

Flintshire County Council

Financial Procedure Rules – Summary

1. What are Financial Procedure Rules?

- Financial Procedure Rules (FPR's) provide the framework for managing the Authority's financial affairs.
- They apply to every member and officer of Flintshire County Council.
- The FPR's should be read in conjunction with the rest of the constitution of which they form part, including Contract Procedure Rules (available on Infonet – Collaborative Procurement system section)

Why are they important?

Good, sound financial management is a key element of the Authority's Corporate Governance framework which helps to ensure that the Authority:

- Is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
- Secures value for money, controls spending, ensures due probity of transactions and allows decisions to be informed by accurate accounting information.
- Uses secure and reliable records and systems to process transactions and information and substantiate the effective use of public money.

Below is a summary of the key control points of the FPR's and is intended as an easy guide for staff . A full set of the FPR's is available on the Infonet - Corporate Finance

2. Financial Management – Roles and Responsibilities

The **Council** has a duty towards its Council Tax payers with regard to financial decisions and their consequences and is responsible for approving the budget and the policy framework, approving and monitoring compliance with the framework of accountability and control and for monitoring compliance with policies.

The **Chief Finance Officer** is accountable to the Chief Executive and the Council has statutory duties that provide the overall responsibility for the financial administration of the Council.

The **Chief Executive** and **Chief Officers** are responsible for promoting the financial management standards set by the Chief Finance Officer in their portfolio and monitoring adherence to the standards and practices.

Chief Officers are responsible for ensuring that **all officers** that report to them operate adequate and effective financial systems and adhere to the FPR's.

3. Financial Planning

3.1 Strategic Plans

The Local Authority has a responsibility to produce various plans, financial planning is a key part of this process, setting out the financial consequences of the actions planned to meet the objectives set. The key controls are:

- Ensure that all relevant plans are produced and that they are consistent with corporate objectives.
- Produce plans in accordance with statutory requirements.
- Meet the timetables set.
- Ensure that all performance information is accurate, complete and up to date.
- Provide improvement targets that are meaningful, realistic and challenging.

3.2 Budgeting

Budgetary control and monitoring procedures ensure that once the budget has been formally approved resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the authority to review and adjust its budget targets during the financial year.

By continuously identifying and explaining variances against budgetary targets, the authority can identify changes in trends and resource requirements at the earliest opportunity. The key controls are:

- Budget responsibility should be aligned as closely as possible to the decision making that commits expenditure and all budget managers and staff must understand their financial responsibility.
- Spending must remain within the services' overall cash limit and budgets should not be overspent and corrective action should be taken where significant variances are forecast. Variances in excess of £50,000 should be reported with an explanation to the Chief Finance Officer.
- Budget managers should prepare action plans where a significant overspend is forecast and report areas of under spend. The use of budget savings, other than in accordance with the approved budget, is not permitted without cabinet approval.

3.3 Budget Virements

Virement between budgets is an important feature of budgetary control. There are two types of virement:

- Accounting adjustments – transfer to another budget where the approved purpose of the expenditure/income does not alter e.g. allocation of energy inflation which is held centrally and allocated to portfolio areas based on evidenced need.
- Formal virements – transfer of budget which does change the purpose of the expenditure/income approved by County Council e.g. transfer of an amount from Adult Social Services to Children's Social Services to deal with a pressure in the Children's Services area.

All formal virements must be authorised and budget virements in excess of £100,000 (this includes cumulative amounts over £100,000) should be submitted to Cabinet for approval.

3.4 Capital Programmes

Capital expenditure involves acquiring or enhancing fixed assets with a long term value to the authority such as land, buildings and major items of plant, equipment and vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs. The key controls are:

- That there is specific approval by the full authority for the programme of capital expenditure.
- Expenditure on capital schemes is subject to the approval of the Chief Officer.
- A scheme and estimate, including project plan, progress targets and associated revenue expenditure is prepared for each capital project.
- Accountability for each proposal is accepted by a named manager.
- Monitoring of progress in conjunction with expenditure and comparison with approved budget.

3.5 Maintenance of Reserves

The local authority must decide the general level of reserves it wishes to maintain before it can decide the level of Council Tax. Reserves are maintained as a matter of prudence. They enable the authority to provide for unexpected events and therefore protect it from overspending should such events occur. Reserves for specific purposes may also be maintained such as the purchase or renewal of capital items.

4. Risk Management and Control of Resources

The Local Authority faces risk to people, property and continued business operation. Risk management is the planned and systematic approach to the identification, evaluation and control of risk. Risk management is an integral part of the Council's Governance Framework and Internal Control. The council has a Risk Management Strategy which outlines how the Authority manages risk corporately.

4.1 Internal Controls

Internal Controls are required to ensure that the Authority's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that assets and interests are safeguarded. Managers are required to periodically assess their systems of control to ensure that they are adequate to manage the risks associated with the service in line with the current Accounts & Audit (Wales) regulations.

Managers need to provide appropriate risk and control information using the Self-Assessment questionnaire to the Corporate Governance Working Group to enable the Annual Governance Statement to be included in the annual financial statements.

Managers need to ensure that staff have a clear understanding of all procedures and of the consequences of lack of control.

4.2 Internal Audit

The requirement of internal audit is set out by the Accounts and Audit (Wales) regulations 2005. Internal auditing is an independent, objective assurance and consulting activity

designed to add value and improve the Authority's operations. It evaluates and improves the effectiveness of risk management, control and governance processes.

All Staff will ensure that:

- Internal and external auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work and that auditors are provided with any information and explanations that they seek in the course of their work.
- Any agreed actions arising from audit recommendations are carried out timely and efficiently.
- Internal Audit are notified of any matter which involves, or potentially involves, any suspected fraud, theft, irregularity, improper use or misappropriation of the Authority's property or resources.
- New systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Internal Audit Manager prior to implementation, to ensure that control issues are fully considered and complied with.

4.3 Security of Assets

The Authority holds assets in the form of property, vehicles, equipment, furniture, and other items. It is important that assets are safeguarded and used efficiently in service delivery and that there are arrangements for the security of both assets and information required for service operations. An up to date asset register is a pre-requisite for sound asset management. The key controls are:

- Resources are used only for the purposes of the authority and are properly accounted for.
- Resources are available for use when required.
- Resources no longer required are disposed of in accordance with the law and the regulations of the Authority so as to maximise benefits.
- An asset register is maintained, assets are recorded when acquired and the record is updated as changes occur with respect to the location and condition of the asset.
- All staff are aware of their responsibilities with regard to safeguarding the Authority's assets and information including the requirements of the Data Protection Act and software copyright legislation. The law around data protection is changing, the GDPR will apply from May 2018.
- All staff are aware of their responsibilities with regard to safeguarding the security of the Authority's computer systems, including maintaining restricted access to the information held on them and the compliance with the authority's computer and internet security policies.

4.4 Treasury Management

Many millions of pounds pass through the authority's books each year. Statutory codes of practices aim to provide assurances that the authority's money is managed in a way that balances risk with return with the overriding consideration being given to the security of the authority's capital sum.

The Authority nominates Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

4.5 Imprest Accounts

Imprest accounts (cash or bank accounts) are provided to meet minor expenditure on behalf of the Authority. Staff operating an imprest account should:

- Obtain and retain receipts/invoices and vouchers to support each payment from the imprest account and record each transaction promptly. Where appropriate an official receipted VAT invoice must be obtained.
- Ensure reimbursement claims are signed by the claimant and one authorising signatory.
- Make adequate arrangements for the safe custody of the account and reconcile and balance the account at least monthly irrespective of the frequency of reimbursement claims. The account should not become overdrawn.
- Provide the Chief Finance Officer with a certificate of the value of the imprest account/float at the date requested.
- Ensure that the imprest is not used to cash personal cheques or make personal loans.
- Ensure that no payments are made to individuals, contractors, consultants, casual staff or self-employed persons. The exceptions are where incentive bonus payments are made to service users in Social Services Day Opportunities and payments are made to residents from deputyship monies.
- Ensure that if emergency loans are made to service users that the Monitoring and Recovery of Loans Procedure is adhered to.
- On leaving the Authority's employment or otherwise ceasing to be entitled to hold or be a signatory for an imprest account inform the Chief Finance Officer so that arrangements can be made to close the account or transfer to another Officer

4.6 Staffing

Managers will ensure that:

- Budget provision exists for all existing and new employees and they monitor staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff.
- The staffing budgets are not exceeded without due authority and that they are managed to enable the agreed level of service to be provided.
- A register of interests is maintained, in which any hospitality or gifts accepted are recorded
- Ensure that staff comply with the Flintshire County Authority Code of Conduct for Local Government Employees which states that no employee of the Authority shall accept any fee, gift or reward which is intended as, or might be construed as, an inducement to influence that employee in the execution of that employee's duties.

- The offer of any such fee, gift or reward is reported immediately by the employee concerned to the appropriate Chief Officer, who shall in turn notify the Chief Finance Officer of the occurrence.

5. Financial Systems and Procedures

The information held in financial systems must be accurate and the systems and procedures well administered. The key controls are to ensure that:

- Accounting records are properly maintained and held securely
- Vouchers and documents with financial implications are not destroyed except in accordance with arrangements approved by the Chief Finance Officer
- A complete management trail, allowing financial transactions to be traced from the accounting records to the original documents and vice versa is maintained
- Processing is carried out in an accurate, complete and timely manner and output from the system is complete, accurate and timely.
- The organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice
- There is a documented and tested disaster recovery plan to allow for information system processing to resume quickly in the event of an interruption
- Systems are documented and staff trained in operations.
- There is a scheme of delegation identifying officers authorised to act upon the Chief Officer's behalf in respect of payments, income collection and placing orders, including variations and showing the limits of their authority.
- A list of authorised officers is supplied, with specimen signatures and delegated limits to the Chief Finance Officer and any subsequent variations
- Where appropriate, computer systems are registered in accordance with data protection legislation and that staff are aware of their responsibilities under the legislation. The law around data protection is changing, the General Data Protection Regulation (GDPR) will apply in the UK from May 2018.

5.1 Income

The key controls for income are:

- All income due to the Authority is identified and charged correctly, in accordance with the approved charging policy which is regularly reviewed.
- All income is collected from the correct person at the right time.
- All money received by an employee on behalf of the authority is paid without delay into the Authority's bank account and properly recorded. The responsibility for cash collection should be separated from that of identifying the amount due and for reconciling the amount due to the amount received.
- Where possible income should be obtained in advance of supplying goods or services to improve the Council's cash flow, to avoid the time and cost of administering debts, and to reduce the risk of non-collection, particularly for low value items.
- No invoices with a value of less than £40, with the exception of invoices relating to peppercorn rents, licenses or leases in connection with the occupation of council land or property shall be raised.
- Effective action is taken to pursue non-payment within defined timescales.
- Formal approval for debt write-off is obtained.
- Appropriate write-off action is taken within defined timescales.

- Appropriate accounting adjustments are made following write-off action.
- All appropriate income documents are retained and stored for the defined period in accordance with the document retention schedule.
- Officers involved in the collection of income should make themselves aware of the Council's Money Laundering Policy and report suspected cases to the Chief Finance Officer.

5.2 Ordering and paying for work, goods and services

The key controls are:

- Every officer and member of the authority has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the authority in accordance with the appropriate codes of conduct.
- Official orders must be submitted via the Purchase to Pay (P2P) system and no orders should be raised retrospectively.
- Official orders must be issued for all work, goods or services to be supplied to the authority except petty cash purchases or other exceptions specified by the Chief Finance Officer.
- Each order must conform to the guidelines approved by the full authority on central purchasing and the standardisation of supplies and materials. Standard terms and conditions must not be varied with the prior approval of the Chief Finance Officer.
- Apart from petty cash, schools own bank accounts and other payments in advance accounts, the normal method of payment from the authority shall be by cheque or other instrument or approved method drawn on the Authority's bank account. The use of direct debit shall require the prior agreement of the Chief Finance Officer.
- Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of authority contracts.

5.3 Payments to employees and members

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

The key controls for payments to employees and members are:

- Proper authorisation procedures are in place and that there are corporate timetables in relation to starter, leavers and variations
- Frequent reconciliation of payroll expenditure against approved budget and bank account
- All appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule
- That Inland Revenue regulations are complied with
- All claims for payment of financial loss, attendance, travelling, subsistence and car allowances, and other incidental expenses paid for by the claimant, shall be completed and signed by the claimant in a form approved by the Chief Finance Officer or Senior Manager (People and Resources) as appropriate. With the introduction of the iTrent system, employees will be able to submit expenses via Employee Self Service. Managers will authorise expenses via the iTrent system.
- The off-payroll (IR35) working rules are in place to ensure that where an individual would have been an employee if they were providing their services directly, their payments are processed via payroll.

5.4 Taxation

The Authority is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is therefore very important that all officers are made aware of their role. The key controls are:

- Budget managers are provided with the relevant information and kept up to date on tax issues including the required record keeping procedures.
- All taxable transactions are identified, properly carried out and accounted for within stipulated timescales.
- Records are maintained in accordance with instructions.
- Returns and payments are made to the appropriate authorities within the stipulated timescale.

6. External Arrangements

6.1 Partnerships

Partnerships play a key role in delivering community strategies and in helping to promote and improve the wellbeing of an area. The Local Authority can still deliver some services, but their distinctive leadership role is to bring together the contributions of the various stakeholders and deliver a shared vision of services based on user wishes.

The key controls for authority partners are:

- If appropriate to be aware of their responsibilities under the authority's financial regulations and contract standing orders.
- To ensure that risk management processes are in place to identify and assess all known risks.
- To ensure that project appraisal processes are in place to assess the viability of the project 'in terms of resources, staffing and expertise.
- To agree and accept formally the roles and responsibilities of each of the partners involved in the project before the project commences.
- To communicate regularly with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution.

Where services are provided via an 'Alternative Delivery Model' (separate legal entities) specific financial procedures will be incorporated into the individual models.

6.2 External Funding

External funding is potentially a very important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the authority.

The key controls for external funding are:

- To ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood.
- To ensure that funds are acquired only to meet the priorities approved in the policy framework by the full council.
- To ensure that any match funding requirements are given due consideration prior to entering into long term agreements and that future revenue budgets reflect these requirements.

6.3 Other Funds

The Council will not as a general rule supervise the financial administration of, nor audit, unofficial funds, and accepts no liability whatsoever for any loss however caused. Unofficial funds are defined as those which are not the property of the Council, for example school monies collected by schools for school trips and monies held in Amenities Funds in Social Services establishments. Those operating such funds, therefore, have an overall responsibility to ensure that proper financial stewardship is observed. The key controls are:

- A Treasurer and independent auditor are formally appointed.
- Adequate records and procedures are maintained.
- Regular reports on fund transactions and balances are received and checked against bank statements.
- Annual statements of income and expenditure and fund balances are prepared and audited on a timely basis.
- The School Fund Regulations, 2013 must be followed for the operation of all school funds in Flintshire Schools.

6.4 Protection of Clients Assets

Where the Council is appointed as a Deputy for a Client by the Office of the Public Guardian (OPG), Officers will ensure that all OPG regulations and guidelines are complied with.

Where the Council is approved by the Department for Work and Pensions (DWP) to act as a Corporate Appointee for a Client, the DWP guidelines must be complied with. This includes arranging a separate bank account for each Client, with the bank account reconciled on a regular basis, at least monthly. Every transfer of client's monies from one Officer to another shall be recorded immediately and be evidenced by the signature of the receiving Officer.

