

**DRAFT FINANCIAL REGULATIONS**

**January 2022**

**1. Introduction**

- 1.1. The Council is required by law, section 151 of the Local Government Act 1972 and the Accounts and Audit Regulations 2015, to conduct its business efficiently and to ensure that it has sound financial management policies in place, which are strictly adhered to.
- 1.2. The Local Government Act 1972 (Section 151) makes the Chief Finance Officer (CFO) responsible for the proper administration of the Council's financial affairs. These Financial Regulations ('Regulations') are issued pursuant to these responsibilities and form part of the Council's Constitution (Part C).
- 1.3. The Regulations apply to every Councillor and Officer of the Council and to anyone acting on its behalf, including agencies and partnerships with whom the Council does business and for whom the Council is the relevant accounting body.
- 1.4. All Members and Officers have a common duty to abide by the highest standards of integrity and propriety when making decisions about the use of public monies. Further to this, the Council expects honesty, openness and integrity to be the values which underpin its financial affairs and all those involved with the Council's finances should work with these values in mind.
- 1.5. Failure to comply with any part of these Regulations may constitute misconduct and lead to formal disciplinary action.
- 1.6. Although the Regulations cover all major financial systems and processes, regard must also be had to other documents which form part of the Council's Constitution, e.g. Contract Standing Orders, Schemes of Delegation, Members' Code of Conduct and Protocol on Member/Officer Relations. Consideration should also be given to the Council's policies relating to Anti-Fraud, Bribery and Corruption, Anti-Money Laundering and Whistle-blowing.
- 1.7. It is not possible to draft regulations that cover every eventuality or circumstance. Consequently, the principles of sound financial management, proper exercise of responsibility, and accountability, as set out in the Regulations, should be applied in all circumstances, even where any particular circumstance is not specifically referred to.

## **2. Responsibilities for Financial Management**

- 2.1 Financial management describes the system of financial control throughout the Council and covers all financial responsibilities for the Council, including budget-setting and integrating medium-term policy planning with financial planning, budget monitoring and closing of the accounts.
- 2.2 The Council is responsible for the stewardship of public money and will make arrangements to safeguard the interests of taxpayers and other stakeholders.

## **3. The Full Council**

- 3.1 The Full Council is responsible for adopting the Council's constitution and Members' code of conduct and for approving the policy framework, budget and borrowing within which the Council operates. It is also responsible for approving and monitoring compliance with the Council's overall framework of accountability as set out in its Constitution and is responsible for monitoring compliance with agreed policy and reporting decisions taken.

## **4. Committees**

- 4.1 Audit and Scrutiny Committee is responsible for scrutinising Committee decisions and for holding the Council to account. It also is responsible for reviewing the external auditor's reports, the annual audit letter and the internal audit's annual plan and report.
- 4.2 The Standards Committee is responsible for advising the Council on the adoption and revision of the Members Code of Conduct and for monitoring the operation of the code.
- 4.3 Strategy and Resources Committee is responsible for proposing the policy framework and budget to Council and for discharging its functions in accordance with the policy framework and budget.
- 4.4 The Standards Committee is responsible for promoting and maintaining high standards of conduct amongst Councillors. In particular, it has responsibility for advising on the adoption of the Member Code of Conduct, for its operation and its updating.

## **5. The Statutory Officers**

### **Head of Paid Service (Chief Executive)**

5.1 The Head of Paid Service is responsible for the corporate and overall strategic management of the Council. S/he must report to and provide information to Strategy and Resources Committee, Council and to other Committees to enable them to fulfil their responsibilities. S/he is responsible for establishing a framework for management direction, style, and standards and for monitoring the performance of the organisation. The Chief Executive is also responsible, together with the Monitoring Officer, for the system of record keeping in relation to all of the Council's decisions.

### **Monitoring Officer (Head of Legal Services)**

5.2 The Monitoring Officer ('Head of Legal Services') is responsible for promoting and maintaining high standards of probity and the administration of the Council's political management structures. The Monitoring Officer is also responsible<sup>1</sup> for reporting on any proposal, decision or omission which has or may give rise to contravention or law or maladministration to Full Council and for ensuring that procedures for recording and reporting key decisions are operating effectively.

5.3 The Monitoring Officer must ensure that Committee decisions and the reasons for them are made public. S/he must also ensure that Members are aware of who has authority to take a particular decision.

5.4 The Monitoring Officer is responsible for maintaining a continuous review of the Constitution and submitting any additions or changes necessary to Full Council for approval.

### **Chief Finance Officer (s151 Officer)**

5.5 The Chief Finance Officer (CFO) is appointed in accordance with Section 6 of the Local Government and Housing Act 1989. The CFO shall, for the purposes of Section 151 of the Local Government Act, 1972, be responsible for the proper administration of the Council's financial affairs.

5.6 In respect of maintain and upholding the Regulations, the CFO is responsible for:

- Maintaining and updating these Regulations. Minor amendments and editing changes, including in year changes necessary to align with new or revised legislation or UK law can be made without committee approval;
- Reviewing and reissuing the financial procedures as necessary to support the effective operation of these Regulations;
- Reporting, where appropriate, any breaches of these Regulations to councillors on at least an annual basis; and

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<sup>1</sup> Section 5, Local Government and Housing Act 1989

- Interpreting and/or arbitrating should any uncertainty or dispute arise pursuant to these Regulations in consultation with the Monitoring Officer.
- 5.7 CIPFA has described five principles that are critical to the achievement of the section 151 Officer's (CFO's) statutory responsibilities:
- the CFO is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the councils strategic objectives sustainably and in the public interest;
  - the CFO is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and long-term implications, opportunities and risks are fully considered, and alignment with the council's overall financial strategy;
  - the CFO leads the promotion and delivery by the whole Council of good financial management so that public money is always safeguarded and is used efficiently, effectively, economically and appropriately;
  - the CFO must lead and direct a finance function that is resourced to be fit for purpose; and
  - the CFO must be professionally qualified and suitably experienced.
- 5.8 Tandridge has adopted these best practice principles as they describe in plain terms the role of the CFO and encompass the specific statutory duties set out below.
- 5.9 The CFO has statutory duties in relation to the financial administration and stewardship of the Council. This statutory responsibility cannot be overridden. The CFO is responsible for:
- the proper administration of the Council's financial affairs;
  - setting and monitoring compliance with financial management standards;
  - establishing an adequate and effective system of Internal Audit;
  - advising on the corporate financial position and on the key financial controls necessary to secure sound financial management;
  - providing financial information;
  - preparing the revenue budget and capital programme;
  - treasury management;
  - approving accounting policies, procedures and ensuring that they are applied consistently;
  - ensuring that the annual Statement of Accounts is prepared in accordance with the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for signing and dating the Statement of Accounts; and

- the CFO is responsible for determining the accounting and financial procedures and records for the Council, whether they be paper based or electronic.
- 5.10 Section 25 of the Local Government Act 2003 provides that, where a billing authority such as Tandridge is making calculations for the purposes of setting its Council Tax, the CFO must report to it on the following matters:
- the robustness of the estimates made for the purpose of the calculations; and
  - the adequacy of the proposed financial reserves.
- 5.11 Section 25 also requires that an authority to which a report under this section is made shall have regard to the report when making decisions about the calculations in connection with which it is made.
- 5.12 Section 114 of the Local Government Finance Act 1988 requires the CFO to report to Council and the External Auditor if Council or one of its Officers:
- has made, or is about to make, a decision which involves incurring unlawful expenditure;
  - has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the Council; and
  - is about to make an unlawful entry in the Council's accounts.
- 5.13 Section 114 of the 1988 Act also requires:
- the CFO to nominate a properly qualified member of staff to deputise should s/he be unable to perform the duties under section 114 personally;
  - the Council to provide the CFO with sufficient staff, accommodation and other resources – including legal advice where this is necessary- to carry out the duties under Section 114.
- 5.14 The CFO is also responsible for:
- issuing advice and guidance to underpin the Regulations that Members, Officers and others acting on behalf of the Council are required to follow;
  - advising Committees whether a decision is likely to be considered contrary or not wholly in accordance with the budget. Actions that may be 'contrary to the budget' include:
    - initiating a new policy;
    - committing expenditure in the current or future years above the budget.
- 5.15 Officers are responsible for:
- ensuring that the services under their control are managed to promote value for money and good standards of financial control and accountability;
  - ensuring that Members are advised of the financial implications of all proposals and that these have been agreed by the CFO;

- entering into contracts on behalf of the Council, in accordance with any Procurement Regulations;
- ensuring that their service areas are aware of the existence and content of the Regulations; and
- ensuring that if a breach of the Regulations comes to light that it is reported immediately to the CFO.

## **6. Budget managers**

6.1 Budget managers are responsible for specific Revenue and Capital Budgets which provide the financial resource for them to deliver the elements of the service for which they are responsible.

6.2 Budget managers are responsible for:

- ensuring that Financial Regulations and Contract Standing Orders are observed in the management of their budgets;
- ensuring the legality and proper control of expenditure and income under their direction, including compliance with the law relating to general taxation, VAT and the Public Contracts Regulations;
- ensuring expenditure and income is within the agreed budget within their control and complying with the budget management framework agreed by the Council;
- proper, secure and efficient management of assets under their control;
- the management of risk within their sphere of activity;
- the management of capital and specific grant funded projects within their sphere of activity in accordance with these Financial Regulations and the grant conditions;
- notifying the CFO of any loss or shortfall of funds, including any errors or discrepancies; and
- other matters specific to their role.

6.3 The above responsibilities can be delegated, and a written record shall be maintained. Where decisions have been delegated or devolved to another Officer, reference in the regulations shall be read as referring to them.

## **7. Financial Planning**

7.1 Policy and Budget Framework

- The Council is responsible for agreeing the Council's budget framework, which is proposed by the Strategy and Resources Committee.

7.2 For the purposes of financial planning, the key elements are:

- The Strategic Plan
- The Medium Term Financial Strategy
- The Annual Budget
- The Capital Strategy and Capital Programme
- The Treasury Management Strategy

7.3 Medium Term Financial Strategy

- At least annually the CFO shall present to the Strategy & Resources Committee, to be made public, a medium term financial strategy giving at least a three year forward assessment (for the next budget year and the two following years) of revenue commitments based on present levels of service and efficiency and showing the financial implications of changes in Council policy, legislation, service levels, activity and other factors including also decisions already taken on new commitments. The plan will show, in summary, the estimated impact of future spending plans on the General Fund;
- In order that the information requirements of the Medium-Term Financial Strategy are satisfied, reports to committees with significant financial implications shall show the full year effect of the proposals and the implications for at least the next three years; and
- The respective Officers and Budget Managers must regularly review the financial implications of changes in their committees and must notify the CFO promptly of the impact on current and future budgets.

7.4 Annual Budgeting

- The CFO will prepare a budget timetable each year. All budget submissions shall be made in accordance with the timetable;
- The general format of the budget will be approved by the Strategy and Resources Committee on the advice of the CFO;
- The detailed form of the revenue estimates shall be determined by the CFO and must be consistent with the general directions of the Strategy and Resources Committee;
- The CFO, in consultation with the senior Officers, shall prepare annual estimates, for the ensuing year, of revenue expenditure and income for consideration and approval of Committees;
- Each senior Officer shall supply the CFO with such information as is necessary to support the annual estimates;

- The Strategy and Resources Committee shall consider the aggregate of all Committee estimates and, after making such amendments as it thinks fit, submit the aggregate estimates to the Council for approval, together with recommendations as to the Council Tax to be levied for General Fund expenditure;
- The CFO shall advise the Strategy and Resources Committee and other Committees as necessary on budget matters; and
- When approving the annual budget, the Council may set aside specific sums to meet unforeseen eventualities.

#### 7.5 Revenue budget monitoring and control

- It is the responsibility of each senior Officer to manage and direct resources to achieve the objectives of the budget. This involves the monitoring of income and expenditure and the regular review of performance. Where budgets are delegated to Budget Managers they are charged with the same responsibility;
- Senior Officers are authorised to incur revenue expenditure up to the amounts included in the approved Annual Budget;
- If it is proposed to incur expenditure for which no or insufficient provision has been made in the budget and cannot be met by virement then the Committee shall not incur such expenditure without the approval of Full Council and following consideration by the Strategy & Resources Committee;
- In circumstances of urgency, some senior Officers shall be allowed to incur unavoidable expenditure subject to the concurrence of the Chief Executive; the CFO and Monitoring Officer. A written record of such decisions should be kept. A matter can be deemed urgent if, in the reasonable opinion of the senior Officer concerned, a delay would seriously prejudice the interest of the Council or of the public and it is not practicable to convene a quorate meeting of the relevant Committee in sufficient time to take the decision. The senior Officer concerned shall also:
  - advise and seek the views of all the Political Group Leaders (if the Council is in no-overall control) and the Chair and Vice Chairs of the appropriate Committee at the earliest opportunity; and
  - report the matter to next scheduled meeting of the appropriate Committee.
- The CFO shall make available to each senior Officer, information relating to statements of income and expenditure under each head of approved estimate, in such format as deemed appropriate together with any other relevant information;



- Reports monitoring expenditure against the Council's current year revenue budgets, including an analysis of any major variances, shall be submitted to Committees on a quarterly basis; and
- Reports monitoring expenditure against the Council's current year revenue budgets, including an analysis of any major variances, shall be submitted to Committees on a quarterly basis.

#### 7.6 Financial Effects of New or Increased Commitments

- When a Committee is considering new or increased financial commitments, information shall be provided by the senior Officer concerned to show the estimated revenue and expenditure consequences of the decision options over a 3 year period (i.e. the budget year in question and the following two years) and the consequences for any other future year where these are significant.

#### 7.7 Capital Programme

- Capital expenditure is a key part of the Council's Property Investment Strategy. It should therefore be linked to any asset management plans and be carefully prioritised in order to maximise scarce resources;
- Each Committee shall annually review the Capital Programme for all schemes;
- The CFO, in consultation with the respective senior Officer, shall annually prepare estimates for the ensuing year of capital expenditure (including the future revenue implications of each scheme) for consideration and approval by Committees prior to their submission (in aggregate) to the Strategy & Resources Committee; and
- Projects that are reliant on the receipt of government or other third-party funding, including central government and other grants, must follow the capital programme procedures.

#### 7.8 Capital Financing Costs

- When a Committee is considering any capital expenditure, the senior Officer must bring this to the attention of the CFO and seek advice on borrowing options and financial implications. Information shall be provided by the CFO in consultation with the senior officer to indicate the costs, benefits, risks and value for money of different financing options.

## 7.9 Control of capital

- Inclusion in the Capital Programme is to be regarded as authority for any scheme to proceed, but any scheme costing £180,000 or more requires the specific approval of the Council on the recommendation of the appropriate Committee to which an appraisal of the scheme including the financial implications shall be submitted at the same time as authority is sought for the invitation of tenders;
- If it appears at any time that the approved estimated cost of a capital scheme will be exceeded, then the variation of expenditure may be approved by:
  - the relevant senior Officer, subject to the concurrence of the CFO where the variation of expenditure does not exceed £30,000 and can be met by virement elsewhere in the Council's budget; or
  - the relevant Committee in cases where the expenditure variation exceeds £30,000 but can be met by virement within that Committee.
- The CFO shall make available to each senior Officer information relating to income and expenditure under each head of approved estimate in such format as deemed appropriate together with any other relevant information;
- Reports monitoring expenditure against the Council's current year capital budgets, including an analysis of any major variances, shall be submitted to Policy Committees on a quarterly basis; and
- For capital schemes not completed by 31st March, a schedule of capital budgets to be carried forward will be presented to Strategy and Resources Committee by July.

## 8. Reserves and Provisions

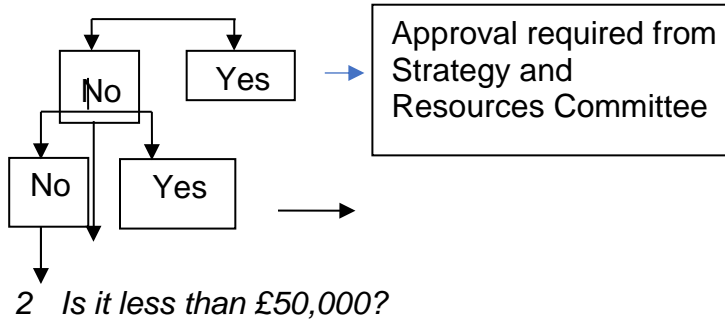
- 8.1 It is the responsibility of the CFO to advise the Strategy and Resources Committee and/ or the Council on prudent levels of reserves and provisions for the authority.
- 8.2 The CFO is responsible for ensuring that reserves and provisions are established, maintained at appropriate levels and applied only for the purposes for which they were earmarked. Any reserves no longer required for their original purpose shall be returned to the General Fund.
- 8.3 The CFO may, with the exception of the General Fund Reserve, authorise the application of reserves and provisions for their intended purpose and shall report to Council on the application of those reserves. Full Council must approve the application of the General Fund Reserve.

## 9. Virements

- 9.1 Scheme of Virement flowcharts Revenue and Capital shown below:

**Proposed:**

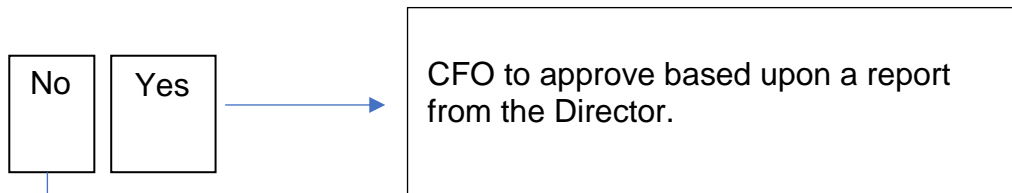
1 *Is it from a salaries budget?*



2 *Is it less than £50,000?*

ELT member to approve with the concurrence of the CFO

*Is it greater than £50,000 but less than £100,000?*



Greater than £100,000

Approval required from Strategy and Resources Committee based upon a report from the CFO.

All virements to be reported for information to Strategy and Resources Committee as an appendix to the quarterly Revenue Monitor

## **10. Risk management and control of resources**

- 10.1 All organisations, whether private or public sector, face risks to people, property and continued operations. Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk management is the planned and systematic approach to the identification, evaluation and control of risk. Its objectives are to secure the assets of the organisation and to ensure the continued financial and organisational wellbeing of the organisation.
- 10.2 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational risks to the Council. This shall include the proactive participation of all those associated with planning and delivering services.
- 10.3 The CFO is responsible for preparing the Council's Risk Management Strategy and for promoting good risk management practice throughout the Council. Senior officers must take responsibility for risk management, having regard to advice from the CFO and other specialist officers and ensuring that there are regular reviews of risk within their service units.
- 10.4 Audit and Scrutiny Committee is responsible for reviewing and approving the Council's Risk Management Strategy.

## **11. Insurance**

- 11.1 The CFO is responsible for the effective and efficient procurement and administration of the Council's insurance arrangements. This includes the provision of advice and effective administration of all insurance claims.
- 11.2 The CFO is responsible for maintaining a register of insurances and the risks covered and for maintaining a register of insurance claims made against the Council including those that have yet to be settled.
- 11.3 The Executive Head of Communities is responsible for notifying the CFO of asset disposals for which insurance cover is no longer required and the purchase of new assets, which need to be included within the Council's insurance cover.
- 11.4 The CFO shall periodically review all insurances in consultation with the Heads of Service, Chief Executive and senior Officer as appropriate.
- 11.5 Any Officer is responsible for notifying the CFO immediately of any loss, liability or damage that may lead to a claim against the Council together with any information or explanation required by the Council's insurers.

## **12. Internal Control**

- 12.1 Internal control refers to the systems of control devised by management to help ensure the Council's objectives are achieved in a manner that promotes economical, efficient and effective use of resources, ensures that statutory obligations are identified, met and complied with and that the Council's assets and interests are safeguarded. In addition, the system of internal control facilitates reliable financial reporting and demonstrable compliance with laws and rules.
- 12.2 The CFO is responsible for assisting the Council to put in place an appropriate control environment and effective internal control which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.
- 12.3 The CFO shall ensure that the council puts in place effective internal financial controls covering budgetary systems, accounting, financial monitoring, safeguard of assets, segregation of duties, accounting procedures, information systems, risk management systems, authorisation and approval processes. The Head of Internal Audit is responsible for testing compliance with these internal controls and reporting on any variations to the Audit and Scrutiny committee.
- 12.4 It is the responsibility of senior officers to ensure that established controls are being adhered to and to evaluate their effectiveness. Senior Officers should review existing controls in light of changes affecting the authority and establish and implement new controls in line with guidance from the CFO.

## **13. Audit requirements**

- 13.1 Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the council's operations. It helps the council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes (Public Sector Internal Audit Standards definition). It contributes an objective opinion to the council's Annual Governance Statement.
- 13.2 The CFO is responsible for ensuring that the Council complies with the Accounts and Audit Regulations 2015. The Accounts and Audit Regulations 2015 require the Council to 'maintain an adequate and effective system of Internal Audit of its accounting records and of its system of internal control in accordance with proper internal audit practices.'
- 13.3 Internal Audit should operate in accordance with the principles contained in the Auditing Practices Board's auditing guideline Guidance for Internal Auditors, CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom, Public Sector Internal Audit Standards (PSIAS) including the Code of Ethics and with any other statutory obligations and regulations.

13.4 The Head of Internal Audit shall prepare an Audit Plan having due regard to the Council's strategic priorities and the associated risks. The CFO must agree the Audit Plan prepared by the Head of Internal Audit. The Head of Internal Audit will present the Audit Plan to The Audit and Scrutiny Committee for discussion and approval. The Head of Internal Audit must report to the CFO or the Audit and Scrutiny Committee if there are insufficient resources or other factors that are limiting the scope of their work and adversely affecting their ability to provide reasonable assurance.

13.5 The Head of Internal Audit must investigate promptly any fraud or irregularity of which they become aware and report the matter to the Head of Paid Service, who will consider any legal or disciplinary action to be taken in consultation with the CFO and the Monitoring Officer.

13.6 The CFO must ensure that internal audit remains independent in both its planning and operation.

13.7 The CFO must ensure that internal auditors have the authority to:

- access authority premises at reasonable times.
- access all assets, records, documents, correspondence and control systems.
- receive any information and explanation considered necessary concerning any matter under consideration.
- require any employee of the authority to account for cash, stores or any other authority asset under his or her control.
- access records belonging to third parties, such as contractors when required.
- have direct access to the Chief Executive, the Audit and Scrutiny Committee, the Chair of the Audit and Scrutiny Committee, elected Members and the external auditor.
- Evaluate and report on the adequacy and effectiveness of internal controls.

13.8 Senior Officers are responsible for the following matters.

- Ensuring that internal auditors are given access at all times and without notice to Council and partners' premises, personnel, records, documents, correspondence, systems and assets that the auditors consider necessary for the purposes of their work.
- Ensuring that auditors are provided with any information and explanations that they seek in the course of their work.
- Considering and responding promptly to recommendations in audit reports.
- Ensuring that actions arising from audit recommendations are carried out in a timely and efficient fashion.

- Ensuring that new systems for maintaining financial records or records of assets, or changes to such systems are discussed with and agreed by the head of internal audit prior to implementation.

13.9 The Council must also appoint External Auditors and the CFO is responsible for ensuring that the selection of External Auditors is carried out in line with statutory guidance. The basic duties of the External Auditor are governed by the Local Audit and Accountability Act 2014: the auditor must be satisfied:

- that the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- That the Accounts are prepared in accordance with rules made under section 23 of the 1980 to act and comply with the requirements of all statutory provisions applicable to the Accounts.
- that the Accounts present a true and fair view of the Council's financial position, its income and expenditure for the year in question and complies with legal requirements.

13.10 The External Auditor can identify and report significant deficiencies in any internal controls directly to the Audit and Scrutiny Committee and those charged with governance.

13.11 The CFO is responsible for:

- Ensuring that external auditors are given the same rights of access to premises, personnel, records, documents, systems and assets that are given to Internal Audit.
- Drawing up the timetable and issuing guidance for the production of final accounts and advising staff and external auditors accordingly.
- Ensuring that there is effective liaison between external and internal audit.
- Working with the external auditor and advising the Full Council, Committees and members of ELT of their responsibilities in relation to external audit.

13.12 Senior Officers are responsible for:

- Ensuring that external auditors are given access at all reasonable times to premises, personnel, documents and assets which the external auditors consider necessary for the purposes of their work.
- Ensuring all records are up to date and available for inspection.

13.13 The Council may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs who have statutory rights of access.

## **14. Preventing Financial Irregularities, Fraud and Corruption**

- 14.1 The Council will not tolerate fraud and corruption in the administration of its responsibilities whether from inside or outside the Council.
- 14.2 The Council is committed to maintaining a strong anti- fraud and corruption culture through its Anti-Fraud, Bribery and Corruption Policy. This is designed to:
- encourage prevention;
  - promote detection;
  - identify a clear pathway for investigation, and
  - fulfil the requirements of Section 17 of the Crime and Disorder Act 1998.
- 14.3 The Council expects that Councillors and staff at all levels will lead by example and act with integrity in ensuring adherence to legal requirements, rules, procedures, practices and internal controls including internal checks. This includes a duty to report a suspected breach of the Council's Contract Standing Orders and Regulations.
- 14.4 The Council also expects that individuals and organisations (eg suppliers, contractors, service providers) with whom it comes into contact will act towards the Council with integrity and without thought or actions involving fraud and corruption.
- 14.5 Any Officer of the Council suspecting financial irregularity shall immediately inform the CFO. The CFO shall, in consultation with the Chief Executive and the Monitoring Officer, make what investigation s/he thinks proper and if s/he is satisfied that irregularity exists, s/he shall immediately inform the External Auditor. An investigation concerning an allegation or suspicion of fraud must be conducted in accordance with the Council's Anti-Fraud, Bribery and Corruption Policy.
- 14.6 The CFO shall, at his/her discretion and after consultation with the Chief Executive and the Monitoring Officer, report to the Audit and Scrutiny Committee any case of non-compliance with these Financial Regulations.

## **15. Physical assets and their security**

- 15.1 Senior Officers are responsible for ensuring that:
- records and assets are properly maintained and securely held;
  - contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place;
  - proper arrangements exist for the security and care at all times of buildings, stocks, stores, furniture, equipment, cash etc under their control and shall consult the CFO in any case where security is thought to be defective or where it is considered that special security arrangements may be needed;



- no authority asset is subject to personal use by an employee without proper authority;
- keys to safes and similar receptacles are kept securely at all times; loss of any such keys to be reported to the CFO immediately after the loss is discovered;
- the CFO is consulted in any case where security is thought to be defective or where it is considered that special security arrangements may be needed; and
- proper security and privacy of information contained in all financial records under their control is maintained, in accordance with the Data Protection Act, having regard to any advice given by the Data Protection Officer

15.2 The CFO is responsible for ensuring that:

- an asset register is maintained in accordance with good practice. All assets with either a purchase price (if known) or an approximate replacement value of over £10,000 should be included. Highly desirable portable assets with a lower value may also be included. The function of the asset register is to provide the authority with information about fixed assets so that they are:
  - safeguarded.
  - used efficiently and effectively.
  - adequately maintained.
- ensuring that assets are valued in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom

15.3 The Asset Management Team shall maintain a property database for all land and property currently owned or used by the Council. Any use of land or property by a service unit should be supported by documentation identifying terms, responsibilities and duration of use.

15.4 The Asset Management Team are responsible for ensuring that:

- lessees and other prospective occupiers of council land are not allowed to take possession or enter the land until a lease or agreement, in a form approved by the ELT member in consultation with the CFO, has been established as appropriate;
- title deeds are passed to the Monitoring Officer who is responsible for custody of all title deeds.
- all service units maintain a register of moveable assets in accordance with arrangements defined by the CFO;
- that assets are identified, their location recorded and that they are appropriately marked and listed. Information must be provided to the CFO so that appropriate insurance arrangements can be made for the Council's assets;

- that case holdings on premises are kept to a minimum;
- assistance with the valuation of assets for accounting purposes to meet requirements specified by the CFO; and
- that all employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records.

## **16. Stocks and stores**

16.1 All systems, documents and records in connection with the receipt, issue and custody of stocks, stores and property shall be approved by the CFO.

16.2 It shall be the joint responsibility of the CFO and the relevant senior Officer to:

- make arrangements for the regular stocktaking of stocks, stores and property held, including items held on inventory, in order to verify location, review condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the Council;
- ensure that all discrepancies are investigated and pursued to a satisfactory conclusion;
- investigate and remove from the authority's records (ie write off) discrepancies of up to £5,000;
- To seek advice from Internal Audit on the treatment of deficiencies in excess of £5,000;
- authorise the disposal or write off redundant stocks and equipment. Procedures for disposal of such stocks and equipment should be by competitive quotations or auction unless, following consultation with the CFO, the Audit and Scrutiny Committee agrees otherwise in a particular case. It is acceptable to use electronic auction sites such as Ebay, Etsy and equivalent sites; and
- seek Committee approval to the write-off of redundant stocks and equipment in excess of £5,000.

## **17. Asset disposal**

17.1 The CFO is responsible for:

- issuing guidelines representing best practice for disposal of assets; and
- ensuring appropriate accounting entries are made to remove the value of disposed assets from the authority's records and to include the sale proceeds if appropriate.

17.2 Members of ELT are responsible for:

- complying with guidelines representing best practice for the disposal of assets issued by the CFO.

## **18. Treasury management**

18.1 The Council shall comply with the key recommendations of CIPFA's Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (the Code), as described in section 5 of that Code.

18.2 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.

18.3 The Council will receive reports on its treasury management policies, practices and activities and will approve the treasury management policy statement and an annual treasury management plan, incorporating strategies for borrowing and investment.

18.4 The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies, practices and strategy, including the operation of its borrowing strategy, to the Strategy and Resources Committee which, in turn, may delegate the function to its Investment Sub-Committee. This will include a mid-year review and annual report in the form prescribed in its TMPs. The execution and administration of treasury management decisions and borrowing strategy is delegated to the officer designated for the purposes of section 151 of the Local Government Act 1972 (i.e. CFO). The CFO will act in accordance with the policy statements, strategies and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

18.5 The Council nominates the Strategy and Resources Committee to be responsible for ensuring effective scrutiny of treasury management and borrowing.

18.6 All money of the council shall be controlled by the CFO.

18.7 The CFO is authorised to approve prudential borrowing, if considered to be the most appropriate funding option, to support asset purchases. The CFO is also responsible for:

- approving proposals for opening or closing bank accounts;
- ensuring 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 member of ELT;
- effecting all borrowings in the name of the authority; and
- acting as the authority's registrar of stocks, bonds and mortgages and maintaining records of all borrowing of money by the authority.

18.8 Senior Officers are responsible for:

- ensuring that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the Council, following consultation with the CFO.
- arranging for all trust funds to be held, wherever possible, in the name of the Council. All officers acting as trustees by virtue of their official position shall deposit securities etc relating to the trust with the CFO unless the deed otherwise provides.
- arranging, where funds are held on behalf of third parties, for their secure administration, approved by the CFO, and to maintain written records of all transactions; and
- ensuring that trust funds are operated within any relevant legislation and the specific requirements for each trust.

## **19. Financial Systems and Procedures**

19.1 There are many systems and procedures used by Council services in relation to the control of the authority's assets, including purchasing, costing and management systems. The information contained within the Council's financial management information systems must be accurate and the systems and procedures sound. They should contain controls to ensure that transactions are properly processed, and errors detected promptly.

19.2 The key controls for systems and procedures are:

- basic data exists to enable the authority's objectives, targets, budgets and plans to be formulated.
- performance is communicated to the appropriate managers on an accurate, complete and timely basis.

- early warning is provided of deviations from target, plans and budgets that require management attention.
- operating systems and procedures are secure.

## **20. Collection of income**

- 20.1 The CFO is responsible for agreeing arrangements for the collection of all income due to the Council and approval of the procedures, systems and documentation for its collection.
- 20.2 Each senior Officer is responsible for reviewing fees and charges annually as part of the budget setting process in consultation with their Budget Managers and for operating assessment and collection arrangements in accordance with laws, regulations and good practice guidance.
- 20.3 Any proposal to introduce or vary a scheme of fees and charges shall be considered by the appropriate Committee and then referred to the Council. The relevant senior Officer shall report on the financial implications of any such proposal.
- 20.4 Particulars of all charges for work done, goods supplied and services rendered or other sums becoming due to the Council (where an account is due to be raised) shall be notified promptly to the CFO. All accounts for income due shall be rendered by the CFO or in accordance with arrangements approved by him.
- 20.5 The collection of all monies due to the Council shall be subject to control by the CFO. All monies received shall be paid promptly to the CFO or subject to his/her instructions shall be banked without delay to the credit of the Council.
- 20.6 All receipt forms, tickets and other documents of a similar nature shall be in a form approved by the CFO and shall be controlled by him/ her.
- 20.7 Each senior Officer will ensure that the CFO is notified promptly of contracts, leases and other agreements and arrangements entered into which involve the receipt of money by the Council.
- 20.8 The writing off of debts due to the Council shall be carried out in accordance with an operational procedure issued and maintained by the CFO.

## **21. Official Orders**

- 21.1 Official orders in the form approved by the CFO must be issued for all requirements of the Council except:
- rents, rates, charges for the supply of electricity, gas and water and other items of an obligatory and continuous nature including telephone rentals and calls;
  - transfer payments; and
  - other items specifically agreed by the CFO for exception.

21.2 Every order shall be authorised by the senior Officer concerned or delegated budget manager in a form approved by the CFO, in accordance with delegation levels agreed with the CFO. They shall include any contractual requirements set out in contract standing orders. The CFO shall determine the authorising process, which will be set out in Procurement Rules. No order shall be issued unless covered by an approved annual estimate or other financial provision and signatories must ensure that goods and services are appropriate and needed, that Contract Standing Orders have been complied with and that value for money principles have been followed prior to signing or authorising invoices.

21.4 The Council's computerised commitment accounting system shall be used unless an exception is agreed in advance by the CFO. Outstanding orders shall be checked by the senior Officer or their delegate at least quarterly, to ensure management information is accurate.

## **22. Payment of accounts**

22.1 The relevant senior officer or delegated budget manager issuing an order is responsible for examining, verifying and certifying the related invoice(s) or an electronic Goods Received Note and similarly for any other payment vouchers or accounts arising from sources under his/her control. Such certification shall be in a form approved by the CFO and can be electronic or in manuscript and prepared by or on behalf of the relevant senior Officer. The names of Officers authorised to sign such records shall be sent to the CFO together with specimen signatures and shall be amended on the occasion of any change therein.

22.2 Before certifying an account, the certifying Officer shall, save to the extent that the CFO may otherwise determine, have satisfied himself that:-

- the work, goods or services to which the account relates have been received, carried out, examined and approved;
- the prices, extensions, calculations, trade discounts, other allowances, credits and tax have been compared to the order and are correct;
- the relevant expenditure has been properly incurred and is within the relevant estimate provision;
- appropriate entries have been made in inventories, stores records or stock books as required;
- the account has not been previously passed for payment and is a proper liability of the Council;
- the account (including any Value Added Tax) has been correctly coded; and

- appropriate checks have been carried out to ensure that the supplier and changes to the supplier details are bona fide and that a check on employment status is carried out prior to entering into a contract with any sub-contractor.
- 22.3 The CFO shall examine as far as he considers necessary certified accounts passed to him/her for payment and pay such accounts which he is satisfied are in order and in accordance with the Financial Regulations and in accordance with the Prompt Payment Code (30 days). The CFO may withhold payment until the resolution of any dispute relating to an invoice.
- 22.4 Budget holders will notify the CFO of the value and detail of all expenditure and income relating to goods or services provided by 31 March but not yet settled, to ensure these are accounted for on an accrual basis.
- 22.5 Use of Council corporate purchase cards, including fuel cards and credit cards shall be in accordance with an operational procedure issued by the CFO and a signed undertaking. Only the CFO shall have authority to obtain corporate purchase cards.

### **23. Works contracts**

- 23.1 All payments to contractors shall be made by CFO on the basis of certificates, or other documentation, in a form approved by him/her and issued and authorised by the appropriate officer.
- 23.2 Any variation of, addition to or omission from a works contract duly authorised by the appropriate officer shall be in writing and retained by the relevant ELT member.
- 23.3 For the purposes of audit, vouchers, documents and other information which the CFO may require, shall be made available to him/her.
- 23.4 Where outside professional architects, engineers, quantity surveyors or other consultants are engaged to supervise any works contract, it shall be a condition of their employment that they shall comply with Financial Regulations.

### **24. Banking arrangements**

- 24.1 The CFO is authorised to make arrangements for banking facilities to be provided to the Council. The CFO shall ensure that the bank accounts are operated in an appropriate and proper manner.
- 24.2 All bank accounts shall be in the name of "Tandridge District Council" unless authorised by the CFO.
- 24.3 The CFO may authorise appropriate officers to be 'authorised signatories' on the Council's bank accounts. The CFO shall maintain a list of authorised signatories.

24.4 The CFO shall determine and deploy safe and secure procedures for electronic payments and transfers. All electronic payments shall be authorised by the CFO or his/her delegated officer. An up-to-date record of signatures shall be securely and accurately maintained.

24.5 Payments made on behalf of the Council can be made as set out below.

- By Bankers Automated Clearing Services order direct to the recipient's personal account;
- By Faster Payments or CHAPS using the online banking system provided by the Council's bankers;
- By written instruction, not being a cheque, to the Council's bankers bearing the impressed or manuscript signature of the CFO or any two 'authorised signatories';
- Standing orders, direct debits and other regular bank account transfers shall only be set up with the prior written approval of the CFO;
- By computer generated cheque bearing the facsimile signature of the CFO;
- The maximum single value of a computer generated cheque shall be up to £50,000. All payments above £50,000 shall be made by electronic payment only;
- The maximum single value of a payment requiring two authorised signatories, one of which must be the CFO, is £250,000;
- Any payment of greater than £250,000 requires the authorisation of the CFO and either the Monitoring Officer or the Head of Paid Service; and
- The exception shall be transactions for the purposes of Treasury Management, including borrowing from the PWLB, which shall be authorised by the CFO and other authorised signatories in accordance with a written procedure determined by the CFO. This written procedure and its operation shall be subject to internal audit at least twice in a financial year. There will be a division of duties established to meet the requirements of the bank.

24.6 Each employee who banks money shall comply with any instructions prescribed by the CFO. All money received on behalf of the Council shall be made to the Council's cashier, approved cash receptacles or to the Council's bank account without delay and always within three working days of collection.

24.7 The CFO shall maintain a facility to make emergency payments. Payments will be authorised in line with the limits set out above. Directors shall ensure that all emergency payments made in the event of initiating an approved emergency plan are charged, in the first instance, to the emergency cost code.

24.8 Payments received in full and final settlement shall only be accepted if they are sufficient to fully clear the appropriate debt.



24.9 Personal cheques shall not be cashed out of the money held on behalf of the Council.

## **25. Payroll and Payments to Employees and Members**

25.1 The CFO shall be responsible for:

- the accurate and timely payment of all salaries, wages and other payments due to employees in accordance with their terms and conditions of employment are processed and paid through the Council's payroll system.
  - making arrangements for the accurate and timely calculation of tax, pensions contributions and other deductions made on behalf of employees and for paying sums due to the relevant bodies on a timely basis (eg HMRC and Surrey County Pension Fund (SCPF));
  - making arrangements for paying Members' basic, special responsibility, travel or other allowances;
  - ensuring that there are adequate arrangements for administering pensions matters in accordance with the requirements of SCPF.

25.2 All senior officers shall notify the Human Resources (HR) team and the Finance Business Partner, using the Council's standard forms, on a timely basis of all of the following details.

- Appointments, resignations, dismissals, suspensions, secondments and transfers or other relevant changes to contract terms and conditions.
- Absences from duty excluding normal annual, statutory or flexible working leave.
- Changes in remuneration excluding normal pay scale increments, pay awards and agreements of general application such as changes in pension contribution rates.
- Information necessary to maintain records of service such as pension, income tax, national insurance and bank details.

25.3 Each senior Officer is responsible for ensuring there is adequate budgetary provision and written approval from the CFO prior to the recruitment of staff.

25.4 Appointments of all officers shall be made in accordance with the regulations of the Council and the established grades and rates of pay.

25.5 Each senior officer shall, at least annually, certify the staffing budget for their services as part of the budget setting process.

25.6 All claims for payment of car allowances, subsistence allowances, travelling and incidental expenditure shall be submitted, duly certified to the respective senior officer for authorisation on a standard form approved by the CFO.

25.7 The certification of expense claims shall be taken to mean that each senior officer is satisfied that the journeys were authorised, the expenses properly and necessarily incurred and that the allowances are correctly calculated in line with the Council's terms and conditions.

25.8 Members are responsible for submitting claims for their travel and subsistence allowances on a monthly basis and, in any event, within one month of the year end to the Monitoring Officer for processing.

## **26. Taxation**

26.1 The CFO is responsible for:

- maintaining the Council's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date; and
- contacts with HM Revenue and Customs on all matters, including income tax, national insurance, corporation tax, construction industry tax and VAT.

26.2 The CFO is responsible for issuing an operational procedure on the application of value added tax rules. Each senior officer is responsible for ensuring that transactions within their areas of responsibility comply with the law relating to general taxation and VAT and clarification is sought where necessary from their respective Budget Manager.

26.3 All matters of both principle and practice, including any significant errors or discrepancies, shall be immediately referred to the CFO.

## **27. External arrangements**

27.1 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 wellbeing of the District.

### **Partnerships**

27.2 The Head of Paid Service, in consultation with the Monitoring Officer and the CFO is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.

27.3 Each senior officer is responsible for assessing the risks and benefits associated with partnerships. Given that these arrangements may be complex in nature, the CFO must approve the financial management arrangements for such partnerships. Each senior officer must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies and seek advice at an early stage from the CFO and the Monitoring Officer.

27.4 Each senior officer is responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to financial transactions with external bodies.

- 27.5 The CFO must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory and that all grant conditions are met.
- 27.6 The CFO is responsible for ensuring proper arrangements for partnership cost sharing where appropriate. He/she must ensure that risks have been fully appraised before agreements are entered into with external bodies.

### **External funding**

- 27.7 The CFO is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Council's accounts.
- 27.8 Each senior officer shall inform the CFO immediately of funding notified by external bodies and any conditions attached and shall ensure that claims for funds, complete and up to date financial records and project progress reports are submitted by the due date in liaison with the CFO.
- 27.9 If any new financial obligations are placed upon the Council as a condition of receiving external funding, these obligations must be approved by Strategy and Resources Committee prior to the submission of any bids. In the case of urgency, seek advice from the Monitoring Officer.

### **Works for third parties**

- 27.10 Contractual arrangements to undertake work for third parties must be approved by the relevant service committee in situations where the CFO is of the view that such a contract may cause a significant risk of net cost to the Council, or where the total value of new work in one year will exceed £50,000.
- 27.11 Where support services and frontline services are to be sold to external customers, due diligence must be undertaken to ensure that services provided are of good quality and to minimise the risk of non-payment.

## **28. Amendments to the Regulations**

- 28.1 The Regulations are subject to an annual 'evolution' which will be approved by Strategy and Resources Committee and will incorporate minor amendments and editing changes.
- 28.2 For transparency purposes all changes in the annual 'evolution' will be flagged using red text, this will enable both experienced and inexperienced users of the Regulations to clearly identify where changes have occurred year on year. Changes from previous years 'evolution' will be incorporated into standard colour text, only the latest 'evolution' is shown in red text.

**END**