

STANDING FINANCIAL INSTRUCTIONS

Attached is a draft of the Standing Financial Instructions. This draft is currently being reviewed by the Auditors.

The Finance & Resources Committee is asked to comment on the detail, which has been based on the SFIs of a NHS Trust.

Any agreed amendments can then be built in and an appendix added detailing any appropriate figures, e.g. amounts above which tenders are obligatory.

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Health Professions Council

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STANDING FINANCIAL INSTRUCTIONS

FOREWORD

1. Health Professions Council ("The Council") operates within a statutory framework within which it is required to adopt Standing Orders. It must adopt Standing Financial Instructions (SFIs) setting out the responsibilities of individuals.
2. The Council requires the Finance and Resources Committee ("FRC") to draw up standing orders, a schedule of decisions reserved to the committee and standing financial instructions. The Council also requires the FRC to ensure that there are management arrangements in place to enable responsibility to be clearly delegated to senior executives. Additionally the FRC will have drawn up its own generated rules and instructions, including financial procedural notes, for use within the organisation. Collectively these must comprehensively cover all aspects of financial management and control. In effect, they set the business rules which directors and employees (including employees of third parties contracted to the Council) must follow when taking action on behalf of the Council.
3. Once the Council has adopted SFIs they become mandatory on all directors and employees of the organisation.

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1. INTRODUCTION

- 1.1 These SFIs detail the financial responsibilities, policies and procedures to be adopted by the Council. They are designed to ensure that its financial transactions are carried out in accordance with the law in order to achieve probity, accuracy, economy, efficiency and effectiveness.
- 1.2 These SFIs identify the financial responsibilities, which apply to everyone working for the Council. They do not provide detailed procedural advice. These statements should therefore be read in conjunction with the detailed departmental and financial procedure notes. The Finance Director must approve all financial procedures.
- 1.3 Should any difficulties arise regarding the interpretation or application of any of the SFIs then the advice of the Finance Director **MUST BE SOUGHT BEFORE ACTING**. The user of these SFIs should also be familiar with and comply with the provisions of the Council's Standing Orders (SOs).
- 1.4 **FAILURE TO COMPLY WITH SFIs AND SOs IS A DISCIPLINARY MATTER, WHICH COULD RESULT IN DISMISSAL.**

1.5 TERMINOLOGY

- 1.6 The following terms used in these SFIs are given meanings as shown:
 - (a) "Council" means the Council of the Health Professions Council,
 - (b) "Budget" means a resource, expressed in financial terms, proposed by the FRC, for the purpose of carrying out for a specific period any or all of the functions of the Council,
 - (c) "Budget Manager" means the director or employee with delegated authority to manage finances (Income and Expenditure) for a specific area of the organisation,
 - (d) "Chief Executive & Registrar" means the chief officer to the Council,
 - (e) "Finance Director" means the chief financial officer of the Council;
 - (f) "Legal Advisor" means any properly qualified person appointed by the Council to provide legal advice.
- 1.7 Wherever the title Chief Executive & Registrar, Finance Director, or other nominated officer is used in these instructions, it shall be deemed to include such other director or employee who have been duly authorised to represent them.
- 1.8 Wherever the term "employee" is used and where the context permits it shall be deemed to include employees of third parties contracted to the Council when acting on behalf of the Council

1.9 RESPONSIBILITIES AND DELEGATION

- 1.10 The Council exercises financial supervision and control by:

- (a) formulating the financial strategy,
 - (b) requiring the submission and approval of budgets within approved allocations/overall income and
 - (c) defining and approving essential features in respect of important procedures and financial systems (including the need to obtain value for money).
- 1.11 The Council has resolved that certain powers and decisions may only be exercised by the Council in formal session.
- 1.12 The Council may delegate responsibility for the performance of its functions to the FRC.
- 1.13 Within the SFIs, it is acknowledged that the Chief Executive & Registrar is ultimately accountable to the Council and as accountable officer to the Privy Council for ensuring that the Council meets its obligation to perform its functions within the available financial resources. The Chief Executive & Registrar has overall executive responsibility for the Council's activities, is responsible to the Council for ensuring that its financial obligations and targets are met and has overall responsibility for the Council's system of internal control.
- 1.14 The Chief Executive & Registrar and Finance Director will, as far as possible, delegate their detailed responsibilities but they remain accountable for financial control.
- 1.15 It is a duty of the Chief Executive & Registrar to ensure that existing directors and employees and all new appointees are notified of and understand their responsibilities within these Instructions.
- 1.16 The Finance Director is responsible for:
- (a) implementing the Council's financial policies and for co-ordinating and corrective action necessary to further these policies,
 - (b) maintaining an effective system of internal financial control including ensuring that detailed financial procedures and systems incorporating the principles of separation of duties and internal checks are prepared, documented and maintained to supplement these instructions,
 - (c) ensuring that sufficient records are maintained to show and explain the Council's transactions, in order to disclose, with reasonable accuracy, the financial position of the Council at any time and
 - (d) without prejudice to any other functions of directors and employees to the Council, the duties of the Finance Director include:
 - (i) the provision of financial advice to the Council and its directors and employees,
 - (ii) the design, implementation and supervision of systems of internal financial control and

- (iii) the preparation and maintenance of such accounts, certificates, estimates, records and reports as the Council may require for the purpose of carrying out its statutory duties.

1.17 All directors and employees, severally and collectively, are responsible for:

- (a) the security of the property of the Council,
- (b) avoiding loss,
- (c) exercising economy and efficiency in the use of resources and
- (d) conforming to the requirements of Standing Orders, Standing Financial Instructions and Financial Procedures.

1.18 Any contractor or employee of a contractor who is empowered by the Council to commit the Council to expenditure or who is authorised to obtain income shall be covered by these instructions. It is the responsibility of the Chief Executive & Registrar to ensure that such persons are made aware of this.

1.19 For any and all directors and employees who carry out a financial function, the form in which financial records are kept and the manner in which directors and employees discharge their duties must be to the satisfaction of the Finance Director.

2 AUDIT

2.1 AUDIT COMMITTEE

2.2 The FRC shall formally establish an Audit Committee, with clearly defined terms of reference, which will provide an independent and objective view of internal control by:

- (a) overseeing Internal and External Audit services,
- (b) reviewing financial systems and
- (c) monitoring compliance with Standing Orders and Standing Financial Instructions.

2.3 Where the Audit Committee feel there is evidence of ultra vires transactions, evidence of improper acts or if there are other important matters that the Committee wishes to raise, the Chairman of the Audit Committee should raise the matter at a full meeting of the FRC. Exceptionally, the matter may need to be referred to the Council. (To the Finance Director in the first instance.)

2.4 It is the responsibility of the Finance Director to ensure an adequate internal audit service is provided and the Audit Committee shall be involved in the selection process when an internal audit service provider is changed.

2.5 FINANCE DIRECTOR

2.6 The Finance Director is responsible for:

- (a) ensuring there are arrangements to review, evaluate and report on the effectiveness of internal financial control including the establishment of an effective internal audit function,
- (b) ensuring that the internal audit is adequate and meets generally accepted accounting standards,
- (c) deciding at what stage to involve the police in cases of fraud, misappropriation, and other irregularities and
- (d) ensuring that an annual internal audit report is prepared for the consideration of the Audit Committee and the FRC. The report must cover:
 - i. a clear statement on the effectiveness of internal control,
 - ii. major internal financial control weaknesses discovered,
 - iii. progress on the implementation of internal audit recommendations,
 - iv. progress against plan over the previous year,
 - v. strategic audit plan covering the coming three years and
 - vi. a detailed plan for the coming year.

- 2.7 The Finance Director or designated auditors are entitled without necessarily giving prior notice to require and receive:
- (a) access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of any confidential nature,
 - (b) access at all reasonable times to any land, premises or employee of the Council,
 - (c) the production of any cash or other property of the Council under an employee's control and
 - (d) explanations concerning any matter under investigation.

2.8 ROLE OF INTERNAL AUDIT

2.9 Internal Audit will review, appraise and report upon:

- (a) the extent of compliance with, and the financial effect of, relevant established policies, plans and procedures,
- (b) the adequacy and application of financial and other related management controls,
- (c) the suitability of financial and other related management data and
- (d) the extent to which the Council's assets and interests are accounted for and safeguarded from loss of any kind, arising from:
 - i. Fraud and other offences
 - ii. Waste, extravagance, inefficient administration and
 - iii. Poor value for money or other causes;

2.10 Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash or other property or any suspected irregularity in the exercise of any function of a pecuniary nature, the Finance Director must be notified immediately.

2.11 Those appointed to undertake internal audit work will normally attend Audit Committee meetings and have the right of access to all Audit Committee members, the Chairman and Chief Executive & Registrar of the Council.

2.12 Those appointed to undertake internal audit work will be accountable to the Finance Director. The reporting system for internal audit shall be agreed between the Finance Director, the Audit Committee and the Internal Auditor. The agreement shall be in writing. The reporting system shall be reviewed at least every 3 years.

2.13 EXTERNAL AUDIT

2.14 The external auditor is appointed by and paid for by the Council. The Audit Committee must ensure a cost efficient service. Should there appear to be a problem, then this should be raised with the external auditor and referred on to the Council if the issue cannot be resolved.

3 ALLOCATIONS, BUSINESS PLANNING, BUDGETS, BUDGETARY CONTROL AND MONITORING

3.1 PREPARATION AND APPROVAL OF BUSINESS PLANS AND BUDGETS

3.2 The Chief Executive & Registrar will compile and submit to the Council an annual business plan, which takes into account financial targets and forecast limits of available resources. The annual business plan will contain:

- (a) a statement of the significant assumptions on which the plan is based and
- (b) details of the major changes in workload, delivery of services or resources required to achieve this plan.

3.3 Prior to the start of the financial year the Finance Director will, on behalf of the Chief Executive & Registrar, prepare and submit budgets for approval by the Council. Such budgets will:

- (a) be in accordance with the aims and objectives set out in the annual business plan,
- (b) accord with workload and manpower plans,
- (c) be produced following discussion with appropriate budget holders,
- (d) be prepared within the limits of available funds and
- (e) identify potential risks.

3.4 The Finance Director shall monitor financial performance against budget and business plan, periodically review them, and report to the FRC.

3.5 All budget holders must provide information as required by the Finance Director to enable budgets to be compiled.

3.6 The Finance Director has a responsibility to ensure that adequate training is delivered on an on-going basis to budget managers to help them manage successfully.

3.7 BUDGET DELEGATION

3.8 The Chief Executive & Registrar may delegate the management of a budget to permit the performance of a defined range of activities. This delegation must be in writing and be accompanied by a clear definition of:

- (a) the amount of the budget,
- (b) the purpose(s) of each budget heading,
- (c) individual and group responsibilities,
- (d) achievement of planned levels of service and
- (e) the provision of regular reports.

3.9 The Chief Executive & Registrar and delegated budget managers must not exceed the budgetary totals set by the Board.

3.10 Any budgeted funds not required for their designated purpose(s) revert to the immediate control of the Chief Executive & Registrar.

3.11 Non-recurring budgets should not be used to finance recurring expenditure without the authority in writing of the Chief Executive & Registrar.

3.12 BUDGETARY CONTROL AND REPORTING

3.13 The Finance Director will devise and maintain systems of budgetary control. These will include:

(a) monthly financial reports to the Board in a form approved by the Board containing:

- i. income and expenditure to date showing trends and forecast year end position,
- ii. movements in working capital,
- iii. capital project spend and projected outturn against plan,
- iv. explanations of any material variances from plan,
- v. details of any corrective action where necessary and the Chief Executive & Registrar's and/or Finance Director's view of whether such actions are sufficient to correct the situation,

(b) the issue of timely, accurate and comprehensible advice and financial reports to each budget manager, covering the areas for which they are responsible,

(c) investigation and reporting of variances from financial, workload and manpower budgets,

(d) monitoring of management action to correct variances and

(e) arrangements for the authorisation of budget transfers.

3.14 Each Budget Manager is responsible for ensuring that:

(a) any likely overspending or reduction of income which cannot be met by is not incurred without the prior consent of the Chief Executive & Registrar's and/or the Finance Director,

(b) the amount provided in the approved budget is not used in whole or in part for any purpose other than that specifically authorised and

(c) no ~~permanent~~ employees are appointed without the approval of the Chief Executive & Registrar other than those provided for in the budgeted establishment as approved by the Council.

3.15 The Chief Executive & Registrar is responsible for identifying and implementing cost improvements and income generation initiatives in accordance with the requirements of the Annual Business Plan and a balanced budget.

3.16 CAPITAL EXPENDITURE

3.17 The general rules applying to delegation and reporting shall also apply to capital expenditure.

4 ANNUAL ACCOUNTS AND REPORTS

- 4.1 The Finance Director, on behalf of the Council, will:
- (a) prepare financial statements in accordance with the Council's accounting policies and generally accepted accounting practice and present them for audit,
 - (b) submit the audited annual financial statements to the Auditor General and
 - (c) submit the audited annual financial statements to the Privy Council.
- 4.2 The Council's audited financial statements must be presented to Council.
- 4.3 The Council will publish an annual report and the audited financial statements, or an extract thereof, certified by the Auditors, shall be included therein.

5 BANK ACCOUNTS

5.1 GENERAL

5.1.1 The Finance Director is responsible for managing the Council's banking arrangements and for advising the Council on the provision of banking services and operation of accounts.

5.1.2 The Board shall approve the banking arrangements.

5.2 BANK AND PGO ACCOUNTS

5.2.1 The Finance Director is responsible for;

(a) bank accounts,

(b) ensuring payments made from bank accounts do not exceed the amount credited to the account except where arrangements have been made and

(c) reporting to the Board all arrangements made with the Council's bankers for accounts to be overdrawn.

5.3 BANKING PROCEDURES

5.3.1 The Finance Director will prepare detailed instructions on the operation of the bank which must include:

(a) The conditions under which each bank account is to be operated,

(b) The limit to be applied to any overdraft and

(c) Those authorised to sign cheques or other orders drawn on the Council's accounts.

5.3.2 The Finance Director must advise the Council's bankers in writing of the conditions under which each account will be operated.

5.4 TENDERING AND REVIEW

5.4.1 The Finance Director will review the banking arrangements of the Council at regular intervals to ensure they reflect best practise and represent best value for money by periodically seeking competitive tenders for the Council's banking business.

5.4.2 Competitive tenders should be sought at least every 5 years. The results of the tending exercise should be reported to the Board.

6 INCOME, FEES AND CHARGES AND SECURITY OF CASH, CHEQUES AND OTHER NEGOTIABLE INSTRUMENTS

6.1 INCOME SYSTEMS

6.1.1 The Finance Director is responsible for designing, maintaining and ensuring compliance with systems for the proper recording, invoicing, collection and coding of all monies due.

6.1.2 The Finance Director is also responsible for the prompt banking of all monies received.

6.2 FEES AND CHARGES

6.2.1 The Finance Director is responsible for approving and regularly reviewing the level of all fees and charges other than those determined by the Privy Council.

6.2.2 All employees must inform the Finance Director promptly of money due arising from transactions which they initiate/deal with, including all contracts, leases, tenancy agreements and other transactions.

6.3 DEBT RECOVERY

6.3.1 The Finance Director is responsible for the appropriate recovery action on all outstanding debts.

6.3.2 Income not received should be dealt with in accordance with losses procedures.

6.3.3 Overpayments should be detected (or preferably prevented) and recovery initiated.

6.4 SECURITY OF CASH, CHEQUES AND OTHER NEGOTIABLE INSTRUMENTS

6.4.1 The Finance Director is responsible for:

(a) approving the form of all receipt books, agreement forms, or other means of officially acknowledging or recording monies received or receivable,

(b) ordering and securely controlling any such stationery,

(c) the provision of adequate facilities and systems for employees whose duties include collecting and holding cash, including the provision of safes or lockable cash boxes, the procedures for keys, and for coin operated machines and

(d) prescribing systems and procedures for handling cash and negotiable securities on behalf of the Council.

6.4.2 Official money shall not under any circumstances be used for the encashment of private cheques.

6.4.3 All cheques, postal orders, cash etc., shall be banked intact. Disbursements shall not be made from cash received, except under arrangements approved by the Finance Director.

6.4.3 The holders 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 shall be made clear to the depositors that the Council is not to be held liable for any loss and written indemnities must be obtained from the organisation or individuals absolving the Council from responsibility for any loss.

7 TERMS OF SERVICE AND PAYMENT OF DIRECTORS AND EMPLOYEES

7.1 REMUNERATION AND TERMS OF SERVICE

7.1.1 The FRC should at least once a year sit as a Remuneration Committee.

7.1.2 The Committee will:

(a) review appropriate remuneration and terms of service for the Chief Executive & Registrar and other executive directors (and other senior employees), including:

(i) all aspects of salary,

(ii) provisions for other benefits, including pensions,

(iii) arrangements for termination of employment and other contractual terms;

(b) make such recommendations to the Board on the remuneration and terms of service of executive directors (and other senior employees) to ensure they are fairly rewarded for their individual contribution to the Council - having proper regard to the Council's circumstances and performance.

(c) monitor and evaluate the performance of individual executive directors (and other senior employees) and

(d) advise on and oversee appropriate contractual arrangements for such staff including the proper calculation and scrutiny of termination payments taking account of such national guidance as is appropriate.

7.1.3 The Committee shall report in writing to the Council the basis for its recommendations. The Council shall use the report as the basis for their decisions but remain accountable for taking decisions on the remuneration and terms of service of executive directors. Minutes of the Board's meetings should record such decisions.

7.1.4 The Council will approve proposals presented by the Chief Executive & Registrar for setting of remuneration and conditions of service for those employees not covered by the Committee.

7.1.5 The Council will set attendance fees for the President and Council Members in accordance with similar payments made elsewhere.

7.2 FUNDED ESTABLISHMENT

7.2.1 The manpower plans incorporated within the annual budget will form the funded establishment.

7.2.2 The funded establishment of any department may not be varied without the approval of the Chief Executive & Registrar.

7.3 STAFF APPOINTMENTS

7.3.1 No director or employee may engage, re-engage, or re-grade employees, either on a permanent or temporary nature, or hire agency staff, or agree to changes in any aspect of remuneration:

(a) unless authorised to do so by the Chief Executive & Registrar and

(b) within the limit of his approved budget and funded establishment.

7.3.2 The Board will approve procedures presented by the Chief Executive & Registrar for the determination of commencing pay rates, condition of service, etc. for employees.

7.4 PROCESSING OF PAYROLL

7.4.1 The Finance Director is responsible for:

(a) specifying timetables, for submission of properly authorised time records and other notifications,

(b) the final determination of pay,

(c) making payment on agreed dates and

(d) agreeing method of payment.

7.4.2 The Finance Director will issue instructions regarding:

(a) verification and documentation of data,

(i) the timetable for receipt and preparation of payroll data and the payment of employees,

(ii) maintenance of subsidiary records for pension, income tax, social security and other authorised deductions from pay,

(b) security and confidentiality of payroll information,

(c) checks to be applied to completed payroll before and after payment,

(d) authority to release payroll data under the provisions of the Data Protection Act,

(e) methods of payment available to various categories of employee,

(f) procedures for payment by cheque, bank credit, or cash to employees,

(g) procedures for the recall of cheques and bank credits,

(h) pay advances and their recovery,

(i) maintenance of regular and independent reconciliation of pay control accounts,

(j) separation of duties of preparing records and handling cash and

- (m) a system to ensure the recovery from leavers of sums of money and property due by them to the Council.

7.4.3 Appropriately nominated managers have delegated responsibility for:

- (a) submitting time records and other notifications in accordance with agreed timetables;
- (b) completing time records and other notifications in accordance with the Finance Director's instructions and in the form prescribed by the Finance Director and
- (c) submitting termination forms in the prescribed form immediately upon knowing the effective date of an employee's resignation, termination or retirement. Where an employee fails to report for duty in circumstances that suggest they "have left without notice", the Finance Director must be informed immediately.

7.4.4 Regardless of the arrangements for providing the payroll service, the Finance Director shall ensure that the chosen method is supported by appropriate (contracted) terms and conditions, adequate internal controls and audit review procedures and that suitable arrangements are made for the collection of payroll deductions and payment of these to appropriate bodies.

7.5 Contracts of Employment

7.5.1 The Council shall delegate responsibility to a manager for:

- (a) ensuring that all employees are issued with a Contract of Employment in a form approved by the Council and which complies with employment legislation; and
- (b) dealing with variations to, or termination of, contracts of employment.

Chair Execution

8 NON-PAY EXPENDITURE

8.1 DELEGATION OF AUTHORITY

8.1.1 The Board will approve the level of non-pay expenditure on an annual basis and the Chief Executive & Registrar will determine the level of delegation to budget managers.

8.1.2 The Chief Executive & Registrar will set out:

- (a) the list of managers who are authorised to place requisitions for the supply of goods and services; and
- (b) the maximum level of each requisition and the system for authorisation above that level.

8.1.3 The Chief Executive & Registrar shall set out procedures on the seeking of professional advice regarding the supply of goods and services.

8.2 CHOICE, REQUISITIONING, ORDERING, RECEIPT AND PAYMENT FOR GOODS AND SERVICES

8.2.1 The requisitioner in choosing the item to be supplied (or the service to be performed) shall always obtain the best value for money for the Council.

8.2.2 The Finance Director shall be responsible for the prompt payment of accounts and claims. Payment of contract invoices shall be in accordance with contract terms.

8.2.4 The Finance Director will:

(a) advise the Board regarding the setting of thresholds above which quotations (competitive or otherwise) or formal tenders must be obtained and, once approved, the thresholds should be incorporated in standing orders and regularly reviewed,

(b) prepare procedural instructions on the obtaining of goods, works and services incorporating the thresholds,

(c) be responsible for the prompt payment of all properly authorised accounts and claims,

(d) be responsible for designing and maintaining a system of verification, recording and payment of all amounts payable. The system shall provide for:

- (i) A list of directors or employees (including specimen signatures) authorised to certify invoices.
- (ii) Certification that:
 - goods have been duly received, examined and are in accordance with specification and the prices are correct,
 - work done or services rendered have been satisfactorily carried out in accordance with the order and, where

applicable, the materials used are of the requisite standard and the charges are correct,

- in the case of contracts based on the measurement of time, materials or expenses, the time charged is in accordance with the time sheets, the rates of labour are in accordance with the appropriate rates, the materials have been checked as regards quantity, quality and price and the charges for the use of vehicles, plant and machinery have been examined,
- where appropriate, the expenditure is in accordance with regulations and all necessary authorisations have been obtained,
- the account is arithmetically correct,
- the account is in order for payment,

(iii) A timetable and system for submission to the Finance Director of accounts for payment. Provision shall be made for the early submission of accounts subject to cash discounts or otherwise requiring early payment.

(iv) Instructions to employees regarding the handling and payment of accounts within the Finance Department.

(e) be responsible for ensuring that payment for goods and services is only made once the goods and services are received, (except as below).

8.2.5 Prepayments are only permitted where exceptional circumstances apply. In such instances:

- (a) prepayments are only permitted where the financial advantages outweigh the disadvantages,
- (b) the appropriate Director must provide, in the form of a written report, a case setting out all relevant circumstances of the purchase. The report must set out the effects on the Council if the supplier is at some time during the course of the prepayment agreement unable to meet his commitments,
- (c) the Finance Director will need to be satisfied with the proposed arrangements before contractual arrangements proceed and
- (d) the budget holder is responsible for ensuring that all items due under a prepayment contract are received and he/she must immediately inform the appropriate Director or Chief Executive & Registrar if problems are encountered.

8.2.6 Official Purchase Orders must:

- (a) be consecutively numbered,
- (b) be in a form approved by the Finance Director,

- (c) state the Council's terms and conditions of trade and
- (d) only be issued to, and used by, those duly authorised by the Chief Executive & Registrar.

8.2.7 Managers must ensure that they comply fully with the guidance and limits specified by the Finance Director and that:

- (a) all contracts, leases, tenancy agreements and other commitments which may result in a liability are notified to the Finance Director in advance of any commitment being made,
- (b) no order shall be issued for any item or items to any firm which has made an offer of gifts, reward or benefit to directors or employees, other than:
 - (i) isolated gifts of a trivial character or inexpensive seasonal gifts, such as calendars, and
 - (ii) conventional hospitality, such as lunches in the course of working visits.
- (c) no requisition/order is placed for any item or items for which there is no budget provision unless authorised by the Finance Director on behalf of the Chief Executive & Registrar,
- (d) all goods, services or works are ordered on an official order except works and services executed in accordance with a contract and purchases from petty cash,
- (e) verbal orders must only be issued very exceptionally - by an employee designated by the Chief Executive & Registrar and only in cases of emergency or urgent necessity. These must be confirmed by an official order.
- (f) orders are not split or otherwise placed in a manner devised so as to avoid the financial thresholds,
- (g) goods are not taken on trial or loan in circumstances that could commit the Council to a future uncompetitive purchase,
- (h) changes to the list of directors/ employees authorised to certify invoices are notified by the Finance Director,
- (i) purchases from petty cash are restricted in value and by type of purchase in accordance with instructions issued by the Director of Finance and
- (j) petty cash records are maintained in the form as determined by the Finance Director.

9 EXTERNAL BORROWING AND INVESTMENTS

9.1 EXTERNAL BORROWING

- 9.1.1 The Finance Director is responsible for reporting periodically to the Council concerning all loans and overdrafts.
- 9.1.2 Any application for a loan or overdraft will only be made by the Finance Director or by an employee so delegated by him/her.
- 9.1.3 The Finance Director must be prepare detailed procedural instructions concerning applications for loans and overdrafts.
- 9.1.4 All short-term borrowings should be kept to the minimum period of time possible, consistent with the overall cash flow position. Any short term borrowing requirement in excess of one month must be authorised by the Finance Director.
- 9.1.5 All long-term borrowing must be consistent with the plans outlined in the current Business Plan.

9.2 INVESTMENTS

- 9.2.2 Temporary cash surpluses must be held only in bank deposits or within the investment portfolio as permitted by the FRC.
- 9.2.3 The Finance Director is responsible for advising the FRC on investments and shall report periodically to the FRC concerning the performance of investments held.
- 9.2.4 The Finance Director will prepare detailed procedural instructions on the operation of investment accounts and on the records to be maintained.

10 CAPITAL INVESTMENT, FIXED ASSET REGISTERS AND SECURITY OF ASSETS

10.1 CAPITAL INVESTMENT

10.1.1 The Chief Executive and Registrar:

- (a) shall ensure that there is an adequate appraisal and approval process in place for determining capital expenditure priorities and the effect of each proposal upon business plans and
- (b) is responsible for the management of all stages of capital schemes and for ensuring that schemes are delivered on time and to cost.

10.1.2 For every capital expenditure proposal the Chief Executive & Registrar shall ensure:

- (a) that a business case is produced and
- (b) that the Finance Director has certified professionally to the costs and revenue consequences detailed in the business case.

10.1.3 For capital schemes where the contracts stipulate stage payments, the Chief Executive & Registrar will issue procedures for their management.

10.1.4 The Finance Director shall issue procedures for the regular reporting of expenditure and commitment against authorised expenditure.

10.1.5 The approval of a capital programme shall not constitute approval for expenditure on any scheme. The Chief Executive & Registrar shall issue to the manager responsible for any scheme:

- (a) specific authority to commit expenditure,
- (b) authority to proceed to tender and
- (c) approval to accept a successful tender.

10.1.6 The Finance Director shall issue procedures governing the financial management, including variations to contract, of capital investment projects and valuation for accounting purposes.

10.2 FIXED ASSET REGISTERS

10.2.1 The Chief Executive & Registrar is responsible for the maintenance of registers and assets, taking account of the advice of the Finance Director concerning the form of any register and the method of updating, and arranging for a physical check of assets against the asset register to be conducted once a year.

10.2.2 The Council shall maintain an asset register recording fixed assets.

10.2.3 Additions to the fixed asset register must be clearly identified to an appropriate budget holder and be validated by reference to:

- (a) properly authorised and approved agreements, architect's certificates, suppliers invoice's and other documentary evidence in respect of purchases from third parties and
 - (b) lease agreements in respect of assets held under a finance lease and capitalised.
- 10.2.4 Where capital assets are sold, scrapped, lost or otherwise disposed of, their value must be removed from the accounting records and each disposal must be validated by reference to authorisation documents and invoices (where appropriate).
- 10.2.5 The Finance Director shall approve procedures for reconciling balances on fixed assets accounts in ledgers against balances on fixed asset registers.
- 10.2.6 The value of each asset shall be depreciated using methods and rates as agreed by the Council.

10.3 SECURITY OF ASSETS

- 10.3.1 The overall control of fixed assets is the responsibility of the Chief Executive & Registrar.
- 10.3.2 Asset control procedures (including fixed assets, cash, cheques and negotiable instruments) must be approved by the Finance Director. This procedure shall make provision for:
- (a) recording managerial responsibility for each asset,
 - (b) identification of additions and disposals,
 - (b) identification of all repairs and maintenance expenses,
 - (d) physical security of assets,
 - (e) periodic verification of the existence of, condition of, and title to, assets recorded,
 - (f) identification and reporting of all costs associated with the retention of an asset and
 - (g) reporting, recording and safekeeping of cash, cheques, and negotiable instruments.
- 10.3.3 All discrepancies revealed by verification of physical assets to fixed asset register shall be notified to the Finance Director.
- 10.3.4 Whilst each employee has a responsibility for the security of property of the Council, it is the responsibility of directors and senior employees in all disciplines to apply such appropriate routine security practices in relation to property as may be determined by the FRC. Any breach of agreed security practices must be reported in accordance with instructions.
- 10.3.5 Any damage to the Council's premises, vehicles and equipment, or any loss of equipment, stores or supplies must be reported by directors and employee in accordance with the procedure for reporting losses.

10.3.6 Where practical, assets should be marked as Council property.

11 DISPOSALS AND CONDEMNATIONS, LOSSES AND SPECIAL PAYMENTS

11.1 DISPOSALS AND CONDEMNATIONS

11.1.1 The Finance Director must prepare detailed procedures for the disposal of assets and ensure that these are notified to managers.

11.1.2 All unserviceable articles shall be:

- (a) condemned or otherwise disposed of by an employee authorised for that purpose (Condemning Officer) by the Finance Director and
- (b) recorded by the Condemning Officer in a form approved by the Finance Director which will indicate whether the articles are to be converted, destroyed or otherwise disposed of. All entries shall be confirmed by the countersignature of a second employee authorised for the purpose by the Finance Director.

11.1.3 The Condemning Officer shall satisfy himself as to whether or not there is evidence of negligence in use and shall report any such evidence to the Finance Director who will take the appropriate action.

11.2 LOSSES AND SPECIAL PAYMENTS

11.2.1 The Finance Director must prepare procedural instructions on the recording of and accounting for condemnations, losses, and special payments. The Finance Director must also prepare a 'fraud response plan' that sets out the action to be taken both by persons detecting a suspected fraud and those persons responsible for investigating it.

11.2.2 Any employee discovering or suspecting a loss of any kind must either immediately inform their head of department, who must immediately inform the Chief Executive & Registrar and the Finance Director or inform an officer charged with responsibility for responding to concerns involving loss or fraud confidentially. This officer will then appropriately inform the Finance Director and the Chief Executive & Registrar. Where a criminal offence is suspected, the Finance Director must immediately inform the police if theft or arson is involved, but if the case involves suspicion of fraud, then the particular circumstances of the case will determine the stage at which the police are notified.

11.2.3 The Finance Director must notify the External Auditor of all frauds.

11.2.4 For losses apparently caused by theft, fraud, arson, neglect of duty or gross carelessness, except if trivial and where fraud is not suspected, the Finance Director must immediately notify:

- (a) the FRC and
- (b) the External Auditor.

11.2.5 The Finance Director shall be authorised to take any necessary steps to safeguard the Council's interests in bankruptcies and company liquidations.

11.2.6 For any loss, the Finance Director should consider whether any insurance claim can be made.

14 INFORMATION TECHNOLOGY

- 14.1 The Finance Director, who is responsible for the accuracy and security of the computerised financial data of the Council, shall:
- (a) devise and implement any necessary procedures to ensure adequate, reasonable protection of the Council's data, programs and computer hardware for which he/she is responsible from accidental or intentional disclosure to unauthorised persons, deletion or modification, theft or damage, having due regard for the Data Protection Act 1984
 - (b) ensure that adequate, reasonable controls exist over data entry, processing, storage, transmission and output to ensure security, privacy, accuracy, completeness, and timeliness of the data, as well as the efficient and effective operation of the system;
 - (c) ensure that adequate controls exist such that the computer operation is separated from development, maintenance and amendment;
 - (d) ensure that an adequate management and audit trail exists through the computerised system and that such computer audit reviews as he/she may consider necessary are being carried out.
- 14.2 The Finance Director shall satisfy him/herself that new financial systems and amendments to current financial systems are developed in a controlled manner and thoroughly tested prior to implementation. Where this is undertaken by another organisation, assurances of adequacy will be obtained from them prior to implementation.
- 14.3 The Finance Director shall ensure that contracts for computer services for financial applications with another agency shall clearly define the responsibility of all parties for the security, privacy, accuracy, completeness, and timeliness of data during processing, transmission and storage. The contract should also ensure rights of access for audit purposes.
- 14.4 Where another agency provides a computer service for financial applications, the Finance Director shall periodically seek assurances that adequate controls are in operation.
- 14.5 Where computer systems have an impact on corporate financial systems the Finance Director shall satisfy him/herself that:
- (a) systems acquisition, development and maintenance are in line with corporate policies such as an Information Technology Strategy;
 - (b) data produced for use with financial systems is adequate, accurate, complete and timely, and that a management and audit trail exists;
 - (c) Finance Director staff have access to such data; and
 - (d) such computer audit reviews as are considered necessary are being carried out.

13 RETENTION OF DOCUMENTS

13.1 The Chief Executive & Registrar shall be responsible for maintaining archives for all documents required to be retained.

17.2 The documents held in archives shall be capable of retrieval by authorised persons.

17.3 Documents held shall only be destroyed at the express instigation of the Chief Executive & Registrar, records shall be maintained of documents so destroyed.



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14 RISK MANAGEMENT AND INSURANCE

14.1 The Chief Executive and Registrar shall ensure that the Council has a programme of risk management which will be approved and managed by the FRC.

14.2 The programme of risk management shall include:

- (a) a process for identifying and quantifying risks and potential liabilities,
- (b) engendering among all levels of staff a positive attitude towards the control of risk,
- (c) management processes to ensure all significant risks and potential liabilities are addressed including effective systems of internal control, cost effective insurance cover and decisions on the acceptable level of retained risk,
- (d) contingency plans to offset the impact of adverse events,
- (e) audit arrangements including internal audit and health and safety review and
- (f) arrangements to review the risk management programme.

14.3 The Finance Director shall ensure that insurance arrangements exist in accordance with the risk management programme.