Financial Discrepancies:

23. Whenever discrepancies are found, e.g. till shortages ("unders / overs"), the individual identifying the discrepancy should inform their Line Manager, without delay. The Line Manager should inform their Divisional Director and Internal Audit immediately should he / she have reasonable grounds to suspect a financial irregularity or the investigation of the discrepancy does not identify a 'reasonable' explanation for the discrepancy. Recurring discrepancies should also be reported.

Debtors:

24. Whenever possible and appropriate, all income due to the Council should be collected in advance or at the time of providing the service. When this is not possible, a debtor invoice must be raised. Debtor invoices must only be raised on the corporate financial management system.
25. Before goods or services are provided to an outside organisation, a 'risk assessment' should be undertaken by the Service providing the goods. This 'risk assessment' should consider the likelihood of potential difficulties in obtaining payment from the debtor. Obtaining a Credit Check (using the Councils approved provider) should be considered as part of the risk assessment process if deemed 'reasonable'.
26. Debtor invoices should only be raised for money owed to the Council from another body. An internal services / payments transfer form must be raised

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for debts owed by other Services within the Council as documented in the appropriate 'Payment of Accounts' Code of Practice.

28. Divisional Directors should ensure that invoices are raised immediately. A late invoice will raise the risk of an error or an unresolved disagreement with the debtor and will not encourage the debtor to pay promptly.
29. Access to create new customers/debtors on the corporate financial management system, is restricted to the Exchequer & Insurance Services section. Requests to set up new customers/debtors should be sent to Exchequer & Insurance Services on standard agreed documentation.
30. All sundry debtor invoices raised **must** contain the following information:
 - a) A contact point for queries, including a telephone number.
 - b) The debtor's title, first name and surname or the name of the company or other organisation.
 - c) The debtor's address ("care of" addresses are unacceptable).
 - d) If the debtor is an organisation there should be both a contact name, and an account or other reference in the narrative of the invoice.
 - e) The precise nature of the service or good received by the debtor.
 - f) The precise amount to be received, including the VAT amount and code where appropriate.
 - g) The correct "tax point" on VAT invoices.

Please remember that charging of VAT is NOT discretionary.

31. Each Divisional Director is responsible for maintaining a list of which services are subject to VAT. General advice on rules relating to VAT can be found in the Council's VAT Guide. Specific enquiries should be referred to the Corporate Finance Team.
32. Invoices below £25 should not be raised on the Debtors system as it will not be cost effective. In such circumstances an alternative method of collection should be considered, such as payment in advance.

Council approved fees and charges:

33. Divisional Directors must ensure that sundry debtor accounts raised are in accordance with any Council decisions on scale fees and charges. Any changes in fees and charges must be implemented promptly or at the date specified in the Cabinet member decision.

Errors on Invoices:

34. If an error is found on an invoice prior to dispatch the original copy should be marked "cancelled" with a brief explanation next to it and be signed by an authorised signatory. The original copy should then be sent to the Exchequer & Insurance Section of the Finance Service for cancellation on the system.
35. If an error is found at a later stage a Credit Note Request form should be completed and signed by an authorised signatory and sent to Exchequer & Insurance Section, who will credit the debt and confirm their action to the

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issuer. A Credit Note will be sent to a corporate debtor but not to a private individual, unless it is specifically requested by the issuing service. Only the Exchequer & Insurance Section are authorised to issue Credit Notes and under No circumstances should other sections or services attempt to issue a Credit Note.

Pursuit of debtors:

36. Exchequer & Insurance Section will be the primary source of debt recovery action, and will agree recovery routines with the initiating service so that outstanding debts are chased in the most appropriate manner. Typically, recovery action will commence 21 days from the Due date with further Reminder letters at subsequent intervals.
37. Issuing services must follow agreed debt recovery policies in connection with debt recovery, including for possible legal action in the event repayments remains outstanding after initial recovery action has taken place.
38. In the event a debtor requests payment be made by instalments, such a request must be referred to the Exchequer & Insurance Section, who will negotiate and agree a payment plan with the debtor and then arrange appropriate monitoring.

Write-offs

39. Any sum due to the Council can only be discharged by payment or write-off. Debts up to £5000.00 may be written off on the authority of the Chief Finance Officer or their nominated deputy, and the Council's Monitoring Officer or their nominated deputy.
40. The Exchequer & Insurance Section Manager will have authority to write off small debts of less than £50 after recovery action has taken place.
41. Amounts in excess of £5,000 may only be written off with the authority of the relevant Cabinet Member.
42. Any amounts outstanding less than £25 will be automatically written off the system after the initial Reminder process, as further debt recovery action will not be cost effective.
43. Following a debt being written-off, the written off amount will be charged to the service budget against which the debt was raised.
44. Exchequer & Insurance Section will propose a write-off when they believe it is no longer economic to pursue the debt. Divisional Directors or issuing services, may also request a write-off when they are satisfied that all appropriate and necessary action has been taken to recover the debt, or the

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debt is irrecoverable or no longer valid. All outstanding debts will be reviewed at regular intervals.

Is it best to write off the debt?

45. How do you consider whether a debt is worth writing off?
- a) It may be better to write off a small debt, rather than attempt to collect it. The cost of collection includes for example the cost of officer time chasing the debt, postage and telephone charges.
 - b) It is also important to bear in mind the age of the debt. An older debt will be harder to collect than a more recent one. A debt of over 5 years of age (unless it is subject to a legal process such as the resolution of a dispute in a tenancy agreement), would be hard to collect.
 - c) Such considerations can be made in conjunction with the Exchequer & Insurance Section and the relevant Finance Manager..

Monitoring:

46. Divisional Directors should be mindful, when asked to provide a service to an individual or an organisation from which the Council has had difficulty in obtaining payment. In such circumstances, if possible, payment should be requested in advance of the service being provided.

Reporting:

47. Exchequer & Insurance Section will inform the relevant Divisional Director / Issuing Service when a debt has been written off.

End of Year:

48. Each Divisional Director should comply with any instructions issued by the Chief Finance Officer in connection with year-end accounting arrangements.

New forms of income:

49. In the event of any new forms of income being collected by the Council arrangements on how this income is to be collected and processed must be agreed in advance with the Chief Finance Officer.

<p>Further information and advice can be obtained from the Exchequer & Insurance Section or Internal Audit.</p>
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Bath and North East Somerset Council Financial Regulations

Code of Practice No.9

Bank Accounts, Banking & Cash Handling

Bank Accounts:

1. All banking arrangements, including opening or closure of bank accounts, shall require the approval of the Chief Finance Officer,
2. All bank accounts (including officers' disbursement accounts) must bear an official title and under no circumstances can a Council account be opened in the name of an individual officer.
3. All cheques drawn on the Council's Bank Accounts shall bear the signature of the Chief Finance Officer, and cheques which exceed a prescribed value agreed by the Chief Finance Officer, shall be countersigned by an officer with appropriate delegation.
4. The Chief Finance Officer shall ensure that the reconciliation of all bank accounts held by the Council is undertaken at regular intervals, and at least monthly.
5. The Chief Finance Officer will ensure that proper arrangements are made for the secure printing, secure retention and issue of cheques.
6. All appropriate income documents relating to banking are retained and stored for the defined period in accordance with document retention & PCI Compliance guidelines.
7. Any overdraft on the aggregated Council's main bank accounts is permitted only to the extent authorised by the Chief Finance Officer. Overdrafts are not permitted on any other bank accounts.
8. The Chief Finance Officer is responsible for arranging the reconciliation of the main bank accounts with the Council's cash accounts.
9. Subsidiary bank accounts must also be reconciled with Service records monthly as a minimum by the Service responsible for the account.
10. Cheques for the Council's main payment bank accounts are to be ordered from the Council's Bankers or approved suppliers on the authority of the Chief Finance Officer.

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11. The Chief Finance Officer will be responsible for ensuring and verifying the arrangements to secure the safe custody of all cheques.
12. Personal cheques of elected Members, employees of the Council or members of the public are not to be cashed from Council monies.
13. The Chief Finance Officer will ensure that there are secure and effective arrangements for the issue and control of Council Corporate Purchasing Cards (See Section 21 of Financial Regulations).
14. Any delegation of authority made by the Chief Finance Officer is only valid if approved in writing and notified to the Council's bankers via the bank mandate.
15. The Chief Finance Officer, or an authorised officer, must approve requests for payments by any alternative methods, e.g. CHAPS.
16. Direct Debits from Council bank accounts are only set up in extremely exceptional circumstances, and require the prior approval of the Chief Finance Officer.

Banking & Cash Handling:

17. All income received must be banked promptly and intact. Disbursements must not be made from income, without the express authority of the Chief Finance Officer.
18. The Chief Finance Officer shall arrange such safeguards as they consider necessary and practicable to ensure that cash receivable by the Council is banked to the credit of the Council.
19. Under no circumstances shall Council income be banked to the credit of a personal bank account of an employee or agent of the Council.
20. Money collected and deposited must be reconciled on a regular basis, by someone not involved in the collection or banking processes.
21. All cash surpluses shall be paid in, and reported immediately to the appropriate Service Manager.
22. Any changes to the banking arrangements for paying cash / cheques into Bank Accounts by Services must be approved by the Chief Finance Officer before being implemented.
23. Every transfer of official money, from one employee to another, shall be evidenced in the records of the Service. The record used by Services should clearly communicate to those completing it that it is being used to record the transfer of responsibility for the safekeeping of the monies.

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24. In the transport of cash for banking, or other purpose, due regard must be had for the safety of Council employees, and for the proper security of cash, and arrangements must be made which incorporate the necessary safeguards.
25. Council monies must be held and secured by a named responsible person. Monies must be held in a safe or other locked receptacle and the total value of cash held must not exceed the insured sum for the individual safe or locked receptacle as advised by the Exchequer & Insurance Section on behalf of the Chief Finance Officer.
26. Passes / keys to safes and locked receptacles are to be carried on the person of those responsible at all times; the loss of any such keys must be reported immediately to the relevant Divisional Director and to the Internal Audit service. Nominated substitute key holders should be available in the absence of the principal holder.

Foreign Currency:

27. Elected Members and employees travelling abroad on Council business must have received advance approval for the travel and associated costs. The Council's Code of Practice No. 13 'International Travel' provides the necessary guidance on obtaining and managing the use of foreign currency.

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Bath and North East Somerset Council Financial Regulations

Code of Practice No.10

Stocks & Stores

1. Stocks are those goods normally utilised in day to day activity but which, at any point in time, have not yet been consumed (excluding capital assets).
2. Each relevant Divisional Director is responsible for the custody, control and recording of the stocks and stores held and shall ensure that stocks and stores are not carried in excess of reasonable requirements, except in special circumstances with the written approval of the appropriate Strategic Director.

Receipt / Delivery of Stores.

3. Receipt of all stores should be recorded immediately, preferably at the point of receipt. All goods accepted should be entered onto stock records immediately. Deliveries, which do not come up to standard in terms of quality or quantity, should not be paid for and the matter taken up with the supplier. When 'carriers' deliver stores and there is a discrepancy or some damage to the goods, this should be notified immediately to the supplier, who will then be responsible for raising claims with the 'carriers'. In either case the matter should be reported on the delivery note and must be settled before payment.
4. Occasionally it may not be possible to check in goods to the stores immediately. In this case the stores should be held in a separate secure area until such time as they can be entered to stock records.

Division of Responsibility:

5. Responsibility for ordering, checking deliveries and authorising payments should be allotted to different officers whenever possible.
6. Documentation of a stores receipt should enable any one of its three elements - order, receipt and payment to be identified with and checked against the other two.

Issues:

7. Stores should only be issued to officers by the use of an official issue or requisition voucher. This should indicate the service for which the stores are required, authorisation for issue and the receipt of the person to whom the stores are issued.
8. Stores issue vouchers should be posted to stock records immediately in order to facilitate control and re-ordering.

Condemnation, Surpluses and Deficiencies:

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9. Stores must only be condemned for write-off by the Divisional Director or by an officer authorised by that Divisional Director. Where a loss could have been avoided, steps should be taken to prevent a recurrence.
10. Any significant surpluses or deficiencies revealed in any items of stock at any time shall be reported immediately by the appropriate Divisional Director to the Chief Finance Officer, who shall be empowered to approve the write-off of deficiencies not exceeding £5,000 or other necessary adjustments to the stores records, such as bringing a surplus into charge. Deficiencies of more than £5,000 on any one item shall be reported to the appropriate Council Cabinet Member.
11. Obsolete and scrap materials, stores or equipment shall be disposed in the same manner as surplus inventories (see Inventories Code of Practice).

Stock Checks:

12. It is the responsibility of the Divisional Director concerned to arrange stock checks. The officer responsible for stores and store accounting should ensure that a periodic check of stores account balances is made by stocktaking. The minimum acceptable period between stock takes is 12 months except where continuous stocktaking arrangements are operating. Preferably the officer(s) involved in stocktaking should not be involved in day to day issues and receipts to the stores. The desired period between stock-takes should be mutually agreed between Internal Audit, the Divisional Director and the Responsible Officer for the stores.
13. Stores should be valued at the lower of cost or net realisable values (the expected sales proceeds, less any disposal costs). A stock check must be completed at the end of each financial year and the Corporate Finance Team advised in writing of the stock value.
14. The stock-take should be utilised as a means of :-
 - a) Valuing stock and verifying the accuracy of store records.
 - b) Highlighting the possible existence of weaknesses in the stores systems.
 - c) A deterrent and detection system for theft and fraud.

Security:

15. The stores should have a controlled access point so that only the responsible officer has direct access to the stock. The responsible officer's manager should be able to have access to the stores in case the responsible officer is absent.
16. Any theft of stock should be reported immediately to the Divisional Director, Internal Audit and the Exchequer & Insurance Section as should any damage caused to other property during the theft. The report should include estimates of the value of the goods stolen and of the cost repairing other damage.

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Stock Control:

17. There should be a regular review of stock turnover to establish the optimum stockholding quantity for each stock item held. The economic reordering quantities should be calculated taking into account the cost of ordering and the cost of holding stock.
18. Divisional Directors should consider the effective and economic use of resources. For example the investigation of any discrepancy in store balances must be considered against the benefits of the exercise.

Records:

19. The Finance Service shall receive from each Divisional Director such information as they each require in relation to stores for accounting and insurance records. Each Divisional Director shall certify the value of stock held at the end of each financial year.

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Bath and North East Somerset Council Financial Regulations

Code of Practice No.11

Inventories

1. Each Service holding items not in the nature of stores, such as plant, office machinery, exhibits, should record the acquisition, holding and disposal of such assets in the form of inventories. These will form the basis of the Council's asset register. Inventories should include all assets or groups of similar assets with a value greater than £50. Inventories should include the following details:
 - Description of the asset, including serial number if applicable.
 - Location of the asset
 - Date and method of acquisition
 - Cost
 - Disposal value, date and method of disposal
 - Details of any guarantees maintenance contract or insurance cover
2. All new furniture, equipment etc. must be added to the equipment inventory. Each Divisional Director shall arrange for inventories to be checked against the physical assets at least annually. Internal Audit should be advised of significant surpluses or deficiencies revealed from the periodic checks.
3. A copy of the full inventory must then be sent to the Insurance Section by 31 December each year. Items in excess of £10,000 should be notified in writing to the Insurance section within one month of purchase. Any assets not included on an inventory will not be insured.
4. The Council's assets should not be moved otherwise than in accordance with the ordinary course of the Council's business except in accordance with specific directions issued by the Divisional Director concerned.
5. All staff are reminded that, if they take portable computers, mobile telephones or other official equipment from Council premises, it is their responsibility to ensure safekeeping. The Divisional Director should ensure that they provide a detailed list of all mobile equipment to the Insurance Officer. This list should be updated as and when new equipment is obtained or existing equipment is disposed of. Equipment will not be covered by the Council's external insurance policy if it is not included on this record.
6. The Council's property should not be used other than for the Council's purposes unless specifically authorised by the Divisional Director concerned.
7. The disposal of surplus inventory items must be approved by the relevant Divisional Director. Unless the inventories are obsolete the method of disposal should be according to the following schedule:

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Estimated Disposal Value	Method
Less than £250	Circulation of details within the council, requesting sealed bids to be opened simultaneously
£250-£2,500	Circulation of details within the council and to at least three external individuals or organisations likely to be interested in acquiring the property requesting sealed bids to be opened simultaneously
£2,500-£7,500	Advertised by competitive tender or placement in a public auction
Greater than £7,500	To be determined by the relevant Cabinet Portfolio holder

8. Priority should normally be given to bids from Services for the continuing use of equipment within the Council

Cash Received for disposal of assets

9. A cheque payment is unacceptable for the disposal of an asset of value greater than £10,000, as the Council will lose the interest while the cheque clears. Where an asset is transferred from the ownership of the Council to a third party, then the payment should be made by a telegraphic transfer or a bankers draft on the same day as the ownership legally transfers.

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Bath and North East Somerset Council

Financial Regulations

Code of Practice No.12

Insurance

The Chief Finance Officer is responsible for arranging the appropriate insurance cover, or other funding arrangements, for the Council. The Chief Finance Officer will refer all claims to the Council's insurers, consulting where necessary with other officers, and where necessary negotiate the settlement of claims.

2. The Council's insurance policies will have an 'Excess' value included on the policy. Claims below the excess value will not be processed (currently £250.)
3. Accurate and efficient insurance requires that officers notify the Insurance Officer in writing of all new properties, vehicles or plant which require insurance and of any alteration affecting existing insurance. All new furniture, equipment etc. must be added to your equipment inventory.
4. Every Divisional Director must ensure that a copy of the full inventory is kept by their Service Managers and sent to the Insurance Section when requested. If assets are not included in the inventory, **they will not be insured.**
5. Divisional Directors must ensure that appropriate professional indemnity insurance has been taken out where work is carried out for a fee for organisation's external to the Council, and that appropriate indemnity is also taken out in the event of any joint working / partnership arrangements.
7. Divisional Directors should notify the Insurance Officer immediately, in writing, of any accident, loss, liability or damage or any event likely to lead to a claim on or by the Council whether covered by insurance or not. Please do not make any admission of liability or blame either verbally or in writing to any claimant in any circumstance.
8. The Chief Finance Officer will regularly review all insurance and the level of cover in consultation with other Divisional Directors as appropriate.
9. Divisional Directors will need to consult with the Chief Finance Officer and the Monitoring Officer & Divisional Director (Legal and Democratic Services) regarding the terms of any indemnity which the Council is requested to give and shall not grant such indemnity until the Chief Finance Officer or Divisional Directors has confirmed that it is appropriate to do so and where appropriate insurance cover has been provided.

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10. It is the duty of each Strategic and Divisional Director to take all reasonable measures to reduce risk and liability, in particular to comply with the Council's risk management policy.
11. The Exchequer & Insurance Section should be contacted **in advance** in all instances where Members or Officers propose to travel abroad to carry out official duties, in order that the necessary insurance cover can be arranged.

Further advice may be obtained from the Insurance Section.

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Bath and North East Somerset Council Financial Regulations

Code of Practice No.13

International Travel

Introduction

1. This code of practice is intended to assist employees in making arrangements for international travel and **must be followed whether or not the travel and associated costs are fully financed by the Council.**
2. The Council's Financial Regulations and Contract Standing Orders will apply when arranging and making payments for international visits.
3. All employees must have official approval before taking part in an international visit and entering into any commitments concerning that visit. An 'International Visits Approval Form' must be completed in each case.
4. This Code of Practice will apply to all parts of international journeys, including the initial and final part of the journey in the U.K.
5. Where reference is made to the standard rates of travel and subsistence this refers to the locally negotiated rates applicable to this Council.

Basis of Arrangements

6. All staff taking involved in international travel are under an obligation to minimise official expenditure, e.g. economy class air fares. However, staff should not expect to be out of pocket on official visits (unless they undertake optional or private extensions or modifications to essential itineraries).
7. The maintenance of detailed and precise records of expenditure, together with obtaining receipts for all expenditure incurred, are essential. **Reimbursement of expenses claimed will only be made against receipts.**
8. In exceptional circumstances, where it was not possible to get a receipt, a statement detailing the reason for the expense will be acceptable. If a receipt or statement is not received the cost incurred will be charged to the individual employee.
9. Participants should plan travel and accommodation arrangements well in advance of the visit enabling as much expenditure as possible to be invoiced.

Travel Arrangements

10. Staff must ensure that they obtain quotations to ensure value for money. It should be noted that it could be cheaper to purchase tickets a period of time in advance of travel to maximise discounts available. In addition, weekend travel or non-direct travel may well provide best 'value for money' even taking into account the additional accommodation and other expenses.
11. Following approval airline tickets can be purchased using a Purchasing Card or Purchase Order.

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12. Travel Insurance must be obtained from the Council's Insurance Officer immediately on booking any travel arrangements.

Travel to and from the port of departure/arrival

13. Travel to and from the port of departure / arrival can be claimed at the normal Travelling and Subsistence rates.

Accommodation

14. If free accommodation is offered in a host country a risk assessment should be carried out to adequately consider health and safety and safeguarding issues.
15. Hotel accommodation is notoriously variable in cost and quality and it is impossible to be prescriptive in terms of cost, bearing in mind fluctuating currency exchange rates. Staff would normally be expected to stay in hotels of the general level of 3 star and not higher graded hotels. When planning a visit, if the cost of accommodation is going to cost more than the Authority's overnight stay allowance per night per person, then this must be detailed on the Approval Form.
16. Subsistence will be reimbursed at the Authorities standard rates, providing that detailed receipts are submitted.

If subsistence expenses are expected to be higher than standard rates (e.g. when visiting a country significantly more expensive than the UK), then this should be recorded on the 'Approved Form' and the basis for reimbursement should be detailed. The basis must be formally approved.

Personal expenses incurred, including drinks, room service, newspapers and private telephone calls must be paid for by the employee, and should be deducted from any submitted receipt for reimbursement.

Travelling within a Foreign Country

17. For long journeys within a country it may be possible to order tickets/hire vehicles in advance through Travel Agents enabling the expenditure to be invoiced in the normal manner.
18. Wherever possible staff should take advantage of any schemes, which will reduce the cost of travelling e.g. Daily/Weekly Bus, and Underground passes.
19. If vehicles are hired when abroad staff must ensure that fully comprehensive insurance is taken out.
20. If transport is organised and payment made when abroad staff must always retain receipts in order to claim reimbursement.

Claims for Subsistence / Other Expenses

21. Claims must be submitted as soon as possible after returning from the visit and in any case not more than two weeks after return.
22. Claims should be made using the Business expenditure reimbursement process and a copy of the 'Approval Form' should be provided to evidence the claim.
23. Any claim for subsistence, which is above the standard rate of subsistence, must be approved by the relevant Divisional Director or Strategic Director.
24. Any 'other expenses' can only be claimed if prior approval has been given for such expenditure (detailed on the 'International Visits Approval Form'), or the

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relevant Divisional Director or Strategic Director subsequently agrees to the payment of unforeseen expenses. These expenses must be recorded separately and be authorised by the relevant Divisional Director or Strategic Director.

Foreign Currency and Traveller Cheques

25. The type and amount of foreign currency and traveller cheques required by the employee going abroad must be detailed on the 'International Visits Approval Form.'
26. The employee / elected Member requiring foreign currency and/or traveller cheques can purchase them by obtaining a cash advance from the Council's Cashiers service. A copy of the 'International Visits Approval Form' should be attached to the 'Cash Advance Form' before it has been completed and given to the 'Chief Official' for authorisation.
27. Statements /receipts recording the purchase of currency/traveller cheques must be retained.
28. When the employee / elected Member returns from the visit all foreign bank notes and unused traveller cheques should be changed back into Sterling. Statements /receipts recording the transactions must be retained. The Officer / Member should liaise with their service Finance Manager to reconcile the cash advance, the amount spent (to be coded to revenue expenditure), and the amount being repaid into the Council's Bank Account.

Hospitality & Gifts

29. Section 19 of the Council's Financial Regulations ('Employee Interests, Gifts & Hospitality) is relevant to International Travel.
30. Before gift / hospitality expense is incurred the Officer must give consideration to the Bribery Act and value/benefit to the Council. If the gift / hospitality to be offered is planned then this should be detailed on the 'International Visits Approval Form.' If the gift / hospitality was not planned then the expenses incurred must be recorded separately and be approved by the relevant Divisional Director or Strategic Director before being reimbursed.

Reporting

31. A report detailing the benefits of the visit must be submitted to the relevant Strategic Director upon the completion of the visit. This report should detail the objective/purpose of the visit (as detailed on the 'International Visits Approval Form'), what was actually achieved by the visit and a breakdown of the costs under the following headings:
 - a) Travel Costs (detailing mode(s) of transport),
 - b) Accommodation Costs,
 - c) Subsistence Costs,
 - d) Other Expenses

Further information and advice on International Travel may be obtained from your Human Resources Manager, Finance Manager or Internal Audit.

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