

**Financial Regulations**  
Report by Head of Finance

**Summary:** This report appends the updated Financial Regulations following a recommendation from the Key Controls Audit.

**Recommendation:** That the updated Financial Regulations are adopted.

**1 Key Controls Audit April 2016**

- 1.1 During the Key Controls Audit it was identified as one of the audit recommendations that the current process relating to budget virements should be reviewed and updated as required within the Financial Regulations.
- 1.2 This was reviewed by Management Team on 18 April 2016 where it was agreed that virement process would be adjusted so that Directors could approve budget virements within their areas up to £10,000. Virements between £10,001 and £19,999 could be recommended by Directors with Chief Executive approval and above £20,000 would be referred to the Authority. This amendment has been made and is included on page 11 in the appendix. The changes are shown in track changes.

**2 Additional Amendments**

- 2.1 Whilst updating the Financial Regulations for the virements adjustment it provided an opportunity to update some out of date job titles, who performs our payroll, to clarify the stock take process and the carry forward process in a little more detail. Again changes are shown in track changes.
- 2.2 The adjustments to the stock on page 15 are simply made to clarify what items we will count as part of the stock take. Stock items should only consist of items that can be consumed once, and does not include recycled spares, offcuts and half used tins of paint. By not including these items it will assist the year end process in what needs to be counted and help speed up the manual process in valuing stock. This will help the Authority meet the new deadline for producing the Statement of Accounts.
- 2.3 At the May Authority meeting a number of carry forwards were presented for consideration to be included in 2016/17 budget. Following a suggestion from a member that low value items did not need to be presented the regulations have been amended to reflect this. Adjustments relating to this are set out on pages 8 and 10. Items below £1,000 will continue to be reviewed by Management Team but the approval will lie with them. Management Team will

only be able to approve cumulative adjustments not exceeding £5,000. Items above this amount will still be reviewed by Management Team but will be presented to the Authority for approval.

### **3 Summary**

- 3.1 Following Internal Audits recommendation to review the regulations it is recommended that members adopt the latest version.

Background papers: None

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Broads Plan Objectives: None

Appendices: APPENDIX 1 – Financial Regulations

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# Introduction

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## 1 Why do we have Financial Regulations?

- 1.1 Section 17 of the Norfolk and Suffolk Broads Act 1988 states that the Authority shall “make arrangements for the proper administration of its financial affairs and shall secure that one of its officers has responsibility for the administration of those affairs”.
- 1.2 The Local Government Act 1972 directs that authorities shall make arrangements for the proper administration of their financial affairs, and that some of their officers be responsible for the administration of those affairs.
- 1.3 Under powers contained in the Local Government Finance Act 1982 (s23 and 35) the Secretary of State also makes regulations as to the accounts themselves and requires them to be audited by the auditor appointed by the Audit Commission. The ‘Accounts and Audit Regulations’ require that the ‘Responsible Financial Officer’ must determine and be responsible for the accounting systems and the form of both the accounts and supporting records of the Authority. That officer must further ensure (by maintaining an effective and adequate audit) that rules so made are observed and that all records are maintained in a satisfactory manner. To conduct its business efficiently, a local authority needs to ensure that it has sound financial management policies in place and that they are adhered to. Part of this process is the establishment of financial regulations that set out the financial policies of the Authority.

## 2 Status of Financial Regulations

- 2.1 Financial Regulations provide a framework for managing the Authority’s financial affairs. They apply to every member and officer of the Authority and anyone acting on its behalf.
- 2.2 These Regulations set out the financial responsibilities of the Broads Authority, Financial Scrutiny and Audit Committee, Chief Executive, Treasurer and Financial Adviser, [Solicitor and](#) Monitoring Officer, Director of Planning and Resources, Head of Finance and Directors.
- 2.3 All members and officers have a responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these assets is legal, properly authorised, provides value for money and achieves best value.
- 2.4 The Head of Finance is responsible for maintaining a continuous review of the Financial Regulations and submitting any additions or changes as necessary to the Authority for approval. He/she is also responsible for reporting, where appropriate, breaches of these Financial Regulations to the Authority.
- 2.5 Directors are responsible for ensuring that all members of staff in their Directorates are aware of the existence and content of the Authority’s Financial Regulations, as appropriate.

- 2.6 These Regulations should be read in conjunction with:
- Standing Orders;
  - Standing Orders Relating to Contracts;
  - Scheme of Powers Delegated to Officers;
  - Procedure Manuals;
  - Financial Grant Memorandum issued by the Department for the Environment, Food and Rural Affairs (Defra);
  - Annual Investment Strategy;
  - Prudential Code; and
  - Procurement Strategy.

### **3 Statement of Principles**

- 3.1 The Authority expects high standards of conduct from its members and officers and those with whom it has dealings. Further to this the Authority expects honesty, openness and integrity to be the values which underpin its financial affairs and all those involved with the Authority's finances should work with these values in mind.
- 3.2 The principles below provide the basis for the detailed guidance in Financial Regulations.

### **4 The Principles**

- 4.1 The Authority is responsible for the stewardship of public money and will make arrangements to safeguard it.
- 4.2 The Authority expects its members and officers to exercise high standards in financial management and administration and aims to stimulate openness and a climate of frankness that it will support through policies and regulations, such as the Whistle Blowing Policy and the Counter Fraud, Corruption and Bribery Strategy.
- 4.3 The planning, monitoring and controlling of the use of resources is of vital importance to the Authority and it will make arrangements for these activities to be undertaken effectively.
- 4.4 Issues of probity will be dealt with effectively and the Authority will work to meet its duty to maintain proper accounts and related records.
- 4.5 Value for money is at the core of the Authority's financial activity and the way in which it administers its financial affairs.
- 4.6 Compliance with statutory requirements, accounting standards and appropriate codes of practice will be inherent in the Authority's arrangements for financial matters.
- 4.7 Allocation of responsibility and authority in relation to financial matters will be clearly identified.
- 4.8 The Authority is mindful of the need for consistent standards in financial administration and management across all its operations and will set in place guidance to be adhered to by all its Directorates. In particular, it expects staff to consult with and use all of the expertise in financial matters that it has available and act on advice from such sources.

- 4.9 The assets and resources of the Authority must be protected from loss, damage and theft.
- 4.10 Identifying and quantifying risks to the Authority is of key importance and arrangements must be made to reduce, eliminate or insure against them as appropriate.
- 4.11 The accurate, appropriate and timely payment and collection of monies forms much of the routine financial business of the Authority and arrangements will be made for its proper administration.

# Financial Management

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## 5 Roles and Responsibilities

- 5.1 **The Broads Authority** is responsible for setting the overall policy and direction of the Authority. Its financial responsibilities include approving the annual consolidated budget and Statement of Accounts, fixing navigation tolls, appointing the Section 17 Officer and generally monitoring the resources of the Authority.
- 5.2 **The Financial Scrutiny and Audit Committee** reports to the Broads Authority. Its financial responsibilities include reviewing and recommending for approval the annual Statement of Accounts, approving Financial Regulations and Standing Orders Relating to Contracts, and oversight of internal audit and risk management processes.
- 5.3 **The Chief Executive** is responsible for the day to day management and control of the Authority, including its staff, premises and services, and is responsible for ensuring the implementation of strategies and policies as determined by the Broads Authority and its committees.
- 5.4 **The Treasurer and Financial Adviser** is responsible for the proper administration of the Authority's financial affairs, in accordance with section 17 of the Norfolk and Suffolk Broads Act 1988. The specific responsibilities include the regulation and control of finance, and the making of safe and efficient arrangements for the receipt of monies; external and internal audit matters, including the appointment of auditors: pension fund matters; insurances; investment; and the operation of the Authority's bank accounts. The Authority's Treasurer and Financial Adviser is the Head of Finance and Revenue Services at Broadland District Council.
- 5.5 **The Solicitor and Monitoring Officer** is responsible for promoting and maintaining high standards of financial and other conduct in the Authority and for reporting any breaches of the law or maladministration. ~~The Authority's Solicitor and Monitoring Officer is the Practice Director of Nplaw (formerly Norfolk County Council Legal Services).~~
- 5.6 **The Director of Planning and Resources** is responsible, in conjunction with, and on the advice of, the Treasurer and Financial Adviser, for the preparation of annual budgets and statements of accounts, and for the maintenance of all financial systems and procedures to ensure that the Authority operates within its financial limits and complies with all financial and statutory requirements and in accordance with good accounting practice.
- 5.7 **The Head of Finance** is responsible for the day to day management of the Authority's financial affairs, including the management of the Finance Section, preparation of the three year Financial Strategy, annual budgets and statements of accounts, monthly management statements, cash flow and the investment of surplus funds, and ensuring that all internal systems and controls are maintained



accurately and efficiently, in accordance with statutory requirements and nationally and locally agreed standards of practice.

- 5.8 **Directors** and **Section Heads** are responsible for ensuring that there is appropriate budgetary provision for all activities carried out within their Directorate or Section, that staff are aware of and comply with Financial Regulations and Standing Orders Relating to Contracts at all times, and that any matters which arise which have or are likely to have significant financial implications are reported to the Director of Planning and Resources and/or Head of Finance in order that appropriate corrective action can be taken.

## **6 Accounting Arrangements**

- 6.1 The Treasurer and Financial Adviser is responsible for ensuring that there are appropriate systems in force for keeping the accounts and financial records of the Authority and that the Authority's annual financial accounts and reports are prepared to meet statutory requirements. The Treasurer and Financial Adviser must also approve the accounting systems and accounting records in use, and any significant changes to these arrangements.
- 6.2 Accounting procedures will reflect recommended professional practices, and follow accounting principles determined from time to time by the Head of Finance, in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) standards of practice, International Financial Reporting Standards (IFRS), the Financial Grant Memorandum issued by Defra under which grant funding is paid and instructions and advice received from Defra and the Authority's auditors.
- 6.3 Accounting procedures will be reviewed as necessary by the Head of Finance in consultation with the Director of Planning and Resources to ensure that they provide the information required without duplication of records.
- 6.4 The Chief Executive must examine and certify where required any submission, estimate or claim for payment of grant by a Government Department or funding from any other body. Officers responsible for the administration of such grants, funds and spending associated with them must ensure compliance with the conditions of the grant/funding.
- 6.5 The Chief Executive must examine and certify where required any financial return to a Government Department or other body.

## **7 Budgeting Process**

- 7.1 The Director of Planning and Resources, in conjunction with the Head of Finance, will ensure that there is in place an appropriate process and timetable to ensure that budgets are prepared in a timely manner, that this is communicated to all senior managers and budget holders, and that progress in preparing the budgets is monitored.

## **8 In year Financial Reporting**

- 8.1 It is the responsibility of the Head of Finance to ensure that budget managers are provided with monthly management statements from month 3 (June) onwards.

- 8.2 The most current financial report highlighting major variance and areas of concern must be provided to the Broads Authority, Navigation Committee and Financial Scrutiny and Audit Committee at each meeting.

## 9 Year End Accounting

- 9.1 The Head of Finance is responsible for ensuring that the annual Statement of Accounts is prepared in accordance with the “Code of Practice on Local Authority Accounting in the UK” (CIPFA). The Broads Authority is responsible for approving the carrying forward above £1,000, from one year to another of any under spending on budget headings. The Authority’s final financial position as presented in the annual Statement of Accounts will be approved by the Broads Authority once reviewed by the Financial Scrutiny and Audit Committee.

# Financial Planning and Control of Expenditure

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The importance of this area is in the need for sound financial planning, monitoring and control of resources. Sound budget management is crucial to informing good decision making and achieving best value in the use of the Authority's resources.

## **10 Policy Framework**

- 10.2 The Authority is responsible for agreeing the Authority's framework and budget. In terms of financial planning the key elements are:
- the Authority's purposes as set out in the Norfolk and Suffolk Broads Act 1988, as amended by the Broads Authority Act 2009;
  - the Broads Plan;
  - the Authority's Business Plan;
  - the Financial Grant Memorandum;
  - the annual revenue budget and three year Financial Strategy;
  - the Capital Strategy and annual Capital Programme; and
  - the Annual Investment Strategy and Prudential Indicators (limits for external borrowing, other long term liabilities and related matters).

## **11 Revenue Budget Preparation**

- 11.1 The Chief Executive, in consultation with the Director of Planning and Resources, is responsible for ensuring that a revenue budget for the coming year and a three year Financial Strategy for at least the two subsequent financial years is prepared for consideration by the Broads Authority.
- 11.2 The Head of Finance, in consultation with the Director of Planning and Resources, is responsible for providing guidance on the general format of the budget.
- 11.3 The Chief Executive will submit a Budget and Financial Strategy to the Broads Authority for approval by 31 March each year.
- 11.4 The Chief Executive, in consultation with the Director of Planning and Resources, is responsible for reporting to the Authority on the robustness of estimates contained within the budget and adequacy of reserves allowed for in the budget proposals.

## **12 Resource Allocation**

- 12.1 The Chief Executive is responsible for developing and maintaining a resource allocation process that ensures that both capital and revenue expenditure plans take account of the Authority's policy framework and changing priorities within that.
- 12.2 It is the responsibility of the Chief Executive and Directors to ensure that the revenue and capital budget estimates reflect the priorities and goals in the Broads Plan and Business Plan, and that agreed service plans are in line with the Financial Strategy and capital strategy.

### **13 Maintenance of Reserves**

- 13.1 The Broads Authority will determine the levels of reserves that are considered to be prudent and necessary. This decision will be taken having regard to the advice of the Treasurer and Financial Adviser and the Chief Executive, and will be based on an annual risk assessment.
- 13.2 The three year Financial Strategy should be drawn up having regard to the need to either reach or maintain the recommended level of reserves.

### **14 Revenue Budget Management and Control**

- 14.1 It is the responsibility of the appropriate Director to manage and control each of the Directorate's budgets under their management.
- 14.2 The appropriate Director must ensure that there is a designated officer (the Budget Holder) accountable to them for the detailed management of each budget and notify the Head of Finance of those so designated.
- 14.3 Directors will jointly carry out regular budget monitoring and reporting to identify financial problems and recommend to the Chief Executive action necessary to resolve them.
- 14.4 Monitoring reports setting out potential or actual service financial problems and key issues will be made to the Financial Scrutiny and Audit Committee, the Broads Authority and the Navigation Committee as appropriate at each of their meetings.
- 14.5 At the end of each financial year, where there is an underspend within a budget, the Head of Finance will collate a list of carry-forward requests for consideration by the Management Team. Where these underspends are below £1,000 (under £5,000 in total) they will be agreed by Management Team. For those items above £1,000 they will present ~~ationed~~ to the Broads Authority for approval. After the appropriate level of approval ~~With the explicit approval of the Broads Authority~~ these ~~may~~ will be carried forward into the following year.
- 14.6 The Authority's final financial position as presented in the annual Statement of Accounts will be approved by the Broads Authority.
- 14.7 As required by the Broads Authority Act 2009, the Head of Finance will produce, as soon as reasonably possible after the end of the financial year, a statement showing the navigation income received by the Authority and the navigation expenditure incurred during the year.

### **15 Monitoring and Control of Affordable Borrowing**

- 15.1 It is the responsibility of the Head of Finance, in consultation with the Treasurer and Financial Adviser, to develop and maintain systems to monitor performance against prudential indicators. Reports on performance against indicators including early warning of any possible breach of any prudential indicator should be made to the Financial Scrutiny and Audit Committee as appropriate.

## 16 Authority to Incur Revenue Expenditure

- 16.1 No expenditure shall be incurred nor any reduction in income authorised unless such expenditure or reduction in income is:
- (a) covered by the annual or latest approved budgets agreed by the Authority;
  - (b) related to approved carried forward budget from the previous year; or
  - (c) covered by a virement.

## 17 Virements

- 17.1 A virement is a transfer of budget from one budget heading to another within a financial year, where a budget is to be used for a different purpose than originally approved.
- 17.2 Virements of up to £10,000 within any financial year may be approved by Directors between main budget headings under their responsibility. All such virement requests must be made on a virement approval form, duly signed by the appropriate Director and be forwarded to the Head of Finance for the budget to be updated.
- 17.3 Virements ~~of up to between £10,001 and £19,999,20,000, within any financial year~~ may also be approved by Directors between main budget heads under their responsibility. Again this All such virement requests must be made on a virement approval form, duly signed by the appropriate Director and countersigned by the Chief Executive, and be forwarded to the Head of Finance for the budget to be updated.
- 17.~~43~~ Virements in excess of £20,000, or between Directorates, must be reported the Broads Authority for approval.
- 17.~~54~~ It will not be a virement, and approval is not required, where a budget transfer relates to a movement for the purposes of budget restructuring (i.e. where there is no change to the use to which the budget is being put).

## 18 Preparation of the Capital Programme

- 18.1 All capital expenditure must be in accordance with the Authority's Annual Investment and Capital Financing Strategy and driven by its Asset Management Strategy.

## 19 Capital Receipts

- 19.1 The sale or disposal of any land, buildings, vehicles, vessels or equipment which was valued at the time of acquisition over £5,000 is considered to be a capital receipt. Particular rules must be observed in dealing with the proceeds and they must not be confused with revenue income such as fees and charges.
- 19.2 The Head of Finance and the Authority's Asset Officer must be informed of all proposed or possible sales or disposals of land, buildings, vehicles, vessels or equipment so that the effect on financial and property management can be assessed.

## **20 Leasing**

- 20.1 All acquisitions and disposals of land, property or other assets must be carried out in accordance with the Authority's Asset Management Strategy and be authorised by the Chief Executive.
- 20.2 Officers negotiating and committing the Authority to any leasing arrangement shall consult with the Head of Finance and the Asset Officer prior to finalizing any lease arrangement. Once completed, they will furnish the Head of Finance and the Asset Officer with details of the income to be received, the parties to the lease and the term of the lease, along with signed copies of the lease agreement.

# Risk Management and Control of Resources

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## 21 Risk Management

- 21.1 The Financial Scrutiny and Audit Committee is responsible for monitoring the effective development and operation of risk management within the Authority, and for reviewing the Strategic Risk Register.
- 21.2 The arrangements for the day to day management of risk are set out in the Risk Management Strategy. The ~~Head of Governance and Executive Assistant Solicitor and Monitoring Office~~ is responsible for ensuring that this Strategy is regularly reviewed and updated, and that the arrangements set out in the Strategy are promoted throughout the Authority and implemented.
- 21.3 The general controls for risk management are:
- Procedures are in place to identify, assess, prevent or contain material known risks and the procedures are operating effectively throughout the Authority.
  - A monitoring process is in place to review the effectiveness of risk reduction strategies and operation of these controls.
  - Managers know which risks they are responsible for managing and are provided with relevant information.
  - Provision is made for any losses that might result from the risks that remain.
  - Claims are investigated within a given time scale.
  - Acceptable levels of risk are determined and insured against where appropriate.
  - The Authority has identified business continuity plans in the event of a disaster that results in significant loss or damage to its resources.

## 22 Internal Control

- 22.1 Internal control refers to the systems of control devised by management to help ensure the Authority's objectives are achieved in a manner that promotes the economic, efficient and effective use of resources and that the Authority's assets are safeguarded.

## 23 Systems of Internal Control

- 23.1 The Director of Planning and Resources is responsible for advising on effective systems of internal control.
- 23.2 These arrangements need to ensure compliance with all applicable statutes and regulations and other relevant statements of best practice.
- 23.3 Directors are responsible for establishing sound arrangements for planning, appraising, authorising and controlling their operations to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial and non-financial performance targets.

- 23.4 The ~~Head of Governance and Executive Assistant~~Solicitor and Monitoring Officer shall prepare an annual statement of the effectiveness of the Authority's system of internal control incorporated into the Annual Governance Statement. This statement will be published as part of the Annual Statement of Accounts and will be approved by the Broads Authority.

## 24 Security

- 24.1 The Chief Executive is responsible for maintaining proper security at all times for all buildings, stocks, stores, vehicles, furniture, equipment, cash and any other assets for which the Authority is responsible.
- 24.2 Maximum limits for cash holding at Authority locations should be established by the Head of Finance and adequate insurance should be put in place to cover any loss up to those values.
- 24.3 Employee responsibilities in respect of the use of all ICT equipment and accessories are set out in the ICT Usage and Security Policy (Human Resources Policy Note No. 18). All members of staff are required to indicate, either by signature or electronically, that they have read and understood the Policy and agree to be bound by its terms.

## 25 Separation of Duties

- 25.1 The following principles shall be observed in the allocation of accounting duties:
- the duties of providing information regarding sums due to or from the Authority, and of calculating, checking and recording these sums, shall be separated as completely as possible from the duty of collecting or disbursing them;
  - officers charged with the duty of examining and checking the accounts of cash transactions shall not themselves be engaged in any of these transactions.

## 26 Retention of Records

- 26.1 Accounting and other records must be retained for periods that comply with relevant legal requirements. Detailed standards are contained within the Authority's Document Management, Retention and Disposal Policy.

## 27 Investments and Treasury Management

- 27.1 All investments of money shall be made in accordance with the Authority's Annual Investment Strategy, which is prepared by the Head of Finance in accordance with the Prudential Code and approved by the Broads Authority before the start of each financial year.
- 27.2 The Treasurer and Financial Adviser is responsible for the investment of surplus monies. All such investments shall be carried out on the Authority's behalf by Broadland District Council, under the overall direction of the Treasurer and Financial Adviser, unless separate arrangements are agreed by the Treasurer and Financial Adviser with the Head of Finance. The Treasurer and Financial Adviser will report on the performance of the investments to the Financial Scrutiny and Audit Committee on a six monthly basis.



## 28 Estates

- 28.1 The Asset Officer will ensure that a register of all land and buildings owned by the Authority is maintained which states, where appropriate, the location, extent, plan reference, purchase details, particulars of nature of interest and rent payable.
- 28.2 The Asset Officer will also ensure custody of all title deeds under secure arrangements.

## 29 Sale of Assets

- 29.1 The Treasurer and Financial Adviser is authorised, in consultation with the Chief Executive, to write off any obsolete stores or equipment, or loss of property not exceeding £25,000. The Chief Executive is authorised to write off any obsolete stores or equipment, or loss of property not exceeding £5,000.
- 29.2 The Chief Executive may make arrangements for the disposal of surplus items (excluding land, buildings and leased items) with an estimated market value of up to £10,000. For surplus items above £10,000 approval must be obtained from the Authority and the disposal must be via the method which is judged most likely to achieve the best consideration for the Authority. This includes public auction (including eBay or an alternative online auction method), disposal by way of a specialist broker or intermediary, or by sealed bid after public advertisement.
- 29.3 The Chief Executive is authorised to make arrangements for the disposal of land and property to a maximum value of £25,000, in accordance with advice from the Authority's Property Advisers.

## 30 Stocks and Stores

- 30.1 Directors shall be responsible for the care and custody of the stocks and stores within their Directorate.
- 30.2 Items that will be considered as stock are items purchased that can only be consumed once. Items such: salvaged as spares, part consumed liquids or off cuts of wood will not be included. Stocks shall not be in excess of normal requirements except in special circumstances.
- 30.3 The Head of Finance shall arrange for independent periodical test examinations of stocks and shall ensure that stocks are checked at least once every year on 31 March.
- 30.4 The stocktaking must be attended by a member of the Finance Department and the person responsible for the stores nominated and both the person taking the stock and the person supervising must certify the stock sheets.
- 30.5 The Head of Finance shall be entitled to receive such information as he/she requires in relation to stores for accounting, costing and financial records. Surplus materials, stores or equipment shall be disposed of by competitive tender or public auction unless the appropriate officer, in consultation with the Head of Finance, decides otherwise in a particular case.

## **31 Inventories**

- 31.1 An inventory shall be maintained by the Head of Finance which shall record an adequate description of all furniture, fittings and equipment, plant and machinery belonging to the Authority.
- 31.2 The Chief Executive shall be responsible for maintaining a regular check of all items shown on the inventory and for taking action in relation to surplus or deficiencies and noting the inventory accordingly. Items with a value of £1,000 or more and those items which it is considered could be easily re-sold, shall be checked annually, with other items checked not less frequently than every other year.
- 31.3 The Authority's property shall not be removed otherwise than in accordance with the ordinary course of the Authority's business or used otherwise than for the Authority's purpose except in accordance with specific directions issued by the Chief Executive.

## **32 Insurance**

- 32.1 The Authority faces many risks of different kinds in carrying out its functions.
- 32.2 Regulations here are designed to protect the interests of the Authority, its staff and the people it serves.
- 32.3 The Head of Finance is responsible for managing the Authority's policy of insurance in accordance with overall guidelines specified by the Treasurer and Financial Adviser. Directors must notify the Head of Finance promptly of all new risks or assets which may need to be insured, and of any alterations affecting existing risks or insurances indicating the amount of cover required.
- 32.4 Any event which gives rise to a claim under any policy of insurance must be notified immediately to the Head of Finance, who will make arrangements to deal with all claims. Any loss, liability or damage or any event likely to lead to an insurance claim should be reported to the police.
- 32.5 Any officer who uses his/her own motor vehicle on Authority business is required to insure against third party risks in such form as to indemnify the Authority against claims arising, and the policy, including any necessary endorsements and renewal receipts, must be produced for inspection by the Director of Planning and Resources if so required. Directors are responsible for acquainting officers under their control of the foregoing requirement.
- 32.6 The Chief Executive shall consult the Treasurer and Financial Adviser in respect of the terms of any indemnity which the Authority is requested to give.

## **33 Ex Gratia and Other Payments**

- 33.1 Ex-gratia payments are made in situations where no legal obligation exists.
- 33.2 The Chief Executive is authorised to:
- reimburse the costs of damage to an employee's personal property up to a maximum of £5,000 in any one case, provided he/she is satisfied that the damage was caused as a result of the employee pursuing Authority business;

- authorise the payment of any ex gratia payments or honoraria to employees up to a maximum of £5,000; and
- in consultation with the Solicitor, approve payments of up to £5,000 to complainants who have suffered a direct identifiable loss as a result of the Authority's actions.

33.3 The Chief Executive is authorised to agree the payment of any severance or settlement payments to former employees up to a maximum of £5,000.

## 34 Gifts and Hospitality

34.1 All members of staff must comply with the guidance on the receipt of gifts and hospitality as set out in the Code of Conduct for Employees (Human Resources Policy Note No. 2).

## 35 Irregularities

35.1 All Officers and Members are responsible for giving immediate notification to the [Solicitor and](#) Monitoring Officer, Director of Planning and Resources or Head of Finance where there are grounds to suggest any financial impropriety or irregularity concerning income, expenditure, cash, stores, or other property of the Authority or held by the Authority.

35.2 The same applies to any suspected irregularity in the exercise of the functions of the Authority (corruption). Further guidance can be found in the Authority's Counter Fraud, Corruption and Bribery Strategy, and in the Whistleblowing Policy (Human Resources Policy Note No. 15).

35.3 Where, upon investigation, it is believed that reasonable grounds exist for suspecting that a loss may have occurred as the result of misappropriation or fraud, the matter shall be reported to the Chief Executive, [Solicitor and](#) Monitoring Officer (if not already advised) and Treasurer and Financial Adviser for a decision on whether the circumstances warrant investigation by the police.

35.4 Where, upon investigation, it is believed that a loss has occurred as a result of waste, extravagance or maladministration, or that no loss has occurred, the matter shall be reported to the Chief Executive, [Solicitor and](#) Monitoring Officer (if not already advised) and Treasurer and Financial Adviser for a decision on whether any further action is required.

## 36 Audit Requirements

36.1 The Authority has a statutory responsibility to maintain an effective and adequate system of internal audit. Financial Regulations in this area are therefore important to provide a formal framework for the activities of the internal audit team. There are also statutory requirements in respect of external audit and other inspection agencies.

### Internal Audit

36.2 The Authority is required to maintain an adequate and effective internal audit function in accordance with the Accounts and Audit Regulations 2011 (as amended) and to comply with all significant aspects of the CIPFA Code of Practice for Internal

Audit in Local Government (Public Sector Internal Audit Standards from 1 April 2013). Overall control of the internal audit function is the responsibility of the Head of Internal Audit, in consultation with the Treasurer and Financial Adviser, Director of Planning and Resources, Head of Finance and other officers as appropriate.

36.3 The Head of Internal Audit will provide an annual report and opinion, a summary of internal audit activity and the level of assurance it can give to the Financial Scrutiny and Audit Committee. The Financial Scrutiny and Audit Committee will review the effectiveness of the system of internal audit on an annual basis, in order to support the Annual Governance Statement.

36.4 The primary roles of internal audit are:

- to objectively examine, evaluate and report on the adequacy of the control environment within the Authority; and
- to assist managers in preventing and detecting fraud and abuse.

36.5 The Head of Internal Audit, or his/her authorised representatives may, for the purposes of audit:

- enter, at all reasonable times, any premises or land and have access to all property in the keeping or ownership of the Authority;
- have access at all times to all records, documents and correspondence relating to all financial and other transactions of the Authority or non-official funds operated by staff of the Authority;
- require and must receive any explanations as are necessary;
- require any employee of the Authority to produce cash, stores or any other property of the Authority or that of an unofficial fund under his control;
- remove records, documents or assets required for further investigation.

#### External Audit

36.6 The Audit Commission is responsible for appointing external auditors to each local authority. The basic duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by section 5 of the Audit Commission Act 1998. The Local Audit and Accountability Bill makes provision for Authorities to appoint External Auditors via an Independent Auditor Appointment Panel from the 2017/18 financial year.

### **37 Contracts for Building Construction or Engineering Works**

37.1 All contracts must be awarded in accordance with the Authority's Standing Orders Relating to Contracts.

37.2 Where contracts provide for payment to be made by installments, the Head of Finance shall arrange for the state of account to be recorded in the accounting computer system maintained in the Finance Department.

37.3 Payments to contractors on account of contracts shall be made only on a certificate issued by the supervising architect, engineer or consultant or other duly authorised officer as appropriate.

- 37.4 Subject to the provisions of the contract in each case, every extra or variation shall, unless otherwise evidenced to their satisfaction, be authorised in writing by the supervising architect, engineer or consultant, or other duly authorised officer.
- 37.5 Any such extra variation, the estimated additional cost of which exceeds by 10% the approved contract sum, shall be reported to the Broads Authority or appropriate committee as soon as practicable.
- 37.6 The final certificate of completion of any contract shall not be issued until the appropriate officer, private architect, engineer or consultant has produced to the Head of Finance a detailed statement of account, and all relevant documents if required.
- 37.7 The Head of Finance shall, to the extent considered necessary, examine final accounts of contracts and shall be entitled to make all such enquiries and receive such information and explanations as may be required as to the accuracy of the accounts.
- 37.8 Claims from contractors in respect of matters not clearly within the term of any existing contract shall be referred to the Treasurer and Financial Adviser for consideration of the Authority's legal liability and, where necessary, for financial consideration before a settlement is reached.
- 37.9 In any case, where the total cost of any work carried out under a contract exceeds by more than 10% the approved contract sum, a report of such cost shall, after agreement of the final account, be submitted to the Broads Authority or appropriate committee.

# Systems and Procedures

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This area forms much of the routine financial business of the Authority and involves large numbers of transactions and staff. This area will be of interest to many people and it is important that such a major area of activity is clearly regulated and those regulations are supported by thorough detailed standards.

## **38 Purchasing Arrangements**

- 38.1 Directors must ensure and be able to demonstrate that the Authority obtains value for money in purchasing activity and that purchasing accords with corporate and service priorities, and that where possible purchasing is sustainable in nature.
- 38.2 Where any goods or a service involves tendering or contracts, these arrangements must conform to the requirements set out at in the Authority's Standing Orders Relating to Contracts.
- 38.3 The most effective and sustainable purchasing arrangements must be used and must always be in compliance with the Authority's Procurement Strategy. For example:
- low cost items (less than £25) may be purchased through an imprest account (Petty Cash); and
  - low value, high volume purchases may be made via a Credit Card.
- 38.4 The Head of Finance must ensure that e-business / purchasing processes maintain the security and integrity for transacting business electronically and must approve the introduction of such systems.
- 38.5 In accordance with the relevant codes of practice, every officer and member of the Authority who is involved in contractual or purchasing decisions and issuing payments on behalf of the Authority has a responsibility to formally declare any links or personal interests which they may have with purchasers, suppliers or contractors and in respect of partnership arrangements.
- 38.6 The Head of Finance is responsible for ensuring that Related Party Transactions involving the award of contracts following a tender process to members of the Authority or the Navigation Committee are reported to the Authority in advance of any such contract being let. This will be via the regular reporting undertaken to the Authority within the Financial Performance and Direction report or, in cases of urgency, by email, as judged necessary by the Head of Finance.

## **39 Orders for Goods and Services**

- 39.1 Directors are responsible for the control and use of all orders and requisitions within their Directorates and for access to the systems that generate them in accordance with the detailed standards below.
- 39.2 Orders should only be raised using the official purchase order and requisition pads as supplied by the Finance Department.

- 39.3 Directors are responsible for:
- The control and use of all purchase orders and requisitions.
  - Ensuring safe custody of unused orders.
  - Ensuring every order is dated and signed by an authorised officer.
  - Ensuring every order clearly specifies the standards, quality and quantity of goods and services required.
  - Ensuring every order states the agreed price or contract terms and times of delivery.
  - Ensuring every order is in compliance with the instructions relating to procurement.
  - An authorised second signature is required in respect of payment for any order over the value of £5,000.
- 39.4 Directors and budget managers are responsible for ensuring that budget provision exists for all purchases and commitments created.
- 39.5 Yellow copies of purchase orders or requisitions will be forwarded to the Finance Department within two working days of being raised. Full details of the process for completing the forms are available on the Finance Intranet pages.
- 39.6 For orders placed by telephone, email, internet or verbally, the Director is responsible for ensuring systems are in place to ensure the person placing the order has the appropriate authority and that the Authority receives the goods that have been ordered.
- 39.7 A paper purchase order or requisition must still be raised for these transactions.
- 39.8 Orders are required for all purchases except:
- rents;
  - rates and water charges;
  - gas and electricity;
  - telephone charges;
  - small items purchased from Petty Cash; and
  - items purchased via a Company Credit Card.
- 39.9 Members of staff are not permitted to purchase goods privately under the Authority's contract arrangements or solicit preferential treatment in a private capacity from the Authority's suppliers.
- 39.10 A copy of each order received by the Finance Department shall be scanned and retained as part of the electronic policy of the Authority.

## **40 Payment of Accounts**

- 41.1 The officer who issues the order shall be responsible for approving the invoice for payment (first approver). By approving the invoice that officer is certifying that:
- the invoice relates to goods or services that the Authority has received;

- the goods or services are of the quality and quantity ordered;
  - the invoice does not relate to goods or services that have previously been charged to the Authority;
  - the expenditure is allocated to the correct financial code; and
  - sufficient budget provision exists to meet the value of the invoice.
- 41.2 A second approval will be required for each invoice.
- 41.3 A full list of second approvers and the appropriate authorisation limits is available on the Finance Intranet pages. The second level approval process must always include the relevant budget holder for the budget to be charged. This may mean that there are multiple second level approvers for some transactions.
- 41.4 The Finance Department will hold the central authorised signatory list along with specimen signatures. Directors must ensure that they notify the Head of Finance of any required additions or deletions to this list and in turn the Head of Finance must ensure that these changes are approved by the Management Team and that an appropriate record is maintained of this decision.
- 41.5 In exceptional circumstances payment may be required in advance of the supply of goods or services, though this is not best practice. In such situations a Cheque Request Form or BACS Request Form must be completed, signed by the appropriate budget manager and given to the Finance Department for processing.
- 41.6 The budget manager must take extra care in such transactions and ensure that:
- only reputable suppliers are used;
  - the amounts of such payments are appropriate to be paid in advance and do not present unnecessary risk;
  - all other reasonable steps are taken to protect the Authority from risk and potential loss; and
  - a VAT receipt or invoice is received from the supplier in order to comply with VAT regulations.
- 41.7 Officers must ensure that valid payments are processed in sufficient time to meet payment deadlines and to avoid late payments and avoid potential penalties being incurred. Late payment legislation (Statutory Instrument 2013 No. 395 The Late Payment of Commercial Debts Regulations 2013) requires UK public authorities to pay valid invoices within 30 calendar days of receipt. Where these timescales are not met, the Authority is obliged to automatically pay:
- the outstanding amount;
  - daily interest for every day the payment is late based on an interest rate 8 percentage points above the Bank of England's reference rate; plus
  - a fixed amount, depending on the size of the unpaid debt (up to £999.99: £40; between £1,000.00 and £9,999.99: £70; £10,000 or more: £100).
- 41.8 The use of Direct Debits and Standing Orders as payment methods requires the prior agreement of the Head of Finance.



- 41.9 The Authority's preferred method of payment of accounts, grant-aid and other contributions is via the BACS payment system. Officers should therefore endeavour to obtain the required banking details from third parties in all instances. Forms are available from the Finance Department.
- 41.10 All cheques shall be ordered only on the authority of the Head of Finance, who shall make proper arrangement for their safe custody.
- 41.11 Cheques on the main bank account shall bear the electronic signature of the Treasurer and Financial Adviser or be signed by the Treasurer and Financial Adviser or other officer authorised to do so. Cheques for amounts over £5,000 bearing the electronic signature of the Treasurer and Financial Adviser will be countersigned by a second account signatory.

## **42 Company Credit Cards**

- 42.1 The Head of Finance shall ensure that proper arrangements are made for the administration of Company Credit Card(s).
- 42.2 The Head of Finance shall issue cards where circumstances require, once approval has been given by the appropriate Director and the Chief Executive.
- 42.3 Any orders raised and paid for using a Company Credit Card must be accompanied by a Credit Card Request form. It is the responsibility of the card holder to ensure that the person requesting the payment has completed the Credit Card Request form prior to payment being made.
- 42.4 All cards must be kept as securely as possible, not be left unattended and must be used by the card holder only. The card holder is responsible for any payments made with cards issued in their name.
- 42.5 The standard credit limit for any credit card will be set at £3,000 unless otherwise approved by the Chief Executive. The maximum limit for any credit card will be £5,000.
- 42.6 It is the responsibility of the person requesting payment to be made to ensure that a VAT receipt or invoice is received from the supplier. Failure to do this will mean that the Authority is unable to reclaim the VAT and the budget will be charged for the gross cost of the supply.

## **43 Fuel Cards**

- 43.1 Fuel cards are issued in respect of all vehicles used for Authority purposes and must be stored securely with the vehicle keys when not in use.

43.2 Users should ensure that these cards are kept in a safe location and should report any loss of cards immediately to the Head of Finance who will ensure its cancellation.

43.3 Fuel cards should only be used for the purchase of fuel for Authority vehicles.

#### **44 Salaries, Wages and Pensions**

44.1 The payroll function of the Authority is performed by ~~Broadland District Norfolk~~ County Council.

44.2 The HR Department is responsible for ensuring that the payroll provider is provided with such information as is necessary to ensure that accurate payments are made, including details of all starters and leavers and of any relevant amendments to terms and conditions of employment.

44.3 All timesheets must be completed using the appropriate forms supplied by the HR Department and once completed should be approved by the appropriate budget manager. Those staff authorised to sign timesheets are detailed on the Authorised Signatory List which can be found on the Finance Intranet pages.

44.4 The Head of Finance must ensure that only currently employed members of staff are paid in the monthly payroll and that any anomalies are first raised with the Head of Human Resources. If these cannot be resolved they should be escalated to the Director of Planning and Resources.

#### **45 Staff Travel, Subsistence and Expense Claims**

45.1 General travel, subsistence and expense claims should be made using the Expenses Claim Form which can be found on the Human Resources Intranet pages.

45.2 Receipts for subsistence and expenses must be obtained and attached to the back of the claim form.

45.3 All claim forms must be signed by the claimant and authorised by their line manager.

45.4 All forms must be forwarded to ~~be received by the Payroll Human Resources~~ Department ~~at Broadland District Council~~ by not later than 4.5.00pm on ~~the third working day after the~~ 20<sup>th</sup> day of the month, to ensure payment with~~in~~ the following month's pay.

45.5 Exceptional expense claims for direct payment by the Finance Department may be made using the separate Expenses Claim Form which can be found on the Finance Intranet pages.

45.6 Officers' claims submitted more than six months after expenses were incurred will be paid only with the express approval of the Chief Executive.

#### **46 Members Allowances, Travelling, Subsistence and Expense Claims**

46.1 Payments to members, including co-opted members of the Authority or its committees who are entitled to claim travelling or other allowances, will be made upon receipt of the completed prescribed form.

46.2 Claims should be submitted within six months of the expense being incurred.

## **47 Rail Travel and Hotel Accommodation**

- 47.1 Where possible all rail travel should be booked using the Authority rail account to ensure cost effective ticket purchasing and assist with establishing the Authority's annual rail travel usage.
- 47.2 All rail travel bookings should be accompanied by a rail travel request form which should be given to the Finance Department after the booking is complete.
- 47.3 The Authority holds a Premier Inn account which should be used to make accommodation bookings where appropriate.

## **48 Income**

- 48.1 Scales of charges for services and any allowances and any subsequent variations (except where fixed by statute) must be reviewed at regular intervals by the appropriate Director and agreed with the Chief Executive before submission to the Authority for approval.
- 48.2 The Asset Officer (or other appropriate officer nominated by him/her) must maintain a detailed record of operational and non-operational land and buildings in respect of which rent is or may be receivable, together with sufficient details of the terms of tenancy/usage to enable the correct amount of rents to be recovered.
- 48.3 The Chief Executive is authorised to write off any sum not exceeding £5,000 due to the Authority if he/she is satisfied that all reasonable recovery action has been taken to recover the sum due. The Treasurer and Financial Adviser is authorised to write off, in consultation with the Chief Executive, any sum not exceeding £25,000 due to the Authority if he/she is satisfied that all reasonable recovery action has been taken to recover the sum due. The prior approval of the Authority must be obtained to write off any sum in excess of £25,000.
- 48.4 The Head of Finance must be consulted by Directors on any proposal to acquire any cash till or accounting equipment.

## **49 Invoicing Arrangements (Charging for Goods/Services)**

- 49.1 The raising of all invoices to outside organisations (referred to as customers) must only be performed by the Finance Department who have a full understanding of the VAT situation for each charge to be made.
- 49.2 Any officer wishing to raise an invoice must do so by completing an Invoice Requisition Form and then passing this to the Finance Department. The Finance Department has procedures that it should follow to ensure that all debts are paid. This consists of 'reminder' and 'warnings of legal action' letters.

## **50 Banking Arrangements**

- 50.1 The Head of Finance is authorised to make arrangements regarding the Authority's bank accounts. All such bank accounts will be in the name of the Broads Authority.
- 50.2 The Head of Finance will ensure that monthly bank reconciliations are carried out in a timely manner for all of the Authority's bank accounts.

- 50.3 Unless otherwise agreed by the Authority, officers authorised to collect Authority money must issue official receipts promptly and pay over all sums received to the Head of Finance or by arrangement (for example in respect of the collection of Tolls income), to the Authority's bankers. All reasonable steps should be taken for the storage of cash, and should conform to the requirements imposed by the Authority's insurers.
- 50.4 Each officer who receives money on behalf of the Authority must keep an accurate and chronological account of all receipts and deposits.
- 50.5 Every transfer of Authority monies from one member of staff to another must be evidenced in the records of the Authority by the signature of the receiving officer.
- 50.6 Receipts must only be issued on officially authorised receipt books, tickets and other documents of a similar nature which have been ordered and issued by, or under the direction of, the Head of Finance. A record must be maintained of every issue of such documents.
- 50.7 Any cheques or cash received at the Authority's Head Office must be logged into the cheque log as the post is opened. Once the Finance Department has received the cheques they must initial the log to confirm that they have taken receipt of the cheques.
- 50.8 The Finance Department must ensure that they accurately record the details of any payments they receive and that they correctly establish whether the payment relates to a previously raised invoice.
- 50.9 Money received or held on behalf of the Authority must be banked in full and not be used to cash personal or any other cheques whatsoever.

## **51 Controlled Stationery**

51.1 The Head of Finance will be responsible for the order and issue of controlled financial stationery, these being:

- Cheques;
- Purchase Orders;
- Requisitions;
- Receipt Pads; and
- Boat Trip and Yacht Station Tickets.

A record of all new stock received and issues made (and to whom) will be made by the Head of Finance.

## **52 Petty Cash Systems**

52.1 The Head of Finance will issue petty cash floats for the purpose of reimbursing expenses.

52.2 No income received should be paid into a petty cash system. Such income should be banked into the Authority bank account using paying in books issued by the Finance Department, or by being passed to Finance for banking.

- 52.3 Reimbursement of expenses should be limited to expenditure under £25 unless otherwise authorised by the relevant Budget Holder and the Head of Finance.
- 52.4 Officers responsible for petty cash systems must ensure that cash and receipts total the original floats issued at all times.
- 52.5 Such petty cash systems should be made available for inspection by the Head of Finance as requested.

~~February 2014-September 2016~~