

## **Part G – Appendices**

### **Section G4C:- Finance and Contract Procedure Rules**

#### **(Risk Management and Control of Resources)**

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## **C1 Insurance**

C1.1 The Director of Corporate Services is responsible for preparing the Council's risk management policy statement on behalf of the Corporate Leadership Team (CLT), for promoting it throughout the Council and for advising Cabinet on the appropriate insurance cover.

C1.2 The Director of Corporate Services will maintain and administer the Council's insurances in accordance with the Risk Management Strategy & Risk Financing Strategy, agreed by Members, which describes the Council's approach to the financing of risk, its overall risk appetite and the level of funding available.

C1.3 The Director of Corporate Services is responsible for authorising the settlement or repudiation of insurance claims and associated costs. Advice will be sought from the Council's insurance solicitors and insurers.

C1.4 Directors are responsible for informing the Director of Corporate Services immediately of:

- (a) any insurance claims received;
- (b) any events which may result in an insurance claim against the Council;
- (c) the terms of any indemnity which the Council is required to give prior to entering into any contracts etc;
- (d) any new risks which might require to be insured, together with any changed circumstances affecting existing risks. Consideration should be given to new projects, new ways of working, and changes in legislation requiring new ways of delivery etc where the insurance impact is often overlooked;
- (e) changes to the assets insured by the Council;
- (f) changes to the responsibility of the Council.

C1.5 No new insurances may be taken out without prior consultation with the Director of Corporate Services.

C1.6 Directors must ensure the retention of documents in accordance with the corporate retentions policy and that there is co-operation with the Risk and Insurance Team in providing the correct documentation within the strict timescales of the Civil Procedure Rules when dealing with claims.

C1.7 Service budgets will be charged with the cost of legal penalties or losses incurred by the Council as a result of any failure to comply with the requirements of the Civil Procedure Rules and these Finance and Contract Procedure Rules relating to claims.

## **C2 Risk Management**

C2.1 The Council's approach to Risk Management is that it should be effective in helping to optimise the balance between risk taking and control, maximising opportunities and encouraging innovation.

C2.2 Directors are responsible for ensuring the Risk Management Policy and Strategy is implemented and that the Risk Management framework operates within their Service. Risk Management should be embedded throughout the organisation at both a strategic and an operational level, through integration into existing systems and processes.

C2.3 There are several levels of risk register within the Council. There should be a movement of risks both upwards and downwards through the levels and treatment addressed at the most appropriate level of the organisation:-

- (a) Corporate Risk Register - contains risks that impact on the organisation's overall objectives either because of their frequency of occurrence across several services or the significance of the impact;
- (b) Service Risk Registers - contain strategic and operational risks that impact on the delivery of service objectives;

- (c) Team Risk Registers – contain operational risks that impact on the delivery of team priorities and act as a feeder for risks to be elevated to the Service Risk Register;
- (d) Programme/Project Risk Register – contain risks associated with individual projects. Due to the speed of project delivery risks are more likely to be more dynamic and more frequently monitored and reported.

C2.4 Directors are responsible for ensuring Risk Management is carried out at both an operational and strategic level in accordance with the corporate risk management framework.

C2.5 The Service Risk Register is a perpetual living document and should be reviewed annually to align with the relevant Service outcome plan. These risk registers will help to inform the Council's risk appetite and the Corporate Risk Register.

C2.6 Service Risk Registers will be monitored and reviewed quarterly and reported as part of the Holistic Reporting process.

C2.7 Directors will take account of and address corporate risks where appropriate within their Service Risk Register, and inform the Risk and Insurance Team of any Service risks that could be considered significant enough to highlight at a corporate level.

C2.8 The Corporate Risk Register is maintained by the Director of Corporate Services. It will be reported to the Corporate Leadership Team on a regular basis.

C2.9 Audit and Governance Committee will also receive risk management reports on a regular basis to monitor the effective development and operation of risk management in the Council. The Committee provides independent assurance of the adequacy of the risk management framework and the internal control environment.

### **C3 Business Continuity**

The Constitution

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- C3.1 The Corporate Leadership Team is responsible for determining the Business Continuity Strategy and ensuring it is compliant with the Civil Contingencies Act 2004. Directors are responsible for implementing it, and monitoring and reviewing its effectiveness.
- C3.2 The Director of Corporate Services develops the strategy and supporting framework on behalf of the Corporate Leadership Team.
- C3.3 Audit and Governance Committee is responsible for approving the Business Continuity Strategy and reviewing its effectiveness as part of the risk management framework and the internal control environment.
- C3.4 Directors are responsible for ensuring that arrangements are in place to ensure the continuity of service delivery in the event of a disruptive incident. This is managed via the development of robust Business Continuity Plans which are regularly maintained and tested in accordance with the Business Continuity Strategy.
- C3.5 Directors are responsible for ensuring that arrangements/contracts for significant areas of service provision include requirements for contractors/partners/suppliers to have robust and tested business continuity plans. This should include the ongoing monitoring and compliance with this requirement via contract performance management and, where necessary, joint exercises.

#### **C4 Internal Controls**

- C4.1 Internal control refers to the systems of control devised by management to help ensure the Council's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Council's assets and interests are safeguarded.
- C4.2 The Director of Corporate Services is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded

and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.

C4.3 It is the responsibility of Directors to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

## **C5 Internal Audit**

C5.1 The requirement for an internal audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit Regulations 2015 more specifically require that a “relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

C5.2 The Public Sector Internal Audit Standards (PSIAS) defines Internal Audit as “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

C5.3 The Internal Audit team (part of the Finance Service) delivers this function within the Council.

C5.4 The Accounts and Audit Regulations 2011 require the Council to review the effectiveness of its governance framework, including the system of internal control, on an annual basis and report the results in an Annual Governance Statement. This statement must provide a description of the governance framework within the Council, a description of any work undertaken to assess its effectiveness, and any significant governance weaknesses identified.

C5.5 To contribute to the production of the Annual Governance Statement, the Senior Manager for Internal Audit is responsible for planning and delivering a programme of independent review of the Council's activities, the scope of the programme being based on the Council's objectives and an assessment of the risk which may affect the achievement of these objectives.

C5.6 The Senior Manager for Internal Audit is also responsible for reporting to those charged with Governance and currently satisfies this requirement by presenting an annual report to the Audit and Governance Committee, summarising the audit plan for the coming year and a commentary on audit activity which is completed or in progress. Quarterly reports setting out progress against the annual audit plan and delivery against its key performance indicators are also taken to the Audit and Governance Committee. In addition, any matters of material importance in relation to audit matters are also reported to the Cabinet and Audit and Governance Committee.

C5.7 Audit staff will have full access to all premises, staff, assets, records and third party fund transactions as is necessary to conduct their reviews. With regards to organisations participating in partnering arrangements, including alternative delivery vehicles where provided for in the contract or service level agreement, Audit staff shall have such access to premises, staff, assets and records of the partner as is necessary for the purposes of the partnering arrangement. Partners will be required to grant reasonable access when requested and details of such access should be agreed with the partner and set down in the Partnering Agreement. Where the right of access has not been specified in existing arrangements then appropriate discussions with partners should take place. Similar rights of access should be determined as part of the establishment of any alternative delivery vehicles, and should be similarly agreed and documented in the contract or service level agreement.

## **C6 External Audit**

C6.1 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.

C6.2 The Local Audit and Accountability Act 2014 (the Act) established new arrangements for the audit and accountability of relevant authorities and these new arrangements include the ability for local authorities to appoint their own local (external) auditors via an 'auditor panel'. An auditor panel can be established individually or jointly with one or more other authority.

C6.3 The Council may, from time to time, also be subject to audit, inspection or investigation by external bodies such as Ofsted or HM Revenue and Customs, who have statutory rights of access.

## **C7 Preventing Fraud and Corruption**

C7.1 The Director of Corporate Services is responsible for the development and maintenance of an Anti-Fraud and Corruption Strategy.

C7.2 The Council has an approved Anti-Fraud and Corruption Strategy which places responsibility for maintaining an anti-fraud culture with all Members, Managers and individual members of staff. Any matters which involve, or are thought to involve, any fraud or other significant irregularity involving Council assets or those of a third party fund, must be notified immediately to the Fraud and Investigation Manager, in conjunction with other officers detailed in the Council's Anti-Fraud and Corruption Strategy, who will decide what steps are necessary.

C7.3 In line with the Anti-Fraud and Corruption Strategy, the Director of Governance in their role as Monitoring Officer will, in consultation with the appropriate Director, decide whether any matter under investigation should be referred to the Police or appropriate enforcement agency following advice from the Fraud and Investigation Manager.

## **C8 Assets**

C8.1 In the context of these Rules, assets are defined as the resources, other than people, that the Council uses to deliver its service functions. Assets include buildings, land and infrastructure; furniture; equipment; plant; stores and “intellectual property” such as computer software, data and information of all kinds.

C8.2 Directors are responsible for the care, control and proper and economical use of all assets used in connection with the operation and delivery of their Services. Proper records should be maintained for these assets, together with appropriate arrangements for their management and security.

C8.3 Directors are responsible for ensuring that assets are used only for official purposes and that all appropriate rights, licenses and insurances are obtained.

C8.4 Directors are responsible for ensuring that all computer software used is properly licensed.

C8.5 Directors are expected to have policies in place for:-

- (a) the effective disposal of surplus assets;
- (b) asset replacement programme;
- (c) compilation of and regular review of asset inventories.

## **C9 Property**

C9.1 The Council’s approach to property asset management is based on two main principles:-

- (a) Property is a corporate resource, owned by the Council, not by individual Services. This principle underpins the fact that property is one of the Council’s most expensive resource and that it needs to be managed proactively to support service delivery and improvement across all Services;

- (b) Property is held to support the delivery of the Councils corporate objectives. This is to be delivered through a rigorous policy of property review and the disposal of any properties that are no longer required to meet corporate objectives.

C9.2 The Council's policies, aims and objectives relating to property asset management are explained further in the Corporate Property Strategy and Asset Management Plan.

C9.3 Property assets are comparatively "illiquid" and changes necessarily take time to implement. Directors should be aware of this when planning new initiatives or changes to service delivery patterns and must ensure that the Director of Place Strategy is consulted at the earliest possible stage of the planning process in order that appropriate advice and support can be given.

C9.4 Directors are responsible for ensuring that property under their day to day control is occupied/used in accordance with all appropriate legal and regulatory requirements and that nothing occurs which might diminish the value of the asset. Particular care is required when carrying out alterations to a building and where any form of shared use with another organisation is planned. The advice of the Director of Corporate Services and Director of Place Strategy must be obtained before this is permitted.

C9.5 All property acquisitions, lettings and disposals must be negotiated and approved in accordance with the Property Scheme of Delegation with key thresholds outlined in the table below. The Director of Place Strategy will be responsible for the negotiations of all such transactions.

C9.6 Property acquisitions, lettings and disposals can be authorised as follows:-

- (a) Farms – providing this is in line with the overarching policy for the disposal of farms assets (2011-2012) the disposal will be subject to the following individual transactional approvals:

Value of Farm Sale (£)	Approval Required
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Up to £1,000,000	Director of Place Strategy in Consultation with Cabinet Member
£1,000,001 and above	Cabinet Member for Finance and Legal

(b) Commercial Assets - provided the sale/purchase is in line with the Commercial Asset Disposal and Reinvestment Policy and a business case has been approved as per the policy, no further approval is required;

(c) All other disposals of land or property not covered by (a) and (b) above.

<b>Value of sale / acquisition (£)</b>	<b>Approval Required:</b>
Up to £50,000	Property Investment & Development Manager
Between £50,001 to £100,000	Senior Manager Asset Management & Development
Between £100,001 to £500,000	Director of Place Strategy
Between £500,001 to £1,000,000	Director of Place Strategy, Director of Corporate Services in consultation with Cabinet Member for Finance and Legal
£1,000,001 and above	Cabinet

<b>Granting any new lease, easement, wayleave or other right to interest</b>	
<b>Value</b>	<b>Approval Required</b>
To any statutory undertaker up to £10,000 per annum	Property Investment and Development Manager or County Land Agent
Up to 25 years and/or starting rental up to £100,000 per annum	Senior Manager Asset Management & Development
Over 25 years and/or starting rental between	Director of Place Strategy

£100,000 and £500,000	
Over 25 years and/or starting rental between £500,001 and £1,000,000	Director of Place Strategy, Director of Corporate Services in consultation with Cabinet Member for Finance and Legal
Over 25 years and/or starting rental above £1,000,000	Cabinet
<b>To accept the surrender or forfeiture of any lease with financial implications</b>	
<b>Value</b>	<b>Approval Required</b>
Up to £50,000	Senior Manager Asset Management & Development
Between £50,001 - £100,000	Director of Place Strategy
Between £100,001 - £500,000	Director of Place Strategy, Director of Corporate Services in consultation with Cabinet Member for Finance and Legal
Over £500,001	Cabinet
<b>Settlement of dilapidations</b>	
<b>Value</b>	<b>Approval Required</b>
Up to £50,000	Senior Manager Asset Management & Development
Between £50,001 - £100,000	Director of Place Strategy
Between £100,001 - £500,000	Director of Place Strategy, Director of Corporate Services in consultation with Cabinet Member for Finance and Legal
Over £500,001	Cabinet

\*Note that the changes to the above table will need to be reflected in the property scheme of delegation

## **C10 Inventories**

C10.1 Directors must ensure that proper arrangements are made to maintain inventories of all valuable and transportable items, including vehicles, furniture, computer and other equipment (including software), visual aids, expensive tools and sports equipment.

C10.2 The inventory must be updated for all acquisitions and disposals and checked at least annually. Items acquired under leasing arrangements must be separately identified for disclosure in the published final accounts.

## **C11 Stocks**

C11.1 Stock is defined as consumable items constantly required and held by a Service centre in order to fulfil its functions. Directors are responsible for the control of stocks. They must ensure that stocks are appropriately recorded, do not exceed reasonable requirements and that all significant stock is accounted for in the year end accounts. Stocks should be checked at least once a year, more frequently in the case of expensive items.

## **C12 Cash**

C12.1 Cash held on any Council premises should be held securely and should not exceed any sums for which the Council is insured. (Detailed guidance on limits is available from the Council's Insurance Team). If this is unavoidable, in exceptional circumstances, the Director is responsible for making appropriate security arrangements.

C12.2 The type of receptacle used to secure the cash should be appropriate to the amount of cash held and records detailing the amounts should be maintained and stored separately to the cash.

## **C13 Asset Disposal/Write Off**

C13.1 The disposal of non-property assets can be authorised as follows:-

<b>Approval level</b>	<b>Value of Disposal</b>
Directors	Up to £10,000
Directors in consultation with Director of Corporate Services (or their nominated deputy) and Director of Governance	£10,001 to £50,000
Cabinet Member Legal & Finance	£50,001 to £500,000
Cabinet	£500,001 - £1,000,000
Council	Over £1,000,000

C13.2 The write off of losses on disposal of property and non-property assets can be authorised as follows:-

<b>Approval level</b>	<b>Loss on disposal</b>
Directors	Up to £1,000
Directors in consultation with Director of Corporate Services (or their nominated deputy) and Director of Governance	£1,001 to £5,000
Deputy Chief Executives in consultation with relevant Cabinet Members	£5,001 to £20,000
Cabinet Member Legal & Finance	£20,001 to £100,000
Cabinet	£100,000 - £1,000,000
Council	Over £1,000,000

C13.3 Any write off which arises as a result of theft or fraud must be notified immediately to the Fraud and Investigation Manager.

## **C14 Treasury Management**

C14.1 The Council has adopted CIPFA's Code of Practice for Treasury Management in Local Authorities.

C14.2 Council is responsible for approving the Treasury Management Policy Statement setting out the matters detailed in paragraph 15 of CIPFA's Code of Practice for Treasury Management in Local Authorities. The policy statement is proposed to Council by the Cabinet. The Director of Corporate Services has delegated responsibility for implementing and monitoring the statement.

C14.3 All money in the hands of the Council is controlled by the Director of Corporate Services as designated for the purposes of section 151 of the Local Government Act 1972, referred to in the code as the Finance Director.

C14.4 The Director of Corporate Services is responsible for submitting to full Council, for their approval, a proposed treasury management strategy prior to the start of the financial year to which it relates.

C14.5 All executive decisions on borrowing, investment or financing shall be delegated to the Director of Corporate Services, who is required to act in accordance with CIPFA's Code of Practice for Treasury Management in Local Authorities.

C14.6 The Director of Corporate Services is responsible for reporting on the activities of the treasury management operation and on the exercise of the Director of Corporate Services's delegated treasury management powers to the Audit and Governance Committee on a quarterly basis during the financial year. One such report, covering the activity for the first 6 months of the year, will also be received by full Council for approval. In addition an annual report on the treasury management activity undertaken in the previous financial year will be presented to Audit and Governance

Committee and then full Council for approval by 30 September of the succeeding financial year.

## **C15 Investments and Borrowings**

C15.1 It is the responsibility of the Director of Corporate Services to:-

- (a) ensure that all investments of money are made in the name of the Council or in the name of nominees approved by Council;
- (b) ensure that all securities that are the property of the Council or its nominees and the title deeds of all property in the Council's ownership are held in the custody of the appropriate Director;
- (c) effect all borrowings in the name of the Council;
- (d) act as the Council's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the Council;
- (e) that the amount of borrowing outstanding at any point in time does not exceed the Council's authorised limit for the year.

## **C16 Trust Funds and Funds Held for Third Parties**

C16.1 It is the responsibility of the Director of Corporate Services to:-

- (a) arrange for all trust funds to be held, wherever possible, in the name of the Council (e.g. 'Cheshire West and Chester Council on behalf of...');
- (b) arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Director of Corporate Services, and to maintain written records of all transactions;
- (c) ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.

C16.2 All officers acting as trustees by virtue of their official position shall deposit trust assets and securities with the Director of Corporate Services, unless the Trust Deed provides otherwise.

## **C17 Salaries and Wages**

C17.1 Directors are responsible, in consultation with the Director of Professional Services, for providing accurate and appropriate information and instructions to enable the calculation and prompt payment of salaries, expenses and pensions, including details of appointments, promotions, regradings, resignations, dismissals, retirements and absences from duty. The Director of Professional Services will make arrangements for payment to the appropriate bodies, of all statutory, including taxation, and other payroll deductions.

C17.2 Time sheets and other pay documents which are used to generate payment of salaries, wages or other employee-related expenses must be on official forms or via authorised electronic inputs. Directors are responsible for ensuring that they are certified by an authorised officer and that they are submitted to the payroll provider in accordance with the specified timetable. This includes on-line input entered locally. The names of authorised officers must be secured by Directors and included in the Internal Service Scheme of Financial Delegation notified to the Director of Corporate Services.

C17.3 The Director of Professional Services will implement national and local pay agreements as soon as possible after their notification from the appropriate body. Arrangements for funding such awards will be determined each year as part of the budgetary process.

## **C18 Early Retirement/Severance**

C18.1 Where Directors wish to bring forward proposals under the Council's policies on severance and early retirement, they must be accompanied by a full cost

and affordability assessment. The relevant Director (or the Chief Executive if the request relates to a Director), Director of Professional Services and Director of Corporate Services (or their nominated deputy) must approve all requests. Member approval from Staffing Committee is required for any request over £100,000, including actuarial costs (*Council 3 Mar 2014, Minute 100 refers*).

C18.2 Directors will generally be required to meet the costs of severance and early retirement from within their approved budget.

## **C19 Travelling and Subsistence**

C19.1 Directors are responsible for instructing the Director of Professional Services and for providing appropriate and accurate information to enable the prompt and accurate payment of travelling, subsistence and other expenses to authorised employees in accordance with the terms of employment agreed by the Council.

C19.2 Directors are responsible for ensuring that Council employees who use their cars for official business are properly insured to indemnify the Council against any loss and for ensuring that payments are only made in respect of journeys which are necessary and actually undertaken.

C19.3 All claims for reimbursement must be made using appropriate official claim forms or via authorised electronic inputs.

## **C20 Code of Conduct**

C20.1 The Code of Conduct for Employees applies to and will be followed by all officers. It covers standards, disclosure of information, political neutrality, relationships, appointments and other employment matters, outside commitments, personal interests, equality issues, separation of roles during tendering, gifts and hospitality, use of financial resources and sponsorship.

C20.2 Where an outside organisation wishes to sponsor or is asked to sponsor a local government activity, whether by invitation, tender, negotiation or

voluntarily, the basic conventions concerning acceptance of gifts and hospitality applies, as detailed in the Code of Conduct for Employees.

## **C21 Third Party Funds**

C21.1 A third party fund is defined as any fund financed other than by the Council, controlled wholly or partly by a member of the Council's staff in connection with the clients, establishments or activities of the Council such as School Funds, Amenity Funds or Criminal Injuries Compensation Payments for children in care.

C21.2 Officers maintaining third party funds should maintain records of their nature and purpose, to be made available to the Senior Manager Internal Audit on request.

C21.3 Money or goods belonging to the third party fund must be kept completely separate from other money or goods belonging to the Council. Similarly, completely separate records must be kept of the money or goods involved.

C21.4 An independent auditor must be appointed who has suitable qualities though not necessarily professionally qualified, to audit the third party fund on an annual basis where required by legislation. The Senior Manager Internal Audit will advise on such appointments. Annual Statements of Account and Audit Certificates must be formally presented to a Management Committee or other appropriate governing body.

C21.5 Directors are responsible for ensuring that any third party funds controlled by Council staff are:-

- (a) Maintained in a register kept by the Service to be made available to the Senior Manager Internal Audit on request;
- (b) maintained separately and correctly in accordance with these Finance and Contract Procedure Rules;

- (c) subject to the same standards of stewardship and probity as Council funds.

## **C22 Retention of Records**

C22.1 The Returning Officer will be responsible for maintaining complete and accurate records and for reconciliation with regard to elections accounts.

C22.2 The Council, in common with other public and private organisations, has certain statutory obligations it has to meet for the retention of its records. It also has to fulfil the requirements of HM Revenue and Customs, other legislative requirements and the external auditors in respect of its financial records.

C22.3 All records held should have an appropriate retention period assigned to them, which meet the statutory obligations to retain financial records, but also takes into account legislative requirements such as the Limitation Act and Data Protection Act; Freedom of Information requirements; and the business needs of the department.

C22.4 The majority of financial records must be kept for 6 years from the end of the tax year to which they relate. Some records however, may need to be kept for longer periods e.g. if required to defend future insurance claims. It is possible others can be destroyed within shorter periods. The Council's retention schedules, available on the intranet, set out the length of time for which different types of records should be kept. The schedules are based on legislative requirements and best practice, and as such must be adhered to by Services.