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| AUDIT COMMITTEE | (D) Agenda Item 11 |
| Date of Meeting: 14th December, 2010 | |
| Reporting Officer: Borough Treasurer | |
| <p>Title: Internal Audit – Final Reports</p> <p>Summary and Conclusions:</p> <p>Internal Audit have completed a number audits in accordance with the approved annual programme. On completion, final reports are presented to this Committee for consideration.</p> <p>The Council's Internal Audit Manager will attend the meeting to present the reports to Members.</p> <p>Recommendations:</p> <p>Members are recommended to:</p> <ol style="list-style-type: none"> 1. Receive and consider the reports; and 2. Raise any questions or concerns with the Internal Audit Manager. | |

Report

There are 3 final reports for consideration, attached at **Appendices 5-7** to this report. The following table sets out the assurance level assigned to each report and the number of issues identified.

The assurance levels are:

None – control is weak, causing the system to be vulnerable to error and abuse.

Restricted – significant weaknesses have been identified in the system of control, which put the system objectives at risk.

Substantial – while there is a reasonable system of control, there are weaknesses, which may put the system objectives at risk.

Unqualified – there is an adequate system of control designed to achieve the system objectives.

The recommendation levels assigned to issues identified are:

Priority 1 – **major issues** that Internal Audit considers need to be brought to the attention of senior management.

Priority 2 – **important issues** which should be addressed by management in their areas of responsibility.

Priority 3 – **minor issues** which provide scope for operational improvement.

Previous issues – are issues identified in a previous audit report that have not been entirely implemented at the time of this latest audit.

| No. | Report | Assurance level | Major issues | Important issues | Minor issues | Previous issues |
|-----|------------------------|-----------------|--------------|------------------|--------------|-----------------|
| 1 | Income Collection | Substantial | - | - | 1 | 1 |
| 2 | 104 Abbey Road | Substantial | - | 3 | 1 | - |
| 3 | Holker Street Car Park | Restricted | - | 10 | - | - |

(i) Legal Implications

Statutory requirements under Section 151 and the Accounts and Audit Regulations 2006.

(ii) Financial Implications

Not Applicable.

(iii) Health and Safety Implications

Not Applicable.

(iv) Key Priorities or Corporate Aims

Not Applicable.

(v) Risk Assessment

Not Applicable.

(vi) Equality and Diversity

Not Applicable.

(vii) Health and Well-being Implications

Not Applicable.

Background Papers

Nil

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 10-03
INCOME COLLECTION

Executive Summary

Introduction

The Borough Council, like many other Councils has removed facilities for the receipt of cash at its main Town Hall. Income is received by a number of methods including cheques and credit/debit cards. In addition, the Council have introduced new methods which include debit/credit card via a dedicated payment hotline, the Internet, Touchtone phone and Allpay. A total of 101,415 transactions with a value in excess of £138 million were processed/receipted during the financial year 2009/10.

Audit Objectives

An audit of this system forms part of the agreed 2010/11 programme. The audit objectives were to evaluate and test the internal controls for the collection and receipting of income within the Council. The scope and objectives of the audit were discussed and agreed in advance with Chris Butler, Systems and Control Accountant.

Audit work included testing of the operation of key controls. Details of the audit methodology are provided in Appendix 1.

Key Points

Substantial Assurance

One minor issue

One Previous recommendation

Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that while there is a basically sound system, there are weaknesses, which may put some of the system objectives at risk. We have made one Priority 3 recommendation which concerns reviewing the Forum's internet payment and banking procedures.

Internal Audit also reviewed the agreed recommendation made in Audit Report 09-03, dated December 2009 which has been implemented.

Internal Audit reviewed the one outstanding recommendation made in Audit Report 08-10, dated January 2009; the recommendation has been fully implemented.

In addition, Internal Audit reviewed the outstanding recommendation made in Audit Report 05-09, dated March 2006, the recommendation remains outstanding, and relates to consistently recording the Security Plus sealed bag reference on paying in slips.

Management Response

We have received a constructive management response from Chris Butler, Systems and Control Accountant accepting the recommendation.

Acknowledgement

Internal Audit would like to thank staff for their co-operation and assistance during the review.

| | | |
|---|---|------------------------|
| Recommendation 1 | Responsibility: Systems and Control Accountant | Priority: 3 |
| <p>The Council should review the internet payment and banking procedures at the Forum to ensure income is accurately recorded and reconciled.</p> | | |
| <p>Rationale</p> | | |
| <p>The facility to purchase tickets via the internet for shows at the Council's Arts service, The Forum, was introduced in July 2010. Tickets are purchased through the Forum website; the customer has the option for the tickets to be collected or issued through the post.</p> <p>Internal Audit selected a sample of ten days since July 2010, where internet ticket purchases had been made. Income could be traced to the Council's bank account for nine of the sample, however on one occasion the same internet payment had been recorded on the 'paying in sheet' on two consecutive days.</p> <p>In addition to this testing, further discrepancies have been identified where the Forum internet income has appeared in the Council's bank account, but there is no corresponding 'Paying in Sheet' entry.</p> <p>These weaknesses may not provide the Council with adequate assurance over the performance of internal financial control and reconciliation procedures.</p> | | |
| <p>Management Response</p> | | |
| <p>Any discrepancies are identified and investigated as part of the month-end reconciliation of the Internet Booking Suspense Account. The audit findings above were identified mid-month before the reconciliation had taken place.</p> <p>Forum will soon be using a new integrated Box Office system, provided by the company which facilitates the Internet bookings. Part of the output from this system will be a daily totals report which will include all box office receipts and admin charges, including internet bookings. This should resolve the treatment of these items.</p> | | |
| Accepted | Implementation Deadline: | 31 January 2011 |

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|---|---|
| Previous Recommendation | Responsibility: Systems and Control Accountant |
| <p>The Council should implement the agreed outstanding recommendation from Audit Report 05-09, dated March 2006, namely:</p> <p>The Council should ensure that the Security Plus sealed bag reference is recorded on each bank paying in slip.</p> <p>(Priority 3)</p> | |
| Rationale | |
| <p>Internal Audit selected a sample of twenty paying in slips completed since January 2010 from the Planning/CRM counter.</p> <p>It was identified that the pre-numbered sealed bag reference which identifies each bag paid in/collected, had not been recorded on any of the paying in slips.</p> | |
| Management Response | |
| <p>I have spoken with the CRM Manager and reiterated the importance of recording these numbers.</p> <p>Following this, the CRM paying-in sheets and slips from the end of October do show the bag numbers. I will carry out random checks on their sheets to ensure that this is maintained.</p> <p>IT are working on an Intranet-based paying-in sheet, which will be rolled out to relevant departments as their current paper-based books are used up. The field for the bag number will be a mandatory one.</p> | |
| Revised Implementation Deadline: | Immediate |

APPENDIX 1

AUDIT FRAMEWORK

Coverage

The review covered the following areas, which were agreed as part of the preliminary planning stage:

- planning/CRM Counter;
- direct debit;
- internet payments; and
- reconciliation/review.

Methodology

A system based audit approach has been used for this audit, involving the following key procedures:

- test key controls to establish whether they are operating as prescribed; and
- report findings, with practical recommendations for improvement where appropriate.

In addition, Internal Audit reviewed management's progress in implementing the agreed recommendations from our previous audit report.

Performance

Auditor: Sarah Mach

The fieldwork was performed: September to October 2010

All final Internal Audit reports from April 2007 will be presented to the Council's Audit Committee.

APPENDIX 2

CLASSIFICATIONS

Assurance Level

| | <i>Evaluation</i> | <i>Testing</i> |
|--------------------|---|--|
| <i>Unqualified</i> | There is an adequate system of controls designed to achieve the system objectives. | The controls appear to be consistently applied. |
| <i>Substantial</i> | While there is a reasonable system of control, there are weaknesses, which may put the system objectives at risk. | Evidence was identified to suggest that the level of non-compliance with controls may put some of the system objectives at risk. |
| <i>Restricted</i> | Significant weaknesses have been identified in the system of control, which put the system objectives at risk. | The level of non-compliance identified places the system objectives at risk. |
| <i>None</i> | Control is weak, causing the system to be vulnerable to error and abuse. | Significant non-compliance with controls was identified leaving the system vulnerable to error and abuse. |

Audit Recommendations and Follow-up

| | <i>Recommendation</i> | <i>Follow Up</i> |
|-------------------|--|---|
| <i>Priority 1</i> | Major issues that we consider need to be brought to the attention of senior management. | Follow-up will be performed at specific dates agreed with senior management. |
| <i>Priority 2</i> | Important issues which should be addressed by management in their areas of responsibility. | Follow-up of the recommendations will be performed by the end of the next audit year. |
| <i>Priority 3</i> | Minor issues which provide scope for operational improvement. | Follow-up performed by the end of the next audit year. |

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT CR 57
EXTERNAL FABRIC REPAIRS 104 ABBEY ROAD

Executive Summary

Introduction

Internal Audit are required under the Council's Financial Regulations to consider for review all contracts issued prior to the Final Account being paid to the Contractor. The Borough Treasurer through the Head of Internal Audit will select a sample of contracts for higher scrutiny and reconciliation with the Final Account.

The contract for 104 Abbey Road – External Fabric Repairs, is part of an overall project to bring the building back into use to provide facilities for community and commercial activities. This contract was initially let at the sum of £211,605.04 for the repair of masonry and window repairs with an element of re-slating and gutter renewal. However, during the contract period additional works relating to the roof were commissioned from the contractor on site at a cost of £265,031.23. The additional work was reported to the Council's Executive Committee although tenders were not invited.

The Council's consultant Chartered Quantity Surveyors Johnstons, together with John Coward Architects initially selected four contractors to be invited to tender as masonry sub-contractors. Askins & Little Stonemasonry Ltd was ranked third. The lowest tender received totalled £79,998.00. Within a calendar month the work was retendered promoting the sub contractor status to Main Contractor. The original four contractors were re-invited to submit tenders as Main Contractors. The lowest tender submitted by Askins and Little at £211,605.04 was accepted; Askins and Little were therefore appointed as main contractor.

In addition, it was identified that none of the contractors invited to tender were on the Council's Standing Approved List, furthermore Internal Audit were unable to confirm if the contractors were registered with Constructionline. However, this procedure is currently being reviewed, and the Approved List is potentially to be replaced.

It should be noted that Final Account for this contract has yet to be presented for audit inspection.

Audit Objectives

The audit objectives were to perform an examination of the interim and final account and associated documentation. Details of the audit methodology are provided in Appendix 1.

Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that weaknesses have been identified in the system of control, which may put the system objectives at risk.

Key Points

Substantial Assurance

Three important issues

One minor issue

We have made three Priority 2 recommendations which relate to:

- whether it was appropriate to extend the project in preference to inviting tenders with the estimated cost exceeding £100,000;
- ensuring instruction documents, making variations to the contract, are signed, priced and retained; and
- that the appropriate amount of Liquidated & Ascertained damages is deducted from the Final Account

We have made one Priority 3 recommendation which relates to consistently informing unsuccessful tenderers of contract award decisions.

Management Response

We have received a constructive management response from Steve Solsby, Assistant Director Regeneration, accepting each of our recommendations.

Acknowledgement

Internal Audit would like to thank staff for their co-operation and assistance during the review.

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| Recommendation 1 | Responsibility: Director of Regeneration & Community Services | Priority: 2 |
| <p>The Council should consider whether it was appropriate to extend the project in preference to inviting tenders, with the estimated cost exceeding £100,000; particularly where a sub contractor had undertaken the original element of roofing works; and the whole project extension involved such activity.</p> | | |
| <p>Rationale</p> | | |
| <p>Council Contract Order 4.1 states “tenders shall be invited where the Contract Sum is estimated to exceed £100,000.”</p> <p>The initial works at 104 Abbey Road included external masonry and window repairs with a small amount of re-slating of the roof; at the lowest tender of £211,606.04. The tender was approved by Executive Committee on 29th July 2009. However, Executive Committee on the 14th October 2009 were asked to approve an extension to the scheme at an additional cost of £265,031.23 bringing the total cost to £476,637.27; an increase of 125.25% on the original tender.</p> <p>The extension work related to a full re-roofing of the property and was awarded to the contractor appointed to complete the initial refurbishment of the masonry and small amount of slating. However, Internal Audit confirmed that the small amount of re-slating had been sub-contracted to a roofing specialist, which would question the decision to extend the project for roofing works, when not delivered by the prime contractor.</p> | | |
| <p>Management Response</p> | | |
| <p>With hindsight it does appear that this may not have been ideal, however there were issues regarding funding; specifically time pressures and quality, both of which were satisfactorily resolved (workmanship has been complemented). An opinion was obtained from the Quantity Surveyor who supported the prices submitted.</p> <p>Additionally, scaffolding was in place to promote the ‘Love Barrow’ banner, which was very costly, therefore progressing works as soon as possible was a particular concern.</p> | | |
| Accepted | Implementation Deadline: | Immediate |

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| Recommendation 2 | Responsibility: Director of Regeneration & Community Services | Priority: 2 | 2 |
| <p>The Council should ensure that instruction documents, making variations to the contract are all signed, priced and retained.</p> | | | |
| <p>Rationale</p> | | | |
| <p>The Council will clearly expect contractors to deliver prescribed work at the agreed contract sum. However, in the majority of cases any Provisional Sums and Contingencies will be omitted and replaced by the actual cost of works and items. Additionally as work progresses adjustments are necessary due to changes in the original specification or problems encountered during the progress of the works. Any variation to the Contract Sum requires the consent of the Architect or other professional named in the Contract Document as the "Responsible Person". These variations are included in Architect's/Engineer's Instructions which document the work to be completed and revised timescale. Such instructions should be authorised by the "Responsible Persons" and priced at the earliest opportunity. The completed instructions should be retained for reconciliation with the Final Account.</p> <p>Following the review, Internal Audit have been unable to locate any evidence of authorised variations being issued, despite the inclusion of additional works of approximately £300,000 within the original Contract.</p> | | | |
| <p>Management Response</p> | | | |
| <p>The weakness is acknowledged. In future consultants will be reminded of this requirement. It should be noted the file does not reflect actual working controls or all discussions which have taken place. I will write to the Architect highlight this issue raised.</p> | | | |
| Accepted | Implementation Deadline: | Immediate | |

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| Recommendation 3 | Responsibility: Director of Regeneration & Community Services | Priority: 2 |
| <p>The Council should ensure that the calculation of any Liquidated and Ascertained damages relating to the Contract Document is retained and presented for audit. Specific attention should be given in this instance to the value of Liquidated and Ascertained damages of only £200 per week, together with potential sums to recover.</p> | | |
| <p>Rationale</p> | | |
| <p>The Contract Document agreed between the Council and the Contractor records Liquidated and Ascertained damages of £200.00 per week or part of a week, payable by either party found to have delayed the date for completion of the project.</p> <p>The damages amount for this contract should reflect the possible loss of income to the Council in the event of the date of late handover of possession of the site to the Council.</p> <p>In the absence of any authorised variation to the contract completion date, and the issue of the Practical Completion Certificate confirming 26th May 2010, Internal Audit estimate the amount to recover from the contractor as £4,828.57.</p> | | |
| <p>Management Response</p> | | |
| <p>Certain delays with the contract related to scaffolding issues which were the Borough Council's responsibility. Potentially an extension of time should be issued – this will be investigated and requested. Ascertained damages of £200 is the nominal value regarding lost rental which could relate to the building not being occupied for a period of time.</p> | | |
| Accepted | Implementation Deadline: | 31st December 2010 |

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| Recommendation 4 | Responsibility: Director of Regeneration & Community Services | Priority: 3 |
| <p>The Council should inform unsuccessful tenderers of contract award decisions on a consistent basis; and retain such information for future reference.</p> | | |
| <p>Rationale</p> | | |
| <p>Internal Audit could not locate evidence of formal notification to the unsuccessful contractors. The issue of formal notification to all tenderers adds transparency to the exercise and also assists contractors when costing future tenders.</p> <p>The Chartered Institute of Public Finance &Accountancy (CIPFA) has in association with the Local Government Task Force, produced a publication on example Contract Procedure Rules. Section 15.6 of the publication suggests that the Council should “debrief in writing all those candidates who submitted a bid”.</p> | | |
| <p>Management Response</p> | | |
| <p>This will be resolved for future contracts. It is understood that this is best practice.</p> | | |
| Accepted | Implementation Deadline: | Immediate |

APPENDIX 1

AUDIT FRAMEWORK

Audit Coverage

The review covered the following areas:

- contract / tender process;
- bill of quantities;
- insurance and bond provision;
- additions & omissions, including architects instructions;
- contract meetings;
- extension and completion certification;
- payments, including interim and final certificates; and
- final account.

Methodology

The contract review covered the following key stages:

- evaluation of the contract summary details;
- confirmation of management objectives for contract review;
- examination of the tender and contract documentation;
- spot checks on arithmetical calculations;
- verify final account with the cumulative paid; and
- report findings, with relevant and practical recommendations for improvement.

Performance

Auditors: Keith Jackson and Ifor Jones.

The fieldwork was performed between: August 2009 and September 2010.

All final Internal Audit reports from April 2007 will be presented to the Council's Audit Committee.

APPENDIX 2

CONTRACT PARTICULARS

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|---|---|
| Contract Title: | External Fabric Repairs, 104 Abbey Road, Barrow. |
| Contract Form: | JCT Intermediate Build Contract Revision 1 2007 |
| Contractor: | Askins & Little Stonemasonry Specialists Ltd |
| Architect: | John Coward Architects Ltd |
| Quantity Surveyor: | Johnstons, Chartered Quantity Surveyors |
| Tender Sum: | £211,605.04 |
| Contract Sum: | £211,605.04 |
| Date for Possession: | 17 th August 2009 |
| Date for Completion: | 7 th December 2009 |
| Date of Practical Completion: | 26 th May 2010 |
| Delay in Completion: | |
| Extension of Time Granted: | |
| Liquidated and Ascertained Damages provision/paid/received: | Provision: £200.00 per day |
| Minimum Insurance Cover | £5m Public Liability £*m Employer's Liability (Not Required) |
| Minimum Bond | £470,000.00 Performance Bond Confirmed. |
| Retention Amount | Retention 5% to Practical Completion Retention 2.5% During Defects Period Released prior to the above being achieved. |
| Submitted Final Account Sum: | £* |
| Audited Final Account Sum: | £* |
| Percentage increase / Submitted Final Account against Contract Sum. | *% |

APPENDIX 3

CLASSIFICATIONS

Assurance Level

| | <i>Evaluation</i> | <i>Testing</i> |
|--------------------|---|--|
| <i>Unqualified</i> | There is an adequate system of controls designed to achieve the system objectives. | The controls appear to be consistently applied. |
| <i>Substantial</i> | While there is a reasonable system of control, there are weaknesses, which may put the system objectives at risk. | Evidence was identified to suggest that the level of non-compliance with controls may put some of the system objectives at risk. |
| <i>Restricted</i> | Significant weaknesses have been identified in the system of control, which put the system objectives at risk. | The level of non-compliance identified places the system objectives at risk. |
| <i>None</i> | Control is weak, causing the system to be vulnerable to error and abuse. | Significant non-compliance with controls was identified leaving the system vulnerable to error and abuse. |

Audit Recommendations and Follow-up

| | <i>Recommendation</i> | <i>Follow Up</i> |
|-------------------|--|--|
| <i>Priority 1</i> | Major issues that we consider need to be brought to the attention of senior management. | Follow-up will be performed at specific dates agreed with senior management. |
| <i>Priority 2</i> | Important issues which should be addressed by management in their areas of responsibility. | Follow-up of the recommendations will be performed by the end of the next audit year |
| <i>Priority 3</i> | Minor issues which provide scope for operational improvement. | Follow-up performed by the end of the next audit year. |

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT CR 53
CONSTRUCTION OF HOLKER STREET CAR PARK

Executive Summary

Introduction

Internal Audit are required under the Council's Financial Regulations to consider for review all contracts issued prior to the Final Account being paid to the Contractor. The Borough Treasurer through the Head of Internal Audit will select a sample of contracts for higher scrutiny and reconciliation with the Final Account.

The contract for the construction of Holker Street Car Park, Barrow is part of the strategy to improve derelict sites and support an adjacent commercial development. The Council's Executive Committee on 17th September 2008 gave their agreement for the work to include demolition of buildings and completion of a car park with associated landscaping works; with an agreed provision of £357,579. The Council appointed CAPITA Symonds to Project Manage, Supervise and act as CDM Co-ordinator. The second lowest tender submitted at £201,875 was promoted to leading contractor following an appraisal performed by CAPITA Symonds. The appraisal report also confirmed concern over the lowest tenderer Askam Construction's public liability provision. The Contract Sum was recorded as £201,875.69.

Audit Objectives

The audit objectives were to perform an examination of the interim and final account and associated documentation. Details of the audit methodology are provided in Appendix 1.

| Key Points |
|-----------------------------|
| Restricted Assurance |
| Ten important issues |

Audit Conclusion – *Restricted Assurance*

As a result of the audit we have concluded that significant weaknesses have been identified in the system of control, which may put the system objectives at risk. We have made ten Priority 2 recommendations which concern ensuring:

- documentation relating to the appointment of consultants is retained;
- each contractor invited to tender is included on the Approved List of Contractors;
- original tender documentation is retained;
- each member of the tender opening panel signs both the Tender Opening Register and the Tender Documents;
- opening panels comply with Contract Standing Orders regarding membership;
- contractor's insurance details are provided and forwarded to the Legal Department for safe keeping;
- contract documents include a provision for the retention of payments made to the contractor;

- the relevant person named in the Contract Documents provides signed Compensation Event Forms confirming variations to contract sums;
- the person named in the Contract Documents provides signed Interim Certificates and Direction forms; and
- adjustments to the Final Account for liquidated and ascertained damages are accurately calculated.

Management Response

We have received a constructive management response from Phil Huck, Director of Regeneration & Community Services, accepting nine recommendations and rejecting one recommendation which relates to accurately calculating adjustments to the Final Account for liquidated and ascertained damages.

Acknowledgement

Internal Audit would like to thank staff for their co-operation and assistance during the review.

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| Recommendation 1 | Responsibility: Director of Regeneration & Community Services | Priority: 2 |
| <p>The Council should ensure that all documentation relating to the appointment of consultants is retained; in order to substantiate the decisions made and transparency of the process.</p> | | |
| <p>Rationale</p> | | |
| <p>Capita Symonds were appointed to provide the following services for the Holker Street Car Park project on behalf of the Council.</p> <ul style="list-style-type: none"> • Project Manager • Supervisor • CDM Co-ordinator <p>During the review Internal Audit were unable to obtain evidence of the methodology used or the decision taken to appoint Capita Symonds as consultants. This action is potentially in breach of Contract Standing Order 19.1 which states “before the engagement of any architect, engineer, surveyor or other consultant for the purpose of any contract in respect of the supply of goods or materials or the carrying out of works the Chief Executive or appointed Director shall obtain quotations wherever possible in accordance with Financial Regulations.”</p> <p>This weakness does not provide adequate assurance over the internal control arrangements or the achievement of value for money.</p> | | |
| <p>Management Response</p> | | |
| <p>Capita Symonds were appointed following competitive procurement of landscape architecture and urban design services. This contract was won by Norfolk Property Services (NPS). However NPS were rejected following poor performance and Capita Symonds, the second placed contractor, were appointed.</p> <p>The Project Manager/Supervisor was appointed following the Emlyn Street car park contract; it is acknowledged that with hindsight specific documentation to support this decision should have been available. Capita Symonds were appointed to the CDM role following a letter from the Director of Regeneration offering Capita Symonds all Council CDM work.</p> | | |
| Accepted | Implementation Deadline: | Immediate |

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| Recommendation 2 | Responsibility: Director of Regeneration & Community Services | Priority: 2 |
| <p>The Council should ensure staff are aware of and adhere to Contract Standing Orders; specifically relating to ensuring each contractor invited to tender is included on the Approved List of Contractors. Any non-compliance should be considered with a view to reporting retrospectively to Members.</p> | | |
| <p>Rationale</p> | | |
| <p>The Council have produced a Standing Approved list to ensure all contractors providing medium to large scale services attain certain standards of technical and financial attributes. Provision is also made for contractors to be added to the list, provided they meet these standards and are registered with Constructionline. Registration with Constructionline is used as a standard to be attained by such contractors. This registration assures the Council that the contractor is properly insured, is financially stable and has sufficient resources to deliver contracts at varying values.</p> <p>Internal Audit compared the contractors invited to tender against the Council's Standing Approved List and identified that in total four contractors were not included. The Council's Contract Standing Order 8.1 states "Invitations to tender in accordance with Order 6 or Order 7 shall be sent to at least four persons selected from amongst those included in the approved list as appropriate for a contract of that amount value or category".</p> <p>It appears that either the Approved List should be updated or the Contract Standing Orders revised to allow selection from Constructionline Registration, rather than the approved list. In such circumstances, retrospective approval from Members, would provide a degree of transparency to the process.</p> | | |
| <p>Management Response</p> | | |
| <p>Accepted that Approved List of contractors is out of date. Contractors were requested to be members of ConstructionLine. However, under the recent revision to Contract Standing Orders the Borough Council now source all construction work through 'The Chest'.</p> | | |
| Accepted | Implementation Deadline: | Overtaken by events |

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| Recommendation 3 | Responsibility: Director of Regeneration & Community Services | Priority: 2 |
| <p>The Council should ensure that all original tender documentation is retained for each and every contract award.</p> | | |
| <p>Rationale</p> | | |
| <p>Tender envelopes are received at the Council's main reception (by hand) or at the Lodge (by post). The officer receiving the tender envelope is required to issue a pre-numbered receipt stating the date and time received.</p> <p>A total of six tenders were submitted for the Holker Street Car Park contract, however, Internal Audit were only provided with five tender return envelopes which are required to be retained to demonstrate compliance with tendering requirements. In addition, despite requests the tender documents submitted by the unsuccessful contractors could not be obtained.</p> | | |
| <p>Management Response</p> | | |
| <p>The issue of the return of envelopes is accepted. I was not aware that tender documents submitted by unsuccessful contractors had been requested. These can be provided if requested.</p> <p>(Internal Audit will request these documents.)</p> | | |
| Accepted | Implementation Deadline: | 31 December 2010 |

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| Recommendation 4 | Responsibility: Director of Regeneration & Community Services | Priority: 2 |
| <p>The Council should ensure that each member of the tender opening panel signs both the Tender Opening Register and the Tender Documents to confirm both completeness and their attendance.</p> | | |
| <p>Rationale</p> | | |
| <p>Invitations to tender include a date and time for their return and in some instances a pre-addressed envelope for the tender document. These procedures are in place to allow each tenderer an equal opportunity to win the work and ensure tender sums cannot be influenced by a tender already received by the Council. Following the date of return, a tender opening panel is assembled; the received envelopes are collected from their place of secure storage and each envelope is opened in turn, with the submitted tender sum, recorded in the Tender Opening Register. The Panel should ensure that each tender received is entered in the register and that it has been received prior to the closing time/date. Each Panel member should sign the register and also each Form of Tender document recorded in the register. Signing the tender document is a control to prevent alterations after the tenders have been opened.</p> <p>Internal Audit were only provided with the Form of Tender document submitted by the contractor formally appointed. In addition, a review of the Form of Tender document confirmed that it had not been signed by one member of the Opening Panel; nor had they signed the Tender Opening Register.</p> <p>The Council's Contract Standing Orders section 11.3 states "all persons present shall immediately sign against the relevant particulars, the register and shall also sign the tender as evidence of such tenders having been opened by them or in their presence".</p> | | |
| <p>Management Response</p> | | |
| Empty space for Management Response | | |
| Accepted | Implementation Deadline: | Immediate |

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| Recommendation 5 | Responsibility: Director of Regeneration & Community Services | Priority: 2 |
| <p>The Council should ensure that tender opening panels comply with Contract Standing Orders regarding membership.</p> | | |
| <p>Rationale</p> | | |
| <p>The Council's Contract Standing Order 11.1.2. states "in respect of tenders invited in accordance with Order 2.2 the Chairman or Vice Chairman of the Executive Committee or such other Member as they nominate at the time, together with the Chief Executive and the appropriate Director or such officer as each respectively shall have designated for the purpose."</p> <p>Internal Audit reviewed the Tender Opening Register and identified that only two persons were present at the tender opening. The Opening Panel consisted of Councillor Guselli and the Democratic Services Manager; Contract Standing Orders require three persons to be present. In addition, Internal Audit were unable obtain evidence that the appropriate delegations had been approved.</p> | | |
| <p>Management Response</p> | | |
| <p>Examination of the Tender Opening Register has shown Councillor Guselli, the Democratic Services Manager and the Clients Consultant were present at the opening of tenders. The Clients Consultant was present as the project manager was unavailable on that day.</p> | | |
| Accepted | Implementation Deadline: | Immediate |

| | | |
|---|--|--------------------|
| Recommendation 6 | Responsibility: Director of Regeneration & Community Services | Priority: 2 |
| <p>The Council should ensure that all the contractor's insurance details are provided and forwarded to the Legal Department for safe keeping; and monitoring within the contract period.</p> | | |
| <p>Rationale</p> | | |
| <p>The issued Instructions For Tendering paragraph 9 states "Insurance: details of insurance policies held or proposed meeting requirements stated in the Insurance Table within clause 84 of ECC must be submitted with tenders for the Employer's approval."</p> <p>A review of the Tender Return Checklist confirmed that only two of the six contractors had provided evidence of insurance cover, and despite requests evidence of the Insurance Policies was not provided to Internal Audit.</p> <p>In addition, the Council's consultants CAPITA Symonds recommended the acceptance of the lowest tender with concerns that the contractor's insurance cover was half of that required for public liability.</p> | | |
| <p>Management Response</p> | | |
| <p>Copies of contractor insurances are forwarded to the Accountant and Senior Legal Assistant. It is accepted that not all contractors provided insurance details but none of these were appointed. Details of public liability insurance and employers liability are confirmed at pre-contract award meeting.</p> | | |
| Accepted | Implementation Deadline: | Immediate |

| | | |
|---|--|--------------------|
| Recommendation 7 | Responsibility: Director of Regeneration & Community Services | Priority: 2 |
| <p>The Council should ensure that contract documents include a provision for the retention of payments made to the contractor, in accordance with Contract Standing Orders.</p> | | |
| <p>Rationale</p> | | |
| <p>The Council's Contract Standing Orders section 14.2.2 state that every contract shall specify "the price to be paid with a statement of discount and other deductions". It is the practice of the Council to retain 5% from each payment due to the contractor prior to practical completion. The Council's Contract Standing Orders 14.2.6 has also provided for post practical completion by stating "2.5% of the cost of the Contract shall be withheld by the Council from payment until clearance of the Final Account is received from the Council's Internal Audit."</p> <p>However, the Agreement by Deed between the Council and Askam Construction dated 18th March 2009 does not include a retention provision.</p> <p>Internal Audit reviewed the minutes from the Pre-Contract Meeting to establish whether the retention had been discussed. The minutes dated 12th February 2009 did not refer to retention rates. However, following a query the consultant Project Manager forwarded a further copy of the minutes of the same meeting; which contained a paragraph stating the amount of retention to be made.</p> | | |
| <p>Management Response</p> | | |
| <p>At the pre-contract award meeting a standard agenda, including retentions is used. I understand the copy of the minutes viewed by auditors was a draft copy and the one subsequently returned to the auditors was the final version.</p> <p>However, ideally this provision should be included within contract documents.</p> | | |
| Accepted | Implementation Deadline: | Immediate |

| | | |
|--|--|--------------------|
| Recommendation 8 | Responsibility: Director of Regeneration & Community Services | Priority: 2 |
| <p>The Council should ensure that the relevant person named in the Contract Documents provides signed Compensation Event Forms (variations) confirming variations to contract sums.</p> | | |
| <p>Rationale</p> | | |
| <p>Variations to contract sums are completed using Architect's Instructions or Compensation Event forms which require authorisation by the person identified in the Contract Documents. This provides protection to the employer from additional and unnecessary work being charged in the Final Account.</p> <p>Internal Audit obtained the Council Officer's (Client Representative) project file and confirmed that fifteen Compensation Event Forms had been issued of which only two had been appropriately signed. Without formal authorisation the variation activities should not, in theory, be actioned.</p> | | |
| <p>Management Response</p> | | |
| <p>Clients consultant would normally sign Compensation Event Forms. Compensation Event Forms are dealt with electronically. No variations are agreed without agreement of client and their consultants.</p> | | |
| Accepted | Implementation Deadline: | Immediate |

| | | | |
|--|--|--------------------|--|
| Recommendation 9 | Responsibility: Director of Regeneration & Community Services | Priority: 2 | |
| <p>The Council should ensure that the person named in the Contract Documents provides signed Interim Payment Certificates certifying the value of work completed.</p> | | | |
| <p>Rationale</p> | | | |
| <p>The Contract Administrator is responsible for assessing and valuing the work completed and materials on site at intervals specified in the Contract Document. A request for payment is made by completing an interim Payment Certificate; this contains the dates of valuation and issue, gross valuation, retention to be made and the net amount for payment. To validate the document the Contract Administrator is required to sign the Payment Certificate.</p> <p>Internal Audit requested copies of the certificates issued and identified that, at the time of the audit, five certificates had been issued. However, Certificate numbers 1, 3 & 4 had not been authorised. Interim Certificate documents may be invalid without being signed by the person responsible and as such could prejudice disputes with the contractor.</p> | | | |
| <p>Management Response</p> | | | |
| <p>This issue has arisen because of electronic submission of Certificates. These Certificates were accompanied by an email from the Contract Administrator confirming the Certificate is acceptable for payment, these confirmatory emails have not always been printed out.</p> | | | |
| Accepted | Implementation Deadline: | Immediate | |

| | | | | | | | | | | | | | | | | | | |
|---|--|-----------------------|---------------------|---------------------------|-------------|----------------------------|-----------------|---------|---|---------|---|--------|-----------------------|---------|------------|-----------------|------------|-----------|
| Recommendation 10 | Responsibility: Director of Regeneration & Community Services | Priority: 2 | | | | | | | | | | | | | | | | |
| <p>The Council should ensure that adjustments to the Final Account for liquidated and ascertained damages are accurately calculated.</p> | | | | | | | | | | | | | | | | | | |
| <p>Rationale</p> | | | | | | | | | | | | | | | | | | |
| <p>The Contract Document states the start and completion dates for the work, with the dates confirmed at the Pre-Contract meeting. The confirmed dates were:</p> <ul style="list-style-type: none"> • Commencement: 2nd March 2009 • Completion: 5th June 2009 <p>The Completion Certificate was issued 12th August 2009 confirming the date the works were substantially complete as 31st July 2009. A provision for liquidated and ascertained damages of £156.69 per day was made in the Contract Document. Internal Audit calculated the amount due to the Council as £5,484.15 (based on the documentation provided by the consultants).</p> <table border="1"> <tr> <td>Date for completion</td> <td>5th June 2009</td> </tr> <tr> <td>Actual Date</td> <td>31st July 2009</td> </tr> <tr> <td>Extended Period</td> <td>56 days</td> </tr> <tr> <td>Extension 1 Granted CEN 13 issued 8/10/09</td> <td>14 days</td> </tr> <tr> <td>Extension 2 Granted CEN 14 issued 8/10/09</td> <td>7 days</td> </tr> <tr> <td>Unauthorised over run</td> <td>35 days</td> </tr> <tr> <td>Daily Rate</td> <td>£156.69 per day</td> </tr> <tr> <td>Amount Due</td> <td>£5,484.15</td> </tr> </table> | | | Date for completion | 5 th June 2009 | Actual Date | 31 st July 2009 | Extended Period | 56 days | Extension 1 Granted CEN 13 issued 8/10/09 | 14 days | Extension 2 Granted CEN 14 issued 8/10/09 | 7 days | Unauthorised over run | 35 days | Daily Rate | £156.69 per day | Amount Due | £5,484.15 |
| Date for completion | 5 th June 2009 | | | | | | | | | | | | | | | | | |
| Actual Date | 31 st July 2009 | | | | | | | | | | | | | | | | | |
| Extended Period | 56 days | | | | | | | | | | | | | | | | | |
| Extension 1 Granted CEN 13 issued 8/10/09 | 14 days | | | | | | | | | | | | | | | | | |
| Extension 2 Granted CEN 14 issued 8/10/09 | 7 days | | | | | | | | | | | | | | | | | |
| Unauthorised over run | 35 days | | | | | | | | | | | | | | | | | |
| Daily Rate | £156.69 per day | | | | | | | | | | | | | | | | | |
| Amount Due | £5,484.15 | | | | | | | | | | | | | | | | | |
| <p>However, CAPITA Symonds have calculated the amount due to the Council as £1,566.90 which is equivalent to 10 days unauthorised over run.</p> | | | | | | | | | | | | | | | | | | |
| <p>Management Response</p> | | | | | | | | | | | | | | | | | | |
| <p>Extended completion dates can arise from delays initiated by the Council as well as the contractor. The delay in this instance arose from delays from a Council nominated sub contractor delaying work for fencing. The balance of 10 days reflects the delays arising from Council instruction and that from the contractor. Note a calculation of 10 days can be provided.</p> | | | | | | | | | | | | | | | | | | |
| Rejected | Implementation Deadline: | Not Applicable | | | | | | | | | | | | | | | | |

APPENDIX 1

AUDIT FRAMEWORK

Audit Coverage

The review covered the following areas:

- contract / tender process;
- bill of quantities;
- insurance and bond provision;
- additions & omissions, including architects instructions;
- contract meetings;
- extension and completion certification;
- payments, including interim and final certificates; and
- final account.

Methodology

The contract review covered the following key stages:

- evaluation of the contract summary details;
- confirmation of management objectives for contract review;
- examination of the tender and contract documentation;
- spot checks on arithmetical calculations;
- verify final account with the cumulative paid; and
- report findings, with relevant and practical recommendations for improvement.

Performance

Auditors: Keith Jackson and Ifor Jones.

The fieldwork was performed: July 2009 to February 2010

All final Internal Audit reports from April 2007 will be presented to the Council's Audit Committee.

APPENDIX 2

CONTRACT PARTICULARS

| | |
|---|---|
| Contract Title: | Proposed Holker Street Car Park. |
| Contract Form: | ICE – Engineering and Construction Contract (third edition June 2005 with Amendments June 2006) Incorporating Options. |
| Contractor: | Askam Construction Ltd |
| Architect: | CAPITA |
| Quantity Surveyor: | CAPITA |
| Tender Sum: | £201,875.69 |
| Contract Sum: | £201,875.69 |
| Date for Possession: | 2 nd March 2009 |
| Date for Completion: | 5 th June 2009 |
| Date of Practical Completion: | 31 st July 2009 |
| Delay in Completion: | Eight Weeks |
| Extension of Time Granted: | Three Weeks |
| Liquidated and Ascertained Damages provision/paid/received: | Provision: Compensation Events - Not Used |
| Minimum Insurance Cover | £10,000,000 Public Liability £10,00,000 Employer's Liability |
| Minimum Bond | Not stated. |
| Retention Amount | Retention 95% to Practical Completion Retention 97.5% During Defects Period Released prior to the above being achieved. |
| Submitted Final Account Sum: | Not yet submitted |
| Audited Final Account Sum: | n/a |
| Percentage increase / Submitted Final Account against Contract Sum. | n/a |

APPENDIX 3**CLASSIFICATIONS****Assurance Level**

| | <i>Evaluation</i> | <i>Testing</i> |
|--------------------|---|--|
| <i>Unqualified</i> | There is an adequate system of controls designed to achieve the system objectives. | The controls appear to be consistently applied. |
| <i>Substantial</i> | While there is a reasonable system of control, there are weaknesses, which may put the system objectives at risk. | Evidence was identified to suggest that the level of non-compliance with controls may put some of the system objectives at risk. |
| <i>Restricted</i> | Significant weaknesses have been identified in the system of control, which put the system objectives at risk. | The level of non-compliance identified places the system objectives at risk. |
| <i>None</i> | Control is weak, causing the system to be vulnerable to error and abuse. | Significant non-compliance with controls was identified leaving the system vulnerable to error and abuse. |

Audit Recommendations and Follow-up

| | <i>Recommendation</i> | <i>Follow Up</i> |
|-------------------|--|--|
| <i>Priority 1</i> | Major issues that we consider need to be brought to the attention of senior management. | Follow-up will be performed at specific dates agreed with senior management. |
| <i>Priority 2</i> | Important issues which should be addressed by management in their areas of responsibility. | Follow-up of the recommendations will be performed by the end of the next audit year |
| <i>Priority 3</i> | Minor issues which provide scope for operational improvement. | Follow-up performed by the end of the next audit year. |

| | | |
|---|--|--|
| AUDIT COMMITTEE | | Part One (D) Agenda Item 12 |
| Date of Meeting: 14th December, 2010 | | |
| Reporting Officer: Borough Treasurer | | |
| <p>Title: Internal Audit – Progress Report April to December 2010</p> <p>Summary and Conclusions:</p> <p>The Committee will receive regular progress reports on the programme of work carried out by the Internal Audit Service. The attached report relates to the period April to December 2010.</p> <p>The Council's Internal Audit Manager will attend the meeting to present the report to Members.</p> <p>Recommendations:</p> <p>Members are recommended to:</p> <ol style="list-style-type: none"> 1. Receive and consider the report; and 2. Raise any questions or concerns with the Internal Audit Manager. | | |

Report

The Internal Audit progress report is attached at **Appendix 8**.

(i) **Legal Implications**

Statutory requirements under section 151 and the Accounts and Audit Regulations 2006.

(ii) **Financial Implications**

Not Applicable.

(iii) **Health and Safety Implications**

Not Applicable.

(iv) **Key Priorities or Corporate Aims**

Not Applicable.

(v) Risk Assessment

Not Applicable.

(vi) Equality and Diversity

Not Applicable.

(vii) Health and Well-being Implications

Not Applicable.

Background Papers

Nil

FURNESS AUDIT

BARROW BOROUGH COUNCIL

INTERNAL AUDIT PROGRESS REPORT

April to December

2010/11

| CONTENTS | Page |
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EXECUTIVE SUMMARY

Purpose

The purpose of the report is to update Members of the Council's Audit Committee on:

- Internal Audit work performed up to 3rd December 2010, including final reports issued relating to a previous reporting period; and
- Significant issues that have arisen during this period as a result of our work.

Content

The information is presented in the following schedules:

1. *A Statistical Summary of Recommendations*

This schedule includes all audit recommendations to which Council management have responded between 1st April and 3rd December 2010. The figures are analysed according to the 'priority' of the recommendations, and the extent to which each has been accepted by management for action.

2. *Accepted Priority 1 Recommendations*

This schedule provides details of all major recommendations which have been accepted by management.

3. *Rejected Recommendations*

This schedule provides details of major and significant (i.e. Priority 1 and Priority 2) recommendations, which have been rejected by Council Management.

4. *Audit Coverage*

Details of audit assignments carried out in the period, including any checks on external partner organisations.

5. *Classifications of Assurance and Recommendations*

An explanation of the classifications used for prioritising recommendations and assessing levels of assurance.

1. STATISTICAL SUMMARY OF RECOMMENDATIONS

The following table summarises the number of audit recommendations we made in our final reports issued up to 3rd December 2010; analysed by their priority, including whether accepted by management.

| Recommendations | Total | Priority 1 | Priority 2 | Priority 3 |
|------------------------|--------------|-------------------|-------------------|-------------------|
| Made | 39 | 2 | 24 | 13 |
| Fully Accepted | 38 | 2 | 23 | 13 |
| Partly Accepted | 0 | 0 | 0 | 0 |
| Not Accepted | 1 | 0 | 1 | 0 |

2. ACCEPTED PRIORITY 1 RECOMMENDATIONS

Two priority one recommendations were made within the reporting period – see specific report for details.

3. REJECTED RECOMMENDATIONS

3.1 PRIORITY ONE RECOMMENDATIONS

There have been no rejected priority one recommendations during the reporting period.

3.2 PRIORITY TWO RECOMMENDATIONS

There has been one rejected priority two recommendation during the reporting period.

| | | | | | | | | | | | | | | | | | | |
|---|---|--|---------------------|---------------------------|-------------|----------------------------|-----------------|---------|---|---------|---|--------|-----------------------|---------|------------|-----------------|------------|-----------|
| Audit Report | Construction of Holker Street Car Park | | | | | | | | | | | | | | | | | |
| Recommendation | The Council should ensure that adjustments to the Final Account for liquidated and ascertained damages are accurately calculated. | | | | | | | | | | | | | | | | | |
| Rationale | <p>The Contract Document states the start and completion dates for the work, with the dates confirmed at the Pre-Contract meeting. The confirmed dates were:</p> <ul style="list-style-type: none"> • Commencement: 2nd March 2009 • Completion: 5th June 2009 <p>The Completion Certificate was issued 12th August 2009 confirming the date the works were substantially complete as 31st July 2009. A provision for liquidated and ascertained damages of £156.69 per day was made in the Contract Document. Internal Audit calculated the amount due to the Council as £5,484.15 (based on the documentation provided by the consultants).</p> <table border="1"> <tr> <td>Date for completion</td> <td>5th June 2009</td> </tr> <tr> <td>Actual Date</td> <td>31st July 2009</td> </tr> <tr> <td>Extended Period</td> <td>56 days</td> </tr> <tr> <td>Extension 1 Granted CEN 13 issued 8/10/09</td> <td>14 days</td> </tr> <tr> <td>Extension 2 Granted CEN 14 issued 8/10/09</td> <td>7 days</td> </tr> <tr> <td>Unauthorised over run</td> <td>35 days</td> </tr> <tr> <td>Daily Rate</td> <td>£156.69 per day</td> </tr> <tr> <td>Amount Due</td> <td>£5,484.15</td> </tr> </table> <p>However, CAPITA Symonds have calculated the amount due to the Council as £1,566.90 which is equivalent to 10 days unauthorised over run.</p> | | Date for completion | 5 th June 2009 | Actual Date | 31 st July 2009 | Extended Period | 56 days | Extension 1 Granted CEN 13 issued 8/10/09 | 14 days | Extension 2 Granted CEN 14 issued 8/10/09 | 7 days | Unauthorised over run | 35 days | Daily Rate | £156.69 per day | Amount Due | £5,484.15 |
| Date for completion | 5 th June 2009 | | | | | | | | | | | | | | | | | |
| Actual Date | 31 st July 2009 | | | | | | | | | | | | | | | | | |
| Extended Period | 56 days | | | | | | | | | | | | | | | | | |
| Extension 1 Granted CEN 13 issued 8/10/09 | 14 days | | | | | | | | | | | | | | | | | |
| Extension 2 Granted CEN 14 issued 8/10/09 | 7 days | | | | | | | | | | | | | | | | | |
| Unauthorised over run | 35 days | | | | | | | | | | | | | | | | | |
| Daily Rate | £156.69 per day | | | | | | | | | | | | | | | | | |
| Amount Due | £5,484.15 | | | | | | | | | | | | | | | | | |

| | |
|-----------------|--|
| Response | Extended completion dates can arise from delays initiated by the Council as well as the contractor. The delay in this instance arose from delays from a Council nominated sub contractor delaying work for fencing. The balance of 10 days reflects the delays arising from Council instruction and that from the contractor. Note a calculation of 10 days can be provided. |
|-----------------|--|

4. INTERNAL AUDIT COVERAGE: APR-DEC 2010

| Audit Assignment | System Significance Band | Status | Assurance |
|---|--------------------------|--|-------------|
| ANNUAL AUDITS | | | |
| Income Collection | 1 | Final | Substantial |
| Housing and Council Tax Benefits | 1 | Fieldwork commenced | - |
| Council Tax | 1 | Fieldwork commenced | - |
| Performance Management | 1 | Cancelled time to be allocated against contract audit | |
| Business Rates (NNDR) | 1 | Fieldwork complete | - |
| Risk Management | 1 | | |
| Financial Information System | 1 | | |
| Budgetary Control | 2 | | |
| Treasury Management | 2 | | |
| Car Park Meter Income | 2 | Final | Substantial |
| Payroll | 2 | Fieldwork complete | - |
| Accounts Receivable | 2 | | |
| Corporate Control/Governance | 2 | | |
| Periodic Checks | 2 | Ongoing | - |
| Procurement (inc. Ordering) | 2 | Planning | |
| Accounts Payable | 2 | | |
| Housing Rents | 2 | | |
| Standing Orders and Financial Regulations | 2 | Complete | n/a |
| Housing Maintenance (Day to day repairs) | 2 | Cancelled time to be allocated against housing contract audits | |

| Audit Assignment | System Significance Band | Status | Assurance |
|---|---------------------------------|--|------------------|
| RISK ASSESSED SYSTEMS | | | |
| Licensing | 3 | Final | Substantial |
| Housing Strategy | 3 | Cancelled replaced with additional Standing Orders, Financial Regs & Procurement Policy review | |
| Catering Contract | 3 | Draft | Restricted |
| Waste Management (Residual Waste Probity Review) | 4 | Final | Restricted |
| Refuse & Recycling Collection | 4 | Complete | n/a |
| Non Routine Public Buildings Maintenance | 4 | Final | Substantial |
| DESIGNATED ANNUAL AUDIT ACTIVITY | | | |
| Receipt Book Checks | - | Ongoing | - |
| Petty Cash/Floats Spot Checks | - | Complete | - |
| Annual Accounts Working Paper Review | - | Complete | - |
| | | | |
| <i>Other Projects</i> | | | |
| Probity – Better Regulation Project (CIEP/NWIEP) | - | Complete | - |
| New Burdens Grant Determination | - | Complete | - |
| Landlord Grant Investigation | | Complete | - |
| | | | |
| <i>Community Organisations (inc. Mayor's Account)</i> | | | |
| Hawcoat | - | Complete | - |
| Abbotsvale | - | Complete | - |
| Dalton Community Association | - | Complete | - |
| Roosegate | - | Complete | - |
| Barrow Playing Fields Users Association | - | Complete | - |
| Mayors Account | - | Complete | - |

| Audit Assignment | System Significance Band | Status | Assurance |
|--|---------------------------------|----------------------|------------------|
| | | | |
| <i>Funding Checks/Grant Claims</i> | | | |
| Ramsden Business Park Final Grant Claim | - | Complete | - |
| Marina Village Land Acquisition Final Grant Claim | - | Complete | - |
| Inspiring Communities Final Grant Claim | - | Complete | - |
| | | | |
| Fraud Hotline | - | Ongoing | - |
| NFI Responsibilities | - | Ongoing | - |
| | | | |
| IT ENVIRONMENT AUDITS | 1 | | |
| General Controls Review of Report IT 42 | | Draft | Restricted |
| Internet Access & Security | | Fieldwork commenced | - |
| | | | |
| CONTRACT AUDIT | 1 | | |
| Construction of Link Road Phase 2 Cornmill Crossing | - | Draft | Restricted |
| Construction of Link Road Phase 2 – Enabling Work Bradys Warehouse | - | Awaiting Information | - |
| Barrow Town Centre Public Realm Scheme Phase 2 | - | Ongoing | - |
| | | | |
| AUDIT MANAGEMENT | | | |
| <i>Implementation Review</i> | | | |
| Data Protection (Client Aware System) | - | Complete | - |
| Implementation of the Data Protection Act | - | Complete | - |
| Void Management | - | Complete | - |
| Development Control | - | Complete | - |

| Audit Assignment | System Significance Band | Status | Assurance |
|--|---------------------------------|---------------|------------------|
| <i>Implementation Review</i> | | | |
| Insurance | - | Complete | - |
| Park Leisure Centre | - | Complete | - |
| Streetcare | - | Complete | - |
| Grounds Maintenance | - | Complete | - |
| | | | |
| Probity | - | Ongoing | - |
| ADDITIONAL CONTRACTED WORK | | | |
| Benefit Certification including additional testing | - | Complete | - |

| Audit Assignment | System Significance Band | Status | Assurance |
|---|---------------------------------|---------------|------------------|
| CONTINGENCY <i>(Previous year draft and final reports issued during period)</i> | | | |
| Housing and Council Tax Benefits | 1 | Final | Substantial |
| Financial Information System | 1 | Final | Substantial |
| Alterations to the Park Leisure Centre | 1 | Initial Final | Restricted |
| Holker Street Car Park | 1 | Final | Restricted |
| External Fabric Repairs 104 Abbey Rd | 1 | Final | Substantial |

5. CLASSIFICATIONS

5.1 Classification of Assurance Levels

At the conclusion of each audit, we give an overall opinion on the level of assurance, which we consider is provided by the controls in place within the system audited. The following classification of assurance levels has been adopted:

| Level | Definition |
|--------------------------|--|
| 1. Unqualified Assurance | The controls appear to be consistently applied. |
| 2. Substantial Assurance | Evidence was identified to suggest that the level of non-compliance with controls may put some of the system objectives at risk. |
| 3. Restricted Assurance | The level of non-compliance identified places the system objectives at risk. |
| 4. None | Significant non-compliance with controls was identified leaving the system vulnerable to error and abuse. |

The conclusions and assurance levels specified for each audit are used to support the Council's governance review arrangements, as required by the Accounts and Audit (Amendment) (England) Regulations 2006, and the 2007 CIPFA/SOLACE Framework and Guidance notes.

5.2 Priority of Recommendations

Our audit recommendations are categorised by three priority levels: -

- Priority 1* Major issues that we consider need to be brought to the attention of senior management.
- Priority 2* Important issues which should be addressed by management in their area of responsibility.
- Priority 3* Detailed issues of a relatively minor nature.

APPENDIX 1 – DRAFT REPORTS ISSUED

| Ref | Audit | Date issued |
|---------|---|---------------|
| * IT 40 | IT Asset Management | 30 June 2009 |
| * CR 52 | Refurbishment Ground Floor Male and Female Toilets | 15 April 2010 |
| 10-24 | Catering Contract Sodexo Forum 28 | 29 Sep 2010 |
| IT 44 | IT General Controls, Review of IT 42 | 30 Sept 2010 |
| CR 58 | Construction of Link Road Phase 2 Cornmill Crossing | 1 Dec 2010 |

* Outstanding management responses previously requested by Audit Committee.

Appendix 2 – Restricted Assurance Audits

| | | Recommendations | | | Previous Recommendations | | | Total | Date Issued |
|-------|--|-----------------|----|----|--------------------------|----|----|-------|-------------------|
| Ref | Audit | P1 | P2 | P3 | P1 | P2 | P3 | | |
| 09-39 | Contract Probity | 2 | 3 | 0 | N/a | | | 5 | 28 April 2010 |
| CR 55 | Alterations to the Park Leisure Centre <i>(management response received)</i> | 0 | 9 | 0 | N/a | | | 9 | 9 June 2010 |
| 10-24 | Sodexo Catering Contract Forum 28 <i>(awaiting management response)</i> | 2 | 6 | 1 | N/a | | | 9 | 17 August 2010 |
| IT 44 | IT General Controls, Review of IT 42 <i>(awaiting management response)</i> | | | | 1 | 27 | 6 | 34 | 30 September 2010 |
| CR 53 | Construction of Holker Street Car Park | 0 | 10 | 0 | N/a | | | 10 | 1 December 2010 |
| CR 58 | Construction of Link Road Phase 2 Cornmill Crossing <i>(awaiting management response)</i> | 2 | 2 | 0 | N/a | | | 4 | 1 December 2010 |
| 10-34 | Residual Waste Probity Review | 2 | 3 | 0 | N/a | | | 5 | 2 December 2010 |

| | | |
|--|--|--|
| AUDIT COMMITTEE | | Part One (R) Agenda Item 13 |
| Date of Meeting: 14th December, 2010 | | |
| Reporting Officer: Borough Treasurer | | |
| <p>Title: Review of Contract Standing Orders, Financial Regulations, Purchasing Guide and Procurement Policy</p> <p>Summary and Conclusions:</p> <p>The Contract Standing Orders have been reviewed following a recent report by the Audit Commission. A decision has been made to rewrite these orders in full to reflect current practice and to bring them up to date.</p> <p>Financial Regulations are required to be reviewed regularly to keep them relevant and current.</p> <p>A new Purchasing Guide will be used to cover any purchases outside the provisions of the Contract Standing Orders.</p> <p>The Procurement Policy has also been reviewed and it was concluded that the provisions of the policy be incorporated into the Financial Regulations and Contract Standing Orders rather than maintaining a separate policy document.</p> <p>Recommendations:</p> <p>Members are recommended to:</p> <ol style="list-style-type: none"> 1. Approve the new Contract Standing Orders and recommend full Council to adopt and incorporate them into the constitution; 2. Approve the amended Financial Regulations and recommend full Council to adopt and incorporate them into the constitution; 3. Note the Purchasing Guide and agree that it can be reviewed and amended by the Borough Treasurer when required; and 4. Revoke the current Procurement Policy. | | |

Report

The new Contract Standing Orders are attached as **Appendix 9** to this report. These orders replace the existing set and should be adopted with immediate effect.

The Financial Regulations, **Appendix 10** to this report, have been amended to bring them up to date. The main changes are:

- Page 19: reference to the Council's procurement aim
- Page 25 4b: new paragraph concerning income collection
- Page 26 8b: reviewing the write off amount from £10,000 to £25,000

- Page 26 8c: new paragraph concerning write offs
- Page 30 4: custody of cheques

The amended Financial Regulations should be adopted with immediate effect.

A new Purchasing Guide, **Appendix 11** to this report, is being introduced to provide guidance to officers for any purchases outside the provisions of the Contract Standing Orders. This guide will be reviewed and amended by the Borough Treasurer as and when required.

The current Procurement Policy was approved in June 2010, however, the review of Contract Standing Orders and Financial Regulations has highlighted that a separate policy is not necessary. All the relevant procurement provisions can be incorporated into the Contract Standing Orders and/or the Financial Regulations. The decision was therefore taken to recommend the revocation of the current Procurement Policy.

(i) Legal Implications

Not Applicable.

(ii) Financial Implications

Not Applicable.

(iii) Health and Safety Implications

Not Applicable.

(iv) Key Priorities or Corporate Aims

Not Applicable.

(v) Risk Assessment

Not Applicable.

(vi) Equality and Diversity

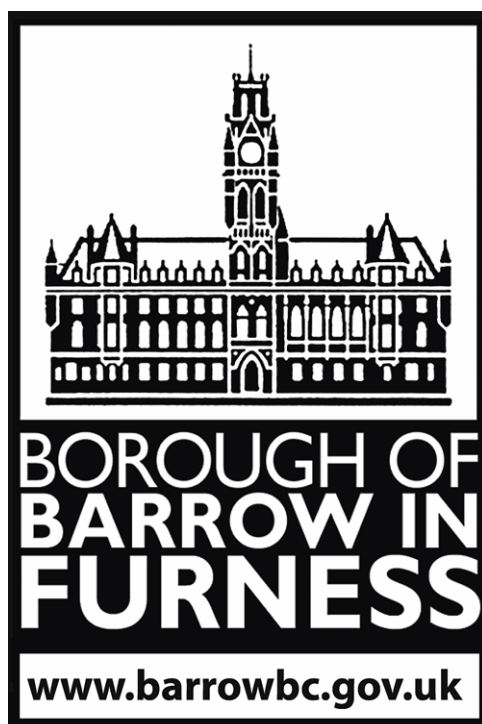
Not Applicable.

(vii) Health and Well-being Implications

Not Applicable.

Background Papers

Nil



Contract Standing Orders

Reviewed December 2010

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Contract Standing Orders

1. General

A contract is any agreement to supply goods, works, or services.

Except as provided in paragraph 13 below every contract made by the Council shall comply with these Contract Standing Orders. All contracts shall comply with European Union (EU) procurement legislation, Public Contract Regulations 2006 and UK law. The exceptions in paragraph 13 do not apply where EU Directives and Regulations relating to public sector supply contracts must be complied with.

Any agent or consultant appointed by the Council to supervise or assist on a contract shall be placed under an obligation to comply with these Contract Standing Orders and the Financial Regulations of the Council as if they were a Deputy/Chief Officer of the Council.

In these Contract Standing Orders the word tender shall have the following meaning:

- Tender - a price given by a contractor for a suitable specified contract by invitation.

| |
|--|
| For purchases below £100,000 follow the Council's Purchasing Guide. |
|--|

2. Options appraisal

Any purchase or project must be subject to the principles of options appraisal and it is expected that the Deputy/Chief Officer responsible for the purchase or project will have considered the full implications and alternative means of achieving the same objective. The resource spent on this and the level of documentation of this process will be proportionate to the value and type of the purchase or project.

Options appraisals will be undertaken for:

- all those with a total cost of £100,000 or more, or
- other projects below this as decided by Chief Officers.

Appraisals must be approved by the Deputy/Chief Officer responsible before any report to the Executive Committee and before inclusion in the Council's budget, and the appraisal must be approved before any expenditure has been incurred.

Contract Standing Orders

3. Tendering

Tenders will be invited from a minimum of four competent contractors, unless otherwise approved by the Executive Committee.

The tender notice will include:

- a specification of the works or services required;
- the form of tender;
- the date and details for the submission of tenders;
- the date that the contract will be let from; and,
- the evaluation criteria to be used in awarding the contract.

4. Receipt and opening of Tenders

Tenders will only be considered if they are returned by the time specified, in a plain envelope which is securely sealed, or through the relevant electronic software system, and bears only the word "Tender" followed by the subject to which the tender relates. The envelope must not bear any distinguishing matter or mark from which it would be possible to identify the tenderer. Written tenders shall be returned addressed to the Democratic Services Manager as required by the public notice or invitation to tender and will remain in their custody after they have been received until the time appointed for opening.

All tenders for a particular contract shall be opened at the same time by a Deputy/Chief Officer together with the Chair or Vice-Chair of the Executive Committee and the Democratic Services Manager; or their representatives as delegated. The opening of the tenders must be evidenced in the tender opening register, or by electronic means.

5. Late / Invalid Tenders

Any tender received after the specified time for receipt or which does not comply with the tender instructions shall be returned to the tenderer by the Democratic Services Manager.

6. Errors in Tenders

Where the tender is expressed as a total sum and an examination of the tender reveals errors or discrepancies which would affect the total the tenderer shall be given details of the error and discrepancies and given an opportunity of confirming or withdrawing their offer.

Contract Standing Orders

7. Acceptance of Tenders

Only valid tenders may be considered for the contract award; received on time and contain all relevant information.

Any Deputy/Chief Officer or Member assessing tenders must consider all of the valid tenders received in relation to that contract and evaluate them against the predetermined criteria. The tender evaluation is reported to the Executive Committee who then award the contract to the tenderer who submits the most economically advantageous tender.

8. Negotiated Contracts

Contracts may only be negotiated where tenders have been requested and no suitable tenders have been received or in exceptional situations where the nature of the contract or the risks involved do not permit overall pricing.

In such situations Chief Officers must be consulted and will decide, in conjunction with the relevant Deputy Chief Officer, whether a negotiation process is appropriate and will receive the results of all such negotiations to report to the Executive Committee for decision before entering into a contract.

9. Letting of Contracts

Contracts over £100,000 may only be awarded by the Executive Committee; these provisions exclude the specific exceptions in paragraph 13 below.

In cases where the Council may nominate a sub-contractor to a main contractor these Contract Standing Orders shall apply to that nomination as they would to tendering procedures for ordinary contracts with the necessary modifications to wording.

Detailed guidance and assistance must be obtained from the Technical Services Manager for any contract that is above the EU threshold limit. EU regulations must be complied with and best value must be demonstrated.

10. Extending Contracts

Where a service contract has no contractual option to extend, the Executive Committee can extend that contract for up to two years with the current contractor on the same basis, or a more beneficial basis to the Council.

For works that are on a current or live contract, an extension or additional contract can be approved by the Executive Committee for similar works, in the same geographical area and at the original tender rate; subject to this not exceeding the £100,000 contract limit.

Contract Standing Orders

There is a presumption against contracts being extended or granted in this way, and this must not be done if the additional goods, services or works could have been included in the original contract. Similarly a contract must not be extended under this paragraph where the combined value of the original and extended contract would exceed the EU threshold limit.

11. Post Implementation Review

Projects that must be subject to a Post Implementation Review are:

- All those projects which have received an appraisal.
- Contracts where the total expected expenditure exceeds the approved total costs by the lesser of 10% or £100,000.
- Chief Officers may require a review of any other project not covered above.

The review should be carried out within three months of the final account being paid and be submitted to Management Team.

12. Written Contracts

All contracts awarded under these Orders must be made in writing, signed by both parties, retained by Legal Services and include the following clauses:

- The Council may terminate this contract immediately without compensation to you if:
 - You have offered, or given or agreed to give to any person any gift or consideration as an inducement or reward for doing or not doing, or for having done or not done, anything in relation to obtaining this contract or any other contract with the Council, or in relation to matters arising under this or any other contract with the Council.
 - You, or any person employed by you, or acting on your behalf, has in relation to any contract with the Council:
 - committed an offence under the Prevention of Corruption Acts 1889 to 1916 (or any amendments to them); or
 - given any fee or reward, the receipt of which is an offence under s.117(2) Local Government Act 1972.
- You must comply with all applicable legislation relating to data protection and to sex, race and disability discrimination.
- You will be permitted to make use of the Council's Whistleblowing Policy and must bring it to the attention of all your relevant employees and/or agents.
- You must not assign, sub-contract, licence or otherwise dispose of any part of your rights or obligations under this contract without the Council's written consent.
- A performance bond, cash deposit or alternative security may be required when a contract exceeds £150,000 or if required by Chief Officers.

Contract Standing Orders

For works contracts there must be a further clause:

- 2.5% of the contract value will be withheld by the Council until Internal Audit clears the Final Account.

Additionally, where appropriate contracts must include terms for liquidated damages to be paid by the contractor in case of a default.

13. Exceptions to the Contract Standing Orders

Nothing in these Contract Standing Orders shall require tenders to be invited if:

- the Chief Executive and relevant Chief Officer determine that:
 - the relevant goods, work or services are required so urgently as to justify a departure from the rules; or
 - the works, goods or services are of a specialised nature and it would not be practicable to go to more than one contractor or supplier, or this would result in no genuine competition.
- Goods are purchased at auction.
- Works, goods or services are purchased through a consortium, framework, or similar body who, operate under similar Codes of Practice or who can demonstrate selection of the best source of supply.
- The Council is acting as an agent for another body who require their regulations to apply to the contract.

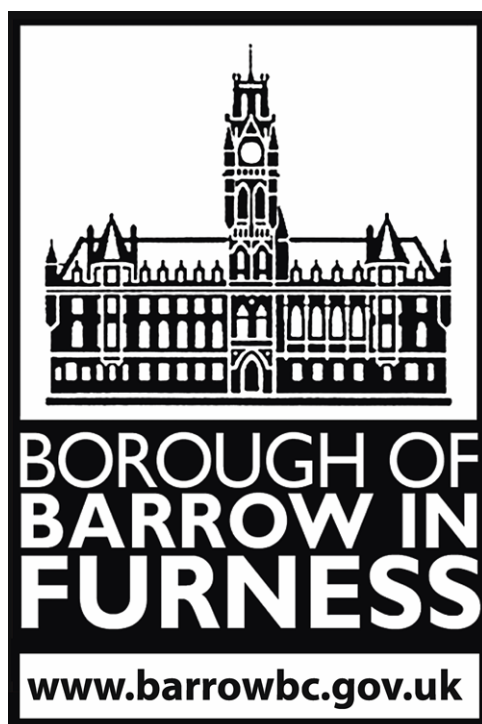
The exercise of any of these, and reasons for it, must be reported to the next meeting of the Executive Committee.

14. Sealing of Documents

All contracts awarded under these Contract Standing Orders require sealing.

15. Auditing

Contracts are subject to review in accordance with Financial Regulations section 19.



Financial Regulations

Reviewed December 2010

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Financial Regulations

Barrow Borough Council is committed to ensuring a sound financial management framework is in place that is relevant and provides the necessary financial controls to meet the demands of delivering local services.

The Financial Regulations also provide clarity about the financial accountabilities of individuals - Members, the Chief Executive and Head of Paid Service, the Monitoring Officer, the Borough Treasurer (Section 151 Officer) and other Heads of Service, and staff generally. These Regulations are therefore formally endorsed by the Council as a key part of the Council's Constitution.

The Financial Regulations provide the overall key control framework to enable Barrow Borough Council to exercise effective financial management and control of its resources and assets. Another key purpose of the Regulations is to support and protect Members and staff in the performance of their duties where financial issues are involved.

These Regulations need to be read in conjunction with the remainder of the Constitution and any other regulatory documents of the Council.

Please address queries or comments regarding the Council's Financial Regulations to the Borough Treasurer.

Financial Regulations

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Financial Regulations

Section 1: General

WHY ARE THESE REGULATIONS IMPORTANT?

It is important that the Council has a sound and effective financial management framework in place to safeguard the Council's financial arrangement and activities, to support staff and to minimise risk. The Local Government Act 1972 Section 151 requires the Council to nominate one of its officers to be responsible for the proper administration of its financial affairs. The officer so appointed is the Borough Treasurer and in his absence the Deputy Borough Treasurer. Financial Regulations form part of the Council's approach to corporate governance and provide a control framework through which the Borough Treasurer carries out his statutory duty on behalf of the Council.

1. Application of Financial Regulations

Financial Regulations are the framework for controlling and managing the Council's financial affairs. They apply to every Member and officer of the Council and anyone acting on its behalf:

- a. These Regulations identify the financial responsibilities of the Full Council, the Executive Committee, the Audit Committee, the Head of Paid Service, the Section 151 Officer and Heads of Service generally. References to Heads of Service include the Chief Executive, Borough Treasurer and Directors. References to the Borough Treasurer refer to his role as Section 151 Officer.
- b. References in these Regulations to Heads of Service also apply to individual department and cost centre managers.
- c. These Regulations apply equally to all external agencies and their employees incurring expenditure or receiving income on behalf of the Council. Accordingly, Heads of Service will ensure that partnership and other arrangements with external parties are not set up to operate in conflict with these Regulations as far as the Council's involvement is concerned.
- d. These Regulations will apply until such time as they are rescinded, amended or suspended by the Council.

2. General responsibility

- a. All Members and staff have a general responsibility for taking reasonable action to provide for the security of any assets under their control, and for ensuring that the use of resources is legal, is properly authorised and provides the best value for money.
- b. Any officers of the Council receiving any financial related Government Department correspondence will immediately

Financial Regulations

forward a copy to the Borough Treasurer. The Borough Treasurer must be consulted in connection with any correspondence or discussions that have financial implications.

- c. All Members and staff of the Council must abide by the codes and protocols the Council.
- d. Money held or received on behalf of the Council will not be borrowed or used to encash personal cheques.
- e. Heads of Service are responsible for informing the Borough Treasurer of any matter liable to materially affect the finances of the Council including negotiations with Government Departments, before any commitment is incurred or arrangements reached.

3. Compliance

Heads of Service are responsible for making all staff in their departments aware of the existence of and content of these Financial Regulations and for their compliance with them.

4. Review

The Borough Treasurer will maintain a continuous review of the Financial Regulations and submit any necessary additions or changes for approval by the Audit Committee. He will report, where appropriate, breaches of the Financial Regulations to the Audit Committee.

Financial Regulations

Section 2: Internal Controls

WHY ARE THESE REGULATIONS IMPORTANT?

The functions of the Council are diverse and therefore to ensure delivery of the Council's strategic objectives a framework of internal control is required.

The Council has statutory obligations and therefore requires internal controls to identify, meet and monitor compliance with these obligations.

The Council faces a wide range of financial, administrative and commercial risks, from both internal and external factors, that need to be managed to enable the Council to achieve its objectives. Internal controls are necessary to manage these risks.

A system of internal controls is established in order to provide measurable achievement of: (a) efficient and effective operations, (b) reliable financial information, (c) compliance with laws and regulations, and (d) risk management.

1. The Borough Treasurer has statutory duties in relation to the financial administration and stewardship of the Council. This responsibility cannot be overridden. The statutory duties arise from:
 - a. Section 151 of the Local Government Act 1972
 - b. The Local Government Finance Act 1988
 - c. The Local Government and Housing Act 1989
 - d. The Accounts and Audit Regulations 2003 (as amended)
 - e. The Local Government Act 2003

2. The Borough Treasurer is responsible for:
 - a. The proper administration of the Council's financial affairs
 - b. Setting financial management standards and monitoring compliance with them
 - c. Advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
 - d. Providing financial information
 - e. Preparing the revenue budget and capital programme
 - f. Treasury management
 - g. Reporting on the robustness of estimates made for the purposes of preparing budgets and the adequacy of the proposed financial reserves

Financial Regulations

3. The Borough Treasurer will report to the Full Council, Executive Committee and external auditor in fulfillment of his statutory obligations under Section 114 of the Local Government Act 1988 or otherwise if the Council or any of its officers:
 - a. has made, or is about to make, a decision that involves incurring unlawful or unauthorised expenditure
 - b. has taken, or is about to take, an unlawful or unauthorised action that has resulted or would result in a loss or deficiency to the Council
 - c. has made or is about to make an unlawful or unauthorised entry in the Council's accounts
4. The Director of Corporate Services is responsible for setting Contracts Standing Orders and monitoring compliance with them.
5. Heads of Service are responsible for ensuring that:
 - a. Members of the Executive Committee are advised of the financial implications of all proposals and that these have been previously agreed by the Borough Treasurer
 - b. contracts are duly signed on behalf of the Council and the Council Seal is applied where applicable
 - c. the approval of the Borough Treasurer is sought on any matter liable to affect the Council's finances materially, before any commitments are incurred
6. The Borough Treasurer will assist the Council to put in place an appropriate control environment and effective internal controls that provide reasonable assurance of effective operations, financial stewardship, probity and compliance with laws and regulations. The Borough Treasurer shall eliminate practices that are identified as inefficient or wasteful of Council resources.
7. Heads of Service will ensure that:
 - a. managerial control systems operate effectively throughout their departments. These will include the defining of policies, the setting of objectives and plans, the monitoring of financial and other performance, and the taking of appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities and ensuring staff have a clear understanding of the consequences of any lack of control.
 - b. financial and operational control systems and procedures operate effectively throughout their departments. These will include physical safeguards for assets, segregation of duties, checking and authorisation procedures and information systems.

Financial Regulations

- c. key controls and control objectives for internal control systems are reviewed regularly in order to be confident as to the proper use of resources, achievement of objectives and management of risk.
 - d. processes are managed so as to check that established controls are being adhered to and are effective.
 - e. existing controls are reviewed in the light of changes affecting the Council and new controls are established and implemented in line with guidance from the Borough Treasurer.
 - f. controls that are no longer necessary, or no longer cost or risk effective, are removed
8. The Borough Treasurer will ensure that there is an effective and properly resourced internal audit function.

Financial Regulations

Section 3: Accounting

WHY ARE THESE REGULATIONS IMPORTANT?

Maintaining proper accounting records is one of the ways the Council discharges its responsibility for stewardship of public resources. The Council has a statutory duty to prepare its annual Statement of Accounts in a way that gives a true and fair view of its operations during the year. The accounts are subject to external audit, which provides assurance that they have been prepared properly, that proper accounting practices and statutory requirements have been followed and that quality arrangements have been made for securing economy, efficiency and effectiveness in the use of the Council's resources. There is also a statutory right for members of the public to inspect the accounts and relevant supporting documentation.

1. The Borough Treasurer is responsible for:
 - a. selecting and applying appropriate accounting policies
 - b. determining accounting procedures and policies
2. The Borough Treasurer will:
 - a. make arrangements for the proper administration of the Council's financial affairs
 - b. apply accounting policies consistently
 - c. maintain proper accounting records
 - d. ensure that the Statement of Accounts for the previous financial year is completed, approved by the appropriate Committee and published within the corporate and statutory timetable and in accordance with relevant Codes of Practice
3. Heads of Service will ensure:
 - a. that all the Council's transactions, material commitments, contracts and other essential accounting information are recorded completely, accurately and promptly
 - b. that in the allocation of accounting duties of any kind:
 - i. the duty of providing information, calculating, checking and recording sums due to or from the Council will be separated from the duty of collecting or paying such sums
 - ii. officers charged with the duty of examining and checking accounts of cash or stocks transactions will not themselves be engaged in any of those transactions
 - c. that the Borough Treasurer is supplied with such information as may

Financial Regulations

be requested by him from time to time for the purpose of the proper administration of the Council's affairs

Financial Regulations

Section 4: Revenue Budget

WHY ARE THESE REGULATIONS IMPORTANT?

The Council is responsible for producing an overall policy framework. The purpose of the framework is to explain overall priorities and objectives, and ensure that resources follow the identified priorities, current performance and proposals for improvement. The revenue budget is important in this context because, together with the capital programme (see Section 5), it expresses the approved policies and service levels of the Council in financial terms.

Once approved, the revenue budget confers authority on managers to incur expenditure to achieve the aims and objectives of the Council. If expenditure plans cannot be met within the approved budget, then they can only proceed with an approval to divert funds (as provided for in Section 7(4)).

1. The Borough Treasurer will:
 - a. recommend to the Executive Committee appropriate guidelines for preparation of the annual budget
 - b. recommend to the Executive Committee the Council's Medium Term Financial Plan incorporating the annual budget and the financial forecast for at least the following two financial years
 - c. issue appropriate guidance to Heads of Service and prepare a corporate budget timetable
 - d. ensure the approved budget guidelines are complied with so that statutory and other deadlines can be met

2. Heads of Service will:
 - a. submit to the Borough Treasurer estimates in accordance with the budget guidelines and within agreed time scales
 - b. ensure that the estimates are prepared having regard to the Council Community Plan and other corporate aims and objectives
 - c. for each cost centre, supply to the Borough Treasurer an estimated profile of the rate of expenditure or income across the budget year
 - d. provide any information the Borough Treasurer may require

3. The Borough Treasurer will report to the Executive Committee (via the Housing Forum for the Housing Revenue Account) and to Full Council:
 - a. on the revenue estimates, ensuring that the context and format comply with legal requirements and relevant Codes of Practice

Financial Regulations

- b. on the robustness of the estimates made for the purposes of calculations and the adequacy of the proposed financial reserves
 - c. on any significant surplus or deficit arising on the Collection Fund with a recommended course of action
 - d. on the final proposed budget to enable the Leader of the Council to make a recommendation to Full Council on the appropriate levels of provisions and reserves, and on the levels of Council Tax for the year
4. Final acceptance of revenue estimates can only be made by Full Council.
5. Subject to (6) below, the approval of a budget for the year by Full Council confers authority to spend in accordance with the budget for that year. Commitments affecting future financial years may only be made where the provisions of Section 7(6) are satisfied. Heads of Service are responsible for coordinating programmes of expenditure and income that will achieve the objectives on which the budget was based.
6. Heads of Service will not enter into any new arrangements or other contractual commitments with long-term revenue consequences without the prior written consent of the Borough Treasurer. Such arrangements may be defined for this purpose as any lease, contract hire or other contract or series of contracts under which the use of an asset is obtained in exchange for a series of revenue payments which extend beyond the end of the following financial year.
7. If Heads of Service wish to incur expenditure outside the approved budget provision, or anticipates an under spend against an approved budget head, the procedures set out in Section 7(5a) and (3) will apply.

Financial Regulations

Section 5: Capital Programme

WHY ARE THESE REGULATIONS IMPORTANT?

The revenue budget (Section 4) and the capital programme together express the approved policies and service levels of the Council in financial terms. It is important to ensure that the Council achieves maximum economy, efficiency and effectiveness from the use of its capital resources and directs those resources into the agreed priority areas. Unlike the revenue budget however, due to the uncertainty of capital resources and the timing of capital projects, total capital expenditure is often over or under programmed against estimated resources, so special controls are needed to ensure commitments do not exceed the resources available.

1. The Borough Treasurer is responsible for preparing annually a Capital Strategy and submitting this with the revenue budget to the Executive Committee for approval.
2. The Borough Treasurer will:
 - a. maintain current estimates of resources available to finance capital expenditure in the current year and over at least the following two financial years
 - b. maintain a capital programme for approval periodically by the Executive Committee, based on the current Council key priorities and other relevant corporate plans and strategies.
 - c. receive and assess all formal appraisal reports for capital project proposals prior to their submission to the Executive Committee
3. Heads of Service will:
 - a. submit to the Borough Treasurer upon request estimates of the cost of capital spending proposals and the estimated amount and timing of any capital receipts and other contributions receivable
 - b. ensure that the estimates submitted are prepared having regard to the Council key priorities and other corporate aims and objectives
 - c. ensure that all capital project proposals are the subject of a formal appraisal report to the Executive Committee defining the need, purpose, options, risks and financial implications must include all capital considerations and subsequent revenue implications. Such reports to be provided to the Borough Treasurer prior to submission to the Executive Committee
 - d. provide any other information the Borough Treasurer may

Financial Regulations

require for the review, monitoring or control of the capital programme

4. In working up any capital scheme, Heads of Service will have regard to the risk of triggering claw back or breaching restrictive covenants or other contractual conditions in relation to land or otherwise.
5. The inclusion of a capital scheme within an approved capital programme will confer authority to spend, including expenditure which may fall in a subsequent financial year, subject to:
 - a. the provisions of the Council's Contracts Standing Orders
 - b. the provisions of (8) below
 - c. the Borough Treasurer having first confirmed in writing that sufficient resources are available for the purpose
6. If Heads of Service wish to incur expenditure outside the approved capital programme provision, the procedures set out in Section 7(5b) will apply.
7. Heads of Service will give the Borough Treasurer early warning of known under spends, overspends and changes to planned resources so that the availability of uncommitted capital resources may be monitored effectively.

Financial Regulations

Section 6: Authorised Signatories

WHY ARE THESE REGULATIONS IMPORTANT?

Officers with delegated authority to incur expenditure on behalf of the Council must act in accordance with the codes and protocols of the Council and where appropriate operate within the Council's Contract Standing Orders or Purchasing Guide.

Each officer has a financial limit set on the activities that they are authorised to commit up to. In addition to this, officers may have authority to approve contracted payments over and above the financial limit for day-to-day commitments for their budgets.

1. The names of officers authorised to sign for cost centres and contractual payments will be agreed with the Borough Treasurer on an approved form, with the officers' specimen signatures provided. The approved form is to be signed by the cost centre manager and relevant director, prior to the Borough Treasurer's review and authorisation.
2. The certification by or on behalf the cost centre manager will be taken to mean that the authorising officer is satisfied that the expenditure is authorised, properly and necessarily incurred and properly payable by the Council.
3. The Borough Treasurer will be notified immediately of any authorised signatories who leave the Council's employment or cease to be authorised to sign. The Borough Treasurer will immediately give authorisation to remove all access to financial systems.
4. All authorised signatories will sign in their own hand and will not use signature stamps.
5. Where electronic certification is to be used in place of manual signatures, this will be in a form agreed by the Borough Treasurer.

Financial Regulations

Section 7: Budgetary Control

WHY ARE THESE REGULATIONS IMPORTANT?

Budgetary control ensures that once Full Council has approved a revenue budget or a capital programme, the resources allocated are used for their intended purposes, i.e. the agreed priority areas, and are properly accounted for. It is a continuous process, enabling the Council to review and adjust its budget targets during the financial year to make the most effective use of resources in delivering the Council's policies and objectives. The budgetary control framework also sets out the accountabilities of managers for defined elements of the budget.

By continuously identifying and explaining variances against budgetary targets, the Council can identify changes in trends and resource requirements at the earliest opportunity.

To ensure that the Council as a whole does not over or under spend, each service is required to manage its own expenditure within approved resources and to identify any surplus resources for diversion to other programme areas.

1. Overall responsibility for budgetary control

The Borough Treasurer is responsible:

- a. for the overall financial control of the revenue budget and capital programme of the Council
- b. for providing quarterly financial performance information to the Executive Committee
- c. for subdividing service budgets within the overall budget framework according to Council structure and services, having regard to relevant Codes of Practice
- d. for allocating the revenue budget and capital programme wholly among responsible Heads of Service
- e. for supplying timely information on receipts and payments on each cost centre and capital scheme, sufficiently detailed to enable managers to fulfill their budgetary control responsibilities

2. Responsibility for control of individual budgets

Heads of Service are responsible:

- a. for the budgets and programmes allocated to them, for delivering the levels of service on which they were based, and for compliance with their financial obligations

Financial Regulations

- b. for monitoring levels of service and performance within services, as measured by expenditure and income incurred against relevant cost centres and capital programme provision, and by benchmarking their service against similar providers to demonstrate value for money
- c. for seeking virements, either to increase or to reduce the provision allocated to particular budget heads or capital schemes, in accordance with (4) below in order to maintain budget provisions in line with the service levels required
- d. for exercising powers delegated to them to enter into new financial commitments only where adequate provision has been made in the revenue budget or capital programme and where the revenue consequences for future financial years are in accordance with (6) below
- e. for providing any additional information the Borough Treasurer may require

3. Variances from budget

The Borough Treasurer is responsible:

- a. for reporting significant variances to the Executive Committee where a Head of Service fails to take action under (4) to (6) below
- b. for agreeing annually:
 - i. a list of expenditure proposals for which revenue budget provision had been made in the previous year and for which the particular goods or services had not been supplied before the financial year end
 - ii. a list of expenditure proposals on capital schemes for which provision had been made in the capital programme for the previous year but which was under or overspent so that supplementary estimates may be considered for the ensuing financial year in accordance with (5) below

4. Virements between budgets

- a. Subject to appropriate consultation, budget allocations may be moved between revenue cost centres for the purpose of maintaining approved service levels, in accordance with the following scheme of virements:
 - i. Up to £5,000 by the Heads of Service
 - ii. Over £5,000 by the Borough Treasurer, any virements over £50,000 will be identified in the budget monitoring report

and in making any such decision, due regard will be had to any

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- b. budget implications for future financial years.
- b. Heads of Service may only make virements between the direct costs under their control; this includes items such as supplies and services and excludes items such as staffing and allocated support services.
- c. Virement between the General Fund and the Housing Revenue Account is not permitted, nor between revenue and capital.
- d. Virement between cost centres within the discrete funds is possible with the mutual consent of the relevant Heads of Service.

5. Supplementary estimates

a. Revenue expenditure

Where no provision currently exists in the revenue budget, or where the provision made for an existing budget head is insufficient and a virement is not available under (4) above, then new or additional budget provision may be established using revenue balances or other appropriate reserves in accordance with the Reserves and Balances policy.

For unbudgeted but necessary expenditure that could impact on service delivery if not incurred, the following scheme of supplementary estimates should be followed:

- i. does not exceed 1% of the net revenue budget - by the Borough Treasurer after consultation with the Chief Executive and Directors. The Borough Treasurer must report these items to the Executive Committee at the earliest opportunity
- ii. exceeds 1% of the net revenue budget - by the Executive Committee
- iii. where general earmarked reserves are available or a specific reserve has its purpose changed to allow its immediate use - by the Executive Committee

For emergencies, unexpected events or unbudgeted statutory items the Borough Treasurer can authorise a supplementary estimate and must report these items to the Executive Committee at the earliest opportunity.

The Executive Committee can, on the recommendation of the Borough Treasurer eliminate or reduce the funds in earmarked reserves by adding them to the revenue balance.

In making any such decision, due regard will be given to any budget implications for future financial years.

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b. Partnership Expenditure and External Funding

Where no provision currently exists in the revenue budget or capital programme for specific projects or activities which are to be wholly or partly funded by external agencies or partners, then the above criteria for supplementary estimates will apply to the value of the Council's net financial contribution to the revenue or capital cost of the project.

The Borough Treasurer is empowered to adjust revenue budgets and capital programmes to reflect the gross value of all such arrangements and transactions.

Heads of Service must liaise with the Borough Treasurer and the Monitoring Officer, and refer to Section 9 of these Regulations, prior to undertaking any bidding for external funding or setting up any partnerships.

6. Commitments of revenue expenditure affecting future financial years

The following arrangements will apply in relation to the commitment of expenditure prior to the approval of the revenue budget for the financial year concerned:

- a. Heads of Service may commit expenditure affecting future financial years provided the estimated cost in real terms does not exceed the current year's budget provision and that the written consent of the Borough Treasurer is obtained where Section 4(5) applies.
- b. Heads of Service may only commit expenditure on new or extended services with the approval of Full Council.

7. Other matters affecting budgets

Heads of Service are responsible for alerting the Borough Treasurer of any issues with the potential to affect revenue or capital budgets or resources in the current year or future years, and where significant he will report such matters to the Executive Committee at the appropriate time.

No expenditure will be committed that would take the General Fund or Housing Revenue Account in excess of the agreed budget, without a supplementary budget agreed by Full Council following Executive Committee recommendation.

Financial Regulations

Section 8: Procuring and paying for Works, Supplies and Services

WHY ARE THESE REGULATIONS IMPORTANT?

The letting of public contracts should be done with demonstrable transparency and in accordance with Council policies, including the policy on fraud and corruption. It is essential for maintaining public confidence that the Council and its officers are seen to act with complete fairness and impartiality in the letting of contracts.

The Council has a statutory duty to achieve best value for money, partly through economy and efficiency. There is also a corporate performance indicator measuring and reporting on the time taken by the Council to pay its creditors. The Council's procedures should help to ensure that services obtain value for money from their purchasing arrangements.

These Regulations should be read in conjunction with the Council's Contracts Standing Orders and its Purchasing Guide.

For procurement, the adopted principle is that the Council aims to deliver value for money when procuring goods, services and supplies. This is balanced with consideration to sustainability, the local economy and fair competition to all providers.

1. Placing Orders for Works, Supplies and Services

- a. Where the value of any works, supplies or services to be received by the Council is equal to or exceeds £100,000, Heads of Service will invite tenders in accordance with the Contracts Standing Orders.
- b. Where the estimated value of any works, supplies or services to be received by the Council is below £100,000, Heads of Service will follow the Council's Purchasing Guide.
- c. All officers entering into contractual arrangements must provide the necessary information for the maintenance of the Council's contract register.

2. Other contract terms

Heads of Service will:

- a. in consultation with the Borough Treasurer include in every contract appropriate clauses to cover financial and insurance requirements, and to provide sufficient security for due performance

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- b. put in place adequate procedures for the effective cost control of all contracts

3. Receipt of Works, Supplies and Services

Heads of Service will put in place adequate systems for verifying the performance of work or the receipt of supplies and services. In particular controls will be established to ensure that:

- a. the work done or supplies and services received are as specified
- b. the quality or workmanship is of the required standard
- c. the expenditure has been duly authorised, is properly payable by the Council and is within budget estimates
- d. the price to be paid is correct
- e. the account has not previously been passed for payment
- f. appropriate entries have been made in inventory, stock or other records
- g. the account is arithmetically correct

4. Payment for Works, Supplies and Services

- a. Heads of Service will make adequate and effective arrangements approved by the Borough Treasurer for checking and certifying invoices and other requests for payment without undue delay.
- b. All certified invoices will be dealt with in a manner set by the Borough Treasurer and will, where possible, quote the Council's official purchase order number.
- c. The Borough Treasurer or his representative has the right to perform checks against any invoice, before or after payment, to ensure correct procedures have been applied.
- d. The Borough Treasurer will decide the most effective way for the Council to make payments; payments may only be made by direct debit with the prior approval of the Borough Treasurer.
- e. Proforma invoices will only be used for the purposes approved by the Borough Treasurer.
- f. Minor items of expenditure, up to a limit set by the Borough Treasurer, may be paid under petty cash procedures determined by him.

5. General

- a. Every Member and officer engaged in contractual or purchasing decisions on behalf of the Council will declare any links or personal interests they may have with purchasers, suppliers and contractors, and will comply with the provisions of the appropriate Codes of Conduct.
- b. Where the County Council is acting as the project manager for a particular scheme, the County Council Contracts Standing Orders or equivalent may be applied to contracts as an

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- alternative.
- c. Heads of Service will ensure that all formal contracts are referred to Internal Audit for the proper check to be performed, as soon as the final account is agreed and before any retention is paid.
 - d. Heads of Service will ensure that the duties of ordering works, supplies or services, receiving them, certifying and approving for payment are not performed by the same officer.
 - e. All Information Technology hardware and software acquisitions must be made in consultation with the Information Technology Manager and for financial systems or those that interact with such systems, with the additional approval of the Borough Treasurer.

Financial Regulations

Section 9: Work carried out for others

WHY ARE THESE REGULATIONS IMPORTANT?

Legislation enables the Council to provide a range of services to other bodies. Such work may help maintain economies of scale and existing expertise. It may also be helpful to share the Council's facilities, expertise and resources with others under partnership arrangements. Effective controls should be in place to ensure that any risks associated with such work are minimised and that the work falls within the Council's statutory powers.

1. Financial Regulations apply equally to any service carried out by the Council on behalf of any other Council, body or person. Heads of Service will not set up partnership or other arrangements with external parties to operate in conflict with these Regulations as far as the Council's involvement is concerned.
2. Heads of Service will:
 - a. properly assess the financial implications of the proposal prior to commitment following consultation with the Borough Treasurer
 - b. draw up contracts having regard to the Council's powers, relevant policies and protocols and in compliance with any insurance or other requirements of the Borough Treasurer
 - c. have regard to the Contract Standing Orders and other requirements of the Director of Corporate Services

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Section 10: External funding and partnership arrangements

WHY ARE THESE REGULATIONS IMPORTANT?

Partnerships play a key role in delivering community strategies and in helping to promote and improve the well being of the Borough. The Council works in partnership with others - public agencies, private companies, community groups and voluntary organisations - and its distinctive leadership role is to bring together the contributions of the various stakeholders. The Council will mobilise investment, bid for funds, champion the needs and harness the energies of local people and community organisations. It will be measured by what it achieves in partnership with others.

Partnerships can provide ways to access new resources and share risk. They can also lead to innovative and improved ways of delivering services whilst forging new relationships. Whilst external funding is a very important source of income, funding conditions need to be carefully considered to ensure they are compatible with the aims and objectives of the Council. In some instances, tight specifications may not be flexible enough to link to the Council's overall plan. Also, new ways of working can increase the Council's exposure to fraud and to irregularities in the operation of, for example, VAT, insurances, and pay.

1. Bidding for external funding

- a. Heads of Service will seek external resources only to further the priorities and aims of the Council.
- b. Before making a bid for resources which, if successful, would require any financial commitment from the Council, Heads of Service will ensure that appropriate budgets have been approved or earmarked in accordance with these Regulations.
- c. In working up bids, Heads of Service will use appropriate project appraisal processes to assess the viability of the project in terms of resources, staffing and expertise, to identify and assess all potential risks, and to ensure achievement of the required outcomes.

2. Setting up partnerships

- a. Heads of Service will agree and accept formally the roles and responsibilities of each of the partners involved in a project before the project commences.
- b. Where the Council is to be the lead partner or the accountable body where other public funds are involved, the responsibilities of the Council and the obligations of the various partners are to

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be clearly defined and understood. Heads of Service will consult the Borough Treasurer on:

- i. any financial control, insurance and audit requirements including physical access to be incorporated in the partnership arrangements
 - ii. the overall financial implications for the Council.
- c. Prior to entering into any commitment, the relevant Heads of Service will ensure that any match funding or other financial obligations of the Council are provided for within revenue or capital programmes and that arrangements are made for future years' financial provisions to reflect these obligations. This should include any audit and other consequential fees as appropriate.

3. Working with partners

- a. These Financial Regulations and the Council's Contracts Standing Orders will apply equally to any orders for works, goods or services which are the responsibility of the Council under the partnership arrangements.
- b. Where the County Council is acting as the project manager for a particular scheme, the County Council Contracts Standing Orders or equivalent may be applied to contracts as an alternative.
- c. Heads of Service will ensure that all formal contracts are referred to Internal Audit for the proper check to be performed, as soon as the final account is agreed and before any retention is paid.
- d. The relevant Heads of Service will comply with any key conditions of funding and any statutory requirements.
- e. Any variation in resources to be contributed by the Council, or in the overall resources of the partnership where the Council is the accountable body, will be dealt with in the same way as other budget variations as set out in Section 7 (Budgetary Control).
- f. The relevant Heads of Service will ensure that any financial control, insurance and audit requirements of the partnership are met.
- g. The relevant Heads of Service will communicate regularly with the other partners throughout the project so that problems are identified and shared to achieve their successful resolution.

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Section 11: Income

WHY ARE THESE REGULATIONS IMPORTANT?

It is essential that all income due to the Council is identified, collected, receipted and banked promptly. To achieve this it is necessary to put effective income systems in place.

It is preferable to obtain income in advance of supplying goods or services as this improves the Council's cash flow and also avoids the time and cost involved in administering debts.

1 General

Heads of Service will implement arrangements made by them under this Section only with the approval of the Borough Treasurer.

2 Prompt identification of sums due to the Council

Heads of Service will make adequate and effective arrangements for the prompt identification of all sums due to the Council.

3 Prompt recording in the Council's accounts of all sums due

- a. Heads of Service will make adequate and effective arrangements for recording all sums due in the Council's accounts
- b. Apart from local taxes and housing rents, accounts for sums due may only be raised on the Council's corporate Sundry Debtors system unless alternative arrangements have been approved

4 Collection and receipting of all income

- a. Heads of Service will make adequate and effective arrangements for the collection and receipting of all income and for the security of all cash and other valuables having regard to agreed insurance limits for locked safes.
- b. Heads of Services will only introduce new methods of collection after consultation and approval of the Borough Treasurer.
- c. Acknowledgement for money received must only be made on official Council receipts or other form authorised by the Borough Treasurer for that purpose.
- d. Books and forms relating to the collection of income due to the Council will be kept in a manner set by the Borough Treasurer.

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5 Banking of income

Heads of Service will make arrangements with the Borough Treasurer for the prompt and secure transfer of cash from the Council's offices and facilities to the Council's bankers.

6 Reconciliation of income

Heads of Service will make adequate and effective arrangements for the sums collected and banked to be reconciled with the records of sums due.

7 Debt recovery

In all cases Heads of Service will take prompt and appropriate actions to recover all sums overdue to the Council.

8 Writing off sums due

- a. Heads of Service are responsible for recommending the write off of irrecoverable debts to the Borough Treasurer.
- b. Where an individual debtor owes the Council no more than £25,000, the Borough Treasurer may approve the write off of that debt where there is satisfactory evidence that it is irrecoverable. In any other case, the debt may be written off only with the approval of the Executive Committee. However, there may be occasions when an immediate write off decision is necessary, for example at year end, to enable the completion of the final accounts within the statutory timescale. In such cases the Borough Treasurer will have authority to approve these transactions and seek subsequent ratification by the Executive Committee and reporting the reasons for taking that course of action.
- c. The write off of Non Domestic Business Rates (NNDR) of any amount will be delegated to the Borough Treasurer as these transactions relate to the National NDR Pool which is operated on an agency basis.
- d. The Borough Treasurer will report annually the total amount written off to the Executive Committee.

9 Reviews of fees and charges

- a. Heads of Service will, in consultation with the Borough Treasurer, review all fees and charges at least annually in accordance with guidelines approved by the Executive Committee. On completion of each review, the relevant schedule of proposed fees and charges will be presented to the Executive Committee for approval.
- b. Heads of Service are responsible for revised fees and charges

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being correctly implemented from the authorised date.

10 Segregation of duties

- a. The duty of providing information, calculating, checking and recording sums due to or from the Council will be separated as completely as possible from the duty of collecting such sums.
- b. All staff responsible for money are required to take an uninterrupted holiday of at least two weeks duration in each financial year.

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Section 12: Value Added Tax

WHY ARE THESE REGULATIONS IMPORTANT?

Value Added Tax (VAT) is a tax applied to many of the goods and services the Council either buys in or supplies to others. VAT therefore impacts on many of the Council's financial transactions. Whilst generally speaking the Council is able to reclaim the VAT it pays on buying in goods and services, this ability is limited in relation to certain types of services made by the Council. VAT is a very complex tax, particularly where it relates to land and property transactions and partnership arrangements. It is essential that the VAT implications of all major projects, partnership arrangements and land and property transactions be evaluated well in advance of commitments being made. If this is not done the Council could be faced with a substantial irrecoverable VAT bill that is both unplanned and unbudgeted. Her Majesty's Revenues and Customs (HMRC) also have the power to impose penalties (fines) for late or non-compliance with VAT rules.

1. The Borough Treasurer is responsible for the determination of all arrangements for the collection, recording, payment and recovery of VAT.
2. The Borough Treasurer will:
 - a. maintain complete and accurate accounting records of all the Council's VAT transactions
 - b. submit the Council's VAT return to HMRC monthly in accordance with statutory deadlines
 - c. prepare the Council's partial exemption calculation as at the end of each financial year and monitor the Council's partial exemption position quarterly
 - d. conduct all negotiations with HMRC in respect of VAT matters affecting the Council
 - e. provide guidance, advice and training to Council staff on all aspects of VAT as they affect the Council
3. Heads of Service will:
 - a. properly account for VAT on all transactions under arrangements determined by the Borough Treasurer
 - b. consult the Borough Treasurer in all cases where the VAT treatment of any transaction is unclear so that the matter can be reviewed and appropriate treatment determined
 - c. consult the Borough Treasurer in all cases where new projects, schemes or services are proposed, **well in advance** of

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- commitments being made, so that any impact on the Council's VAT position can be assessed and any necessary action taken to protect the Council's VAT recovery position
- d. co-operate with any VAT inspector and give access at all reasonable times to premises, personnel, documents and assets which they consider necessary for the purposes of their work
-

Examples of activity with potential VAT implications

Examples of the types of new activity that could have an impact on the Council's VAT position are shown below. However this list is not exhaustive and consultation should take place when any new or innovative scheme is proposed:

- a new service
 - a significant extension to an existing service
 - a capital new-build scheme
 - a land or property transaction, including any involving a land exchange
 - a new or extended partnership arrangement
 - a scheme involving third party funding
 - an agency arrangement
 - any scheme where there is consideration in kind
-

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Section 13: Banking

WHY ARE THESE REGULATIONS IMPORTANT?

The Council has a duty to ensure that all moneys are properly safeguarded and only utilised for authorised purposes. It is therefore necessary to have controls to ensure the proper authorisation and control of all bank accounts, all payments made from them and all income deposited.

1 Operation of bank accounts

- a. The Borough Treasurer is responsible for opening, closing and operating all bank accounts and related facilities in the Council's name.
- b. All communications with the Council's bankers concerning its bank accounts and any changes in banking arrangements will be made under arrangements approved by the Borough Treasurer.

2. Authorisation of signatories

Only officers personally mandated by the Borough Treasurer may authorise payments and other documents transferring funds out of the Council's bank accounts.

3. Payments from Council bank accounts

- a. All payments from the Council's bank accounts will be, so far as is practicable, automated bank transfer but the Borough Treasurer may exclude from this regulation such payments as he may consider appropriate from time to time.
- b. No payments will be made from the Council's bank accounts unless approved personally by a signatory authorised in accordance with (2) above.

4. Custody of cheques

A cheque book will be held by the Borough Treasurer for use only in exceptional cases where the automated bank transfer system has failed.

5. Banking of income

Heads of Service will make arrangements with the Borough Treasurer for the prompt and secure transfer of cash from the Council's offices

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and facilities to the Council's bankers.

6. Reconciliation

The Borough Treasurer will regularly and promptly reconcile the Council's bank accounts with the accounting records.

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Section 14: Security and Inventories

WHY ARE THESE REGULATIONS IMPORTANT?

The Council holds assets in the form of land and buildings, fixed plant, vehicles and machinery, furniture and equipment, software and data, cash and other items of value. It is important that assets are used efficiently in service delivery, that they are adequately insured and that there are arrangements for the security of both assets and information required for service operations. Up to date records are a prerequisite for sound asset management. See also Sections 15 (Stocks) and 17 (Insurances).

1 Proper use of the Council's resources

Resources are to be used solely for the purposes of the Council and are to be properly accounted for.

2 Asset Register

The Director of Corporate Services is responsible, in consultation with other Heads of Service, for the compilation and maintenance of an Asset Register covering land and property and other fixed assets.

Officers involved in the disposal of Council assets will:

- a. comply with the legal requirements of the Director of Corporate Services
- b. comply with the financial and accounting requirements of the Borough Treasurer

3 Inventories

- a. Each Head of Service is responsible for maintaining an inventory of moveable assets under procedures determined by the Borough Treasurer.
- b. Inventories are to be reviewed at least once each year and an updated copy retained by the Heads of Service.

4 Security

- a. Heads of Service will make proper arrangements for:
 - i. the security of all buildings and other assets under their control
 - ii. the safe custody of all documents held as security
 - iii. keys to safes and similar receptacles for valuables to be kept in secure places

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- b. Personal data must be stored securely at all times and must not be taken off Council premises.
- c. The general responsibility for advising and setting standards for property security and privacy of information held in any Council computer installation will be that of the Information Technology Manager. Each Member or employee of the Council will have responsibility for ensuring the integrity, security, privacy and control of all individual computer systems that are under their control or in their possession.
- d. The security of personal possessions in the work environment is that of the owner. The Council will accept no responsibility for the security of any items not necessary for the service of the Council.

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Section 15: Stocks

WHY ARE THESE REGULATIONS IMPORTANT?

It is important that the stocks held by the Council are safeguarded and used efficiently in service delivery. There therefore need to be adequate arrangements for the receipt, security and issue of stocks and for the disposal of surplus or redundant items.

1. Receipt, Control and Custody

Heads of Service will make adequate and effective arrangements for the custody, care and physical control of all stocks in their departments.

2. Stocks Records

- a. In consultation with the Borough Treasurer, Heads of Service will maintain adequate records of all issues and other movements of stocks
- b. Heads of Service will provide to the Borough Treasurer each year a stock certificate detailing stocks and stores in hand at 31st March.

3. Maintenance of stocks

- a. Heads of Service will maintain stocks at reasonable levels, agreed with the Borough Treasurer, and subject them to a regular independent physical check.
- b. All discrepancies will be investigated, pursued to a satisfactory conclusion and removed from the Council's records by making stock adjustments as necessary. Gains and losses resulting from stock adjustments will only be written off or adjusted in the records under arrangements approved by the Borough Treasurer.

4. Disposal of surplus, obsolete or redundant stocks or equipment

Heads of Service will ensure that all stocks and equipment no longer required are disposed of economically and accounted for under arrangements approved by the Borough Treasurer.

5. Delegation

All staff responsible for stocks are required to take an uninterrupted holiday of at least two weeks duration in each financial year.

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Section 16: Cash Holdings

WHY ARE THESE REGULATIONS IMPORTANT?

It is important that all cash held by Council departments is safeguarded and used effectively in service delivery. There therefore need to be adequate arrangements for the receipt, security and issue of petty cash reimbursements and the security of all cash floats held in Council departments.

1 Receipt, Control and Custody

Heads of Service will make adequate and effective arrangements for the custody, care, security and physical control of all petty cash and cash floats in their departments.

2 Petty Cash and Cash Float Records

- a. In consultation with the Borough Treasurer, Heads of Service will maintain adequate records of all petty cash reimbursements and float replenishments
- b. In consultation with the Borough Treasurer, Heads of Service will maintain effective control and security over till floats and changes floats held in their departments
- c. Heads of Service will provide to the Borough Treasurer each year with a cash imprest certificate detailing all floats and vouchers in hand at 31st March.

3. Maintenance of floats

- a. Heads of Service will maintain cash floats and subject them to a regular independent physical check by their officers.
- b. Petty cash floats will be reimbursed monthly.
- c. All discrepancies will be investigated, pursued to the Borough Treasurer's satisfaction.

4. Delegation

- a. Every transfer of official money from one officer to another will be evidenced in the record of the department concerned by the entry of the amount and signature of the receiving officer.
- b. Before an officer leaves the employment of the Council or ceases to be entitled to hold a cash float, the Head of Service will obtain account for the unexpended balance and will submit an account and vouchers in respect of the amount spent.

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- c. All staff responsible for cash are required to take an uninterrupted holiday of at least two weeks duration in each financial year.

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Section 17: Insurances

WHY ARE THESE REGULATIONS IMPORTANT?

The provision of insurance cover is one of the major methods of responding to corporate and service risks identified under the Council's risk management arrangements. Cover can be arranged either externally with major insurance companies or through an internal insurance pool. Accurate record keeping and timely provision of information are essential if the Council's insurance cover is to be effective. This Section should be read in conjunction with that relating to Risk Management (see Section 18).

1. The Borough Treasurer is responsible for:
 - a. effecting all insurance cover on a corporate basis, through external insurance or through internal self-insurance arrangements as he considers appropriate
 - b. negotiating all claims in consultation with relevant Heads of Service where necessary.

2. Heads of Service will notify the Borough Treasurer immediately:
 - a. of all new risks, properties, vehicles or other assets that require insurance
 - b. of any alterations to such risks or assets affecting existing insurances
 - c. should any of the Council's assets be damaged, lost or stolen
 - d. of any loss, liability, damage or personal injury that may lead to a claim against the Council

and will provide any related information or explanation required within time scales determined by the Borough Treasurer.

3. Heads of Service will ensure that no employee or other person covered by the Council's insurances admits liability (orally or in writing) or makes any offer to pay compensation, because this may prejudice a proper assessment of the Council's liability.

4. Heads of Service will maintain proper records relating to insurances effected by the Council, under arrangements approved by the Borough Treasurer.

5. Heads of Service will consult the Borough Treasurer and seek legal advice from the Director of Corporate Services on the terms of any indemnity that the Council is requested to give.

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6. Heads of Service will consult the Borough Treasurer to determine the minimum level of insurance cover required of any person or body (including all Council contractors) to indemnify the Council or to effect insurance cover in accordance with the Council's requirements.
7. The Borough Treasurer will ensure that insurers are subject to competitive tendering, possibly using brokerage services, at least once every five years.

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Section 18: Risk Management

WHY ARE THESE REGULATIONS IMPORTANT?

The Council faces numerous risks: to people (including its employees), to property, to its reputation and to continuity of service delivery. Risk is the threat that an event or action will adversely affect the Council's ability to achieve its objectives and to successfully execute its strategies. This will include both external and internal risks. Risk Management is the process by which risks are identified, evaluated and managed. Risk management seeks to protect the Council and enable achievement of stated aims and objectives. It also seeks to maximise the rewards that can be gained through effectively managing risk. It is the responsibility of the Audit Committee to approve the Council's risk management policy and strategy and to promote a culture of risk management awareness throughout the organisation.

This Section should be read in conjunction with that relating to Insurance (see Section 17), which is just one tool used in the control of organisational risk.

1. The Audit Committee will approve and promote the Council's corporate risk management policy and strategy.
2. The Director of Corporate Services will:
 - a. develop risk management processes and procedures to assist in the identification, assessment, reduction and control of material risks
 - b. undertake regular monitoring and review of the corporate and service arrangements for effective risk management
 - c. regularly report the status of monitoring arrangements to the Audit Committee
3. Heads of Service are responsible:
 - a. for risk management within all areas under their control, having regard to appropriate advice from the Director of Corporate Services
 - b. for carrying out regular reviews of risk, risk reduction strategies and the operation of appropriate controls (including business continuity plans) within their departments
4. Heads of Service will consult the Borough Treasurer and seek legal advice from the Director of Corporate Services on the terms of any indemnity that the Council is requested to give.

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5. Heads of Service will promptly notify the Director of Corporate Services of all new risks that are material, as they are identified.

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Section 19: Internal Audit

WHY ARE THESE REGULATIONS IMPORTANT?

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 more specifically require that a “relevant body will maintain an adequate and effective system of internal audit of their accounting records and control systems”.

Accordingly, internal audit provides one aspect of an independent and objective assurance in the review of the system of internal control as a contribution to the proper, economic, efficient and effective use of resources. In fulfilling this responsibility the internal audit service comply with best practice as set out by CIPFA’s Code of Practice for Internal Audit in Local Government.

1. The Borough Treasurer will ensure that the internal audit service is independent in its planning and operation. Clear and detailed terms of reference will exist for the internal audit service, which will be approved and regularly reviewed by the Audit Committee.
2. The Borough Treasurer or his authorised representative will have authority to enter at all reasonable times any offices, premises or land under the control of the Council and will have unrestricted access to all records, documents and correspondence relating to any matter under consideration, without limitation.
3. All staff will provide such information and explanations as the Borough Treasurer considers necessary and will produce upon demand cash, stocks, documents or other property of the Council under their control.
4. Heads of Service will ensure that all formal contracts are referred to Internal Audit for the proper check to be performed, as soon as the final account is agreed and before any retention is paid.
5. Heads of Service, Senior Managers and other staff will immediately notify the internal audit service on behalf of the Borough Treasurer upon discovery or suspicion of any financial irregularity, whether affecting cash, stocks, property, financial records or otherwise. The Borough Treasurer will notify the Chief Executive in all significant cases.
6. The Council will set out in policy documents its approach to fraud and

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corruption and to “whistle blowing”.

7. The internal audit service will operate an independent fraud hotline for the Council. This will be available to officers and members of the public.
8. Copies of all final audit reports will be considered by Audit Committee.
9. The internal audit service has direct access to the Chief Executive, to all levels of management and to the Chairman of the Audit Committee.

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Section 20: The Council Acting Against Fraud

WHY ARE THESE REGULATIONS IMPORTANT?

The Council is determined to prevent its involvement in activities of fraud and corruption. In order to ensure that, not only, does it minimise opportunities for fraud and corruption to go undetected, but that waste of resources is also minimised, the Council has established an Anti-Fraud and Corruption strategy.

Members and officers are required to make declarations of interests and influences.

Within the Council framework the Audit Committee and Scrutiny Committee have a role in promoting the Council's position against fraud and corruption, by reviewing Council business and the implementation, by officers, of Council decisions. In addition the Standards Committee reviews the conduct of Members.

Internal Audit and External Audit are key partners in the effective review of anti-fraud and corruption measures that the Council has put in place.

1. As part of the Council's anti-fraud strategy and specifically its approach to creating a transparent and open organisational culture; our Members and officers will adhere to Nolan's Seven Principles of Public Life. These are:
 - a. Selflessness
 - b. Integrity
 - c. Objectivity
 - d. Accountability
 - e. Openness
 - f. Honesty
 - g. Leadership
2. Members and officers make declarations about interests and influences. All Members annually declare their direct interests, which are recorded in a register held by Democratic Services and are available for public inspection. Members are required to notify any change in their interests within 28 days of that change. Officers are required to register their interests and influences with the Personnel department.
3. The Audit and Scrutiny Committee cover the whole range of Council activities and can look at any aspect of a service under their remit that they decide.

Financial Regulations

4. The Standards Committee considers the conduct of Members of the Council. Any matter, which is serious, is referred to the National Standards Board for consideration and potential action.
5. Internal Audit review through a risk assessment and significance analysis process, the services and functions of the Council, to assist in ensuring the adequacy of the Council' s internal control environment. In addition they perform periodic spot checks to ensure established controls remain in place.
6. Whistle Blowing
 - a. The Public Interest Disclosure Act 1998 promotes responsible whistle blowing and provides protection for employees and members who raise concerns internally and then where appropriate externally.
 - b. All reported concerns (except for reports of housing or council tax benefit abuses – see c.) will be confidentially investigated by Internal Audit.
 - c. All reports of potential housing or council tax benefit abuses will be investigated by the fraud section of Liberata.
 - d. Where investigations show the probability of abuse the matter and findings is to be referred to the Borough Treasurer (unless the Borough Treasurer is seen to have a substantial interest in the abuse) who will determine, in consultation with the Chief Executive, any follow up action including sanctions and prosecution where appropriate.

Financial Regulations

Section 21: External Audit and Inspection

WHY ARE THESE REGULATIONS IMPORTANT?

The Audit Commission is responsible for appointing external auditors to each local Council. The basic duties of the external auditor are governed by statute.

The Council may from time to time also be subject to audit, inspection or investigation by various other external bodies. The Audit Commission Inspectorates, government department inspectorates and bodies such as HMRC and the Inland Revenue have statutory rights of access. Rights of access are also sometimes granted under contractual arrangements, including partnerships where the Council is not the lead body. It is important that all officers of the Council respond to external scrutiny in a timely, professional and helpful manner.

1. The Borough Treasurer will facilitate the co-ordination of the work of internal and external audit together with ensuring appropriate consideration of External Audit reports by the Audit Committee.
2. External Audit is provided by the Audit Commission, an independent agency of Government. The Audit Commission have two specific responsibilities in relation to the Councils accounts and arrangements for use of resources:
 - a. For the audit of the Council's financial statements and Annual Governance Statement.
 - b. For the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Audit Commission also provides other services, in particular the audit of external grants claims.

3. Co-ordination of all other inspection and independent review work will be the responsibility of the relevant Heads of Service.
4. Heads of Service will give external auditors and inspectors access at all reasonable times to premises, personnel, documents and assets which they consider necessary for the purposes of their work.

Financial Regulations

Section 22: Treasury Management and Leasing

WHY ARE THESE REGULATIONS IMPORTANT?

Treasury Management is in place to provide assurance that the Council's money and overall cash flow are properly managed, in a way that balances risk with return but with overriding consideration being given to the security of investments.

The signing of leases and other forms of credit can have a wider financial impact than just the rental payments. It is therefore necessary that the Borough Treasurer be given the opportunity to evaluate the costs of any potential agreement before it is legally binding.

1. General

The Borough Treasurer is responsible for all investment, borrowing and leasing undertaken in the name of the Council.

2. Treasury Management

The Borough Treasurer will:

- a. prepare annually a Treasury Management Policy Statement setting out the duties of Members and officers covering all aspects of treasury management for consideration by the Executive Committee and recommendation to Full Council
- b. prepare annually a Treasury Management Strategy setting out the Council's strategy for consideration and approval by the Executive Committee
- c. prepare annually an Investment Strategy for consideration and approval by the Executive Committee
- d. recommend to the Council, before the commencement of each financial year (when setting the budget) a range of Prudential Indicators, including borrowing limits, to be set for that financial year in accordance with statute and the CIPFA Prudential Code
- e. arrange the borrowing and investments of the Council in such a manner as to comply with the CIPFA Code of Practice on Treasury Management and the Council's Treasury Management Policy Statement and its annual Strategy
- f. make all investments, borrowings and other financing transactions only in the name of the Council

Financial Regulations

3. Leasing and Similar Credit Arrangements

Leasing and other similar credit arrangements, including new or extended leases of land and property, may only be entered into with the written consent of the Borough Treasurer. Such arrangements may be defined for this purpose as any lease, contract hire or other contract or series of contracts under which the use of an asset is obtained in exchange for a series of payments which extend beyond the end of the following financial year.

Financial Regulations

Section 23: Pay and Conditions of Employment

WHY ARE THESE REGULATIONS IMPORTANT?

Staffing costs are the largest single item of expenditure for most Council services. It is therefore important that payments are accurate, timely, made only where they are due and that payments accord with individuals' conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for and that Members' allowances are paid in accordance with the scheme adopted by Full Council.

Like all organisations, the Council is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax can be severe. It is therefore important for all officers to be aware of their role.

1. General

Terms and conditions of employment are to be determined by the Council and the Assistant Director (Personnel and Performance). The Borough Treasurer is responsible for the administration of all arrangements for the payment of salaries, pensions, travel and subsistence claims and other emoluments to existing and former employees, and for all related matters.

2. Deductions from Pay

The Borough Treasurer will make proper arrangements for all statutory and other deductions from pay, including tax, national insurance and pension contributions, and payment of such sums to the bodies concerned.

3. Terms of employment

Heads of Service, in consultation as necessary with the Assistant Director (Personnel and Performance), will promptly notify the Borough Treasurer of:

- a. the terms and conditions applying to new contracts of employment
- b. any changes or events affecting the salaries, wages or emoluments of the Council's employees
- c. all resignations, retirements and terminations of employment

Financial Regulations

4. Provision of Information

Heads of Service will provide to the Borough Treasurer:

- a. all relevant information, including notifications of sickness absence, in an agreed format and within agreed time scales to enable the prompt and accurate payment of all elements of pay
- b. notification of the impending departure of any employee.

5. Members' Allowances

Payments to elected Members of the Council will be made by the Borough Treasurer in accordance with the Council's approved scheme.

Financial Regulations

Section 24: Reports to Members

WHY ARE THESE REGULATIONS IMPORTANT?

New and changing policies of the Council result from consideration of reports from officers. Policies could therefore be set on the basis of insufficient or misleading information if both the financial and risk management implications have not been considered, and if commitments are made these could lead to financial difficulties for the Council.

1. Reports will only be put before the Council, Committees, Forum or Working Parties Members if both the financial and risk management implications for the Council have been considered and presented fairly in the report. Informal advice to Members will also have regard to any significant financial implications.
2. Consultation will take place as appropriate between the authors of reports, the Borough Treasurer and any other Heads of Service affected, in good time for any financial and risk management implications to be properly identified.
3. Where there are no financial or risk management implications or they are negligible, the report will say so.

Examples of proposals with potential financial implications

Broadly speaking any actual or proposed action or decision that affects the Council's finances in any way has a financial implication.

Listed below are examples of actions or decisions that are likely to have a financial implication. However this list is not exhaustive and it should be borne in mind that other areas of action or decision will undoubtedly have financial implications too.

- *Anything that affects the current year's budget or capital programme, for example:*
 - *a new service*
 - *an improved service level*
 - *cessation of a service*
 - *a reduction in service level*
 - *a new capital project*

Financial Regulations

- *Anything that affects the budget or capital programme of future years, for example:*
 - *ongoing net cost of a new or improved service*
 - *ongoing net revenue cost of a new capital project*
 - *reduced ongoing effect of service cessation or reduction*
 - *reduced ongoing effect of the sale or disposal of a capital asset*
- *Anything that affects the Council's level of income, for example:*
 - *an increase or reduction in charges*
 - *introduction of a charge for a service currently provided free*
 - *free provision of a service currently provided at a charge*
- *Anything that affects the Council's ability to recover VAT, for example:*
 - *provision of a new exempt or partly exempt service*
 - *a new capital project or existing capital asset to be used for exempt or partly exempt purposes*
 - *transfer of a service or undertaking to another body*
 - *See Section 12 for more detail*
- *Anything that affects the Council's entitlement to government grant, for example:*
 - *action which may result in an increase or reduction of grant entitlement*
- *Anything that enables the Council to attract outside funding from any source, for example:*
 - *a new partnership*
 - *a new third party funding arrangement or a new agency arrangement*
- *Anything that could potentially expose the Council to legal action, government surcharge or other financial penalty, for example:*
 - *an action which could be subject to legal challenge*
 - *an action which could lead to fines or penalties being imposed on the Council*
- *Any action that may result in the payment of redundancy or other staff severance costs, for example:*
 - *cessation of a service leading to a surplus of staff*
 - *reduction in a service level leading to a surplus of staff*
 - *externalisation of a service (including where TUPE applies)*
- *Any action that would affect the market value of a Council asset, for example:*
 - *a reduction in the maintenance level of an asset leading to a lower asset value*
- *Any action likely to increase the Council's insurance costs, for example:*
 - *the use of a Council asset for what is perceived to be a higher risk purpose*
 - *a worsening claims record*

Financial Regulations

Glossary

Asset Management Plan

A document setting out the Council's plan for developing systems and internal controls to manage its land, buildings and capital expenditure in the most effective way to achieve its goals.

Asset register

A detailed listing of land, buildings, vehicles and major items of plant and equipment (assets). Asset registers are important because they enable an effective assessment of the management of assets to be made through a comprehensive record of attributes. They are also a useful basis for arranging appropriate insurance cover and substantiating insurance claims in the event of fire, theft or other loss.

Budget

A statement expressing the Council's policies and service levels in financial terms for a particular financial year. In its broadest sense it includes both the revenue budget and the capital programme and any authorised amendments to them. It does not however include the forward financial forecast, which is for financial planning purposes only.

Budget Book

The publication in which the Council sets out its budget for a particular financial year.

Budgetary control

The continual review of expenditure and income, both revenue and capital, against planned levels of expenditure and income to help ensure that service objectives are achieved and the overall resources of the Council are not over or under spent. This process is aided by the use of budget profiles.

Budget profiles

As an aid to budgetary control, managers are required to specify before the start of a budget year the rate at which each budget head for which they are responsible is expected to be consumed during the course of the financial year, having regard to seasonal influences, past experience and other factors. This budget "profile" is then used to monitor the actual rate of consumption as the year progresses. The profile for any budget head may be amended in the light of changing circumstances.

Budget provision

The amount approved by the Council for a particular cost centre.

Capital contributions

Sums contributed by external persons and bodies towards the cost of capital schemes to be carried out by the Council.

Financial Regulations

Capital expenditure

This generally relates to expenditure on the acquisition or enhancement of fixed assets which will be of use or benefit to the Council in providing its services for more than one year. It also includes grants to other persons and bodies for spending by them on similar purposes.

Capital programme

The Council's financial plan covering capital schemes and expenditure proposals for the current year and a number of future years. It also provides estimates of the capital resources available to finance the programme and a statement of any under or over programming.

Capital receipts

The proceeds from the disposal of land and other assets which are available to finance new capital expenditure after deducting any amount which is required by statute to be paid over to the Secretary of State. Statute prevents capital receipts being used to finance revenue expenditure.

Capital resources

The resources earmarked either by statute or by the Council to meet the cost of capital expenditure instead of charging the cost directly to revenue. The definition covers borrowing, capital receipts, and grants and contributions from external persons and bodies given for capital purposes. The Council may also contribute revenue resources to the financing of capital expenditure, and for as long as these are included in the capital programme; they are regarded similarly as capital resources.

CIPFA

The Chartered Institute of Public Finance and Accountancy (CIPFA) is the leading professional body for accountants employed in the public sector. It issues Codes of Practice and other guidance as appropriate on matters which are addressed by these Regulations.

Codes of conduct

The protocols within which Members and officers will work as set out in the Constitution.

Codes of practice

Guidance issued normally by professional bodies in relation to standards which are not regulated by statute. For example, CIPFA have issued Codes of Practice giving detailed guidance on accounting standards, internal audit and treasury management.

Collection Fund

The fund into which Council Tax and business rates are paid, and out of which the precepts of Cumbria County Council, Cumbria Police Authority and Barrow Borough Council are met. Any surplus or deficit is shared between the various authorities on the basis of precepted amounts.

Financial Regulations

Computer systems

Commercially available software which might be acquired for use on Council computers, whether local PC or networks. For the purposes of these Regulations, the definition is not intended to cover applications to which such systems might be put.

Contracts Standing Orders

The Council's rules relating to the procurement of works, supplies and services as set out in the Constitution. These are supported by Section 8 of these Regulations.

Corporate governance

The system by which local authorities direct and control their functions and relate to their communities.

Council Tax

A local tax based on the notional capital value of residential properties. The level set by a Council for a particular year will be broadly determined by its expenditure on General Fund services less other income, use of Council reserves and government grant.

Council Tax base

A figure calculated annually to represent the number of dwellings over which the Council Tax for the following financial year may be collected. All dwellings within the District are valued by the Valuation Office Agency and classified into one of eight bands (A to H), each of which is expressed as a proportion above or below the value of Band D. The Council Tax base is the number of dwellings expressed in terms of a Band D average, after making allowance for discounts, losses, exemptions and appeals. When the Council sets the level of Council Tax for that year, it is expressed as an amount due from Band D properties.

Creditors

A person or body to whom the Council owes money.

Debtor

A person or body who owes the Council money. The debt may derive from a number of sources such as Council Tax or rent arrears, rechargeable works or where an account has been rendered for a service provided by the Council.

DCLG

Department for Communities and Local Government, the department of government responsible for local government in England.

Estimates

The amounts which are expected to be spent, or received as income, during an accounting period. The term is also used to describe detailed budgets which are being prepared for the following financial year or have been approved for the current year.

Financial Regulations

External Audit

An independent examination of the activities and accounts of local authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The external auditor for each Council is appointed by the Audit Commission.

Fees and charges

Charges made to the public for Council services and facilities.

Financial Regulations

That part of the Council's Constitution which provides an approved framework for the proper financial management of the Council.

Financial year

The period of twelve months commencing on the 1st April.

Forward financial forecast

The estimated value of a revenue budget head for the two financial years immediately following the budget year, or the totals of such estimates. The forecast confers no authority to spend, and is made for financial planning purposes only.

General Fund

The revenue fund of the Council covering day-to-day expenditure and income on services. The net cost on this account is met by Government Support and Council Tax.

Housing Revenue Account

The revenue account covering day-to-day expenditure and income arising from the provision of Council housing. The expenditure and income credits are defined in statute and any balance on the account is only available for spending on the housing stock. Activities relating to the strategic housing function, as opposed to the landlord function for the Council's own housing stock, are accounted for in the General Fund outside of the Housing Revenue Account.

Internal audit

An independent appraisal function for review of the internal control system of an organisation. It objectively examines, evaluates and reports on the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources.

Inventory

A detailed listing of all goods, materials, furniture and equipment in the ownership or use of a particular service, other than those held in stocks and stores records. Inventories are normally maintained in sufficient detail as to description, location, age, value etc. to enable any material loss arising from a

Financial Regulations

fire, theft or other event to be identified and to support any insurance claim.

Investment Strategy

A statement of policies for determining the type, value and length of investments that the Council will use to place its surplus funds and also for determining appropriate third parties with whom these investments will be placed.

Leasing

A method of acquiring the use of capital assets which is similar to renting. Normally this kind of arrangement is only suitable for vehicles, plant and equipment. Ownership of the asset remains with the leasing company and the annual rental is charged directly to the Council's revenue accounts.

Members' Allowances

A scheme of payments to elected Members of the Council in recognition of the duties and responsibilities assumed by them.

Performance Indicators

Data collection designed to measure and compare the performance of all local authorities on a consistent basis.

Precept

The amount that Councils and certain other public authorities providing services within the Barrow Borough area require to be paid from the Collection Fund to meet the cost of their services.

Prudential Indicators

The Prudential Indicators are designed to support and record local decision making regarding capital investment. The CIPFA 'Prudential Code for Capital Finance in Local Authorities' requires each local Council to agree and monitor mandatory prudential indicators.

Reserves

A Council's accumulated surplus income in excess of expenditure. Reserves are available at the discretion of the Council to meet items of expenditure in future years, and may be earmarked or held for general purposes.

Revenue

A term used to describe the day-to-day costs of running Council services and income deriving from those services. It also includes however charges for the repayment of debt, including interest, and may include direct financing of capital expenditure.

Risk

Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted action, event or occurrence.

Financial Regulations

Risk management

Risk management is the adoption of a planned and systematic approach to the identification, evaluation and management of risk.

Risk Management Policy and Strategy

This is approved by the Audit Committee endorsing the commitment of the Council to effective risk management and sets out the responsibility of Members, Heads of Service and all staff for the identification, control and reduction of risk and the containment of loss in all aspects of their activities.

Statement of Accounts

The Council's annual statement on its financial position for the year ending the 31st March. The report is required to be in a prescribed format and is subject to independent review.

Supplementary estimate

The approval of an increase in the level of a particular budget head, or the establishment of a new budget head, under the procedure laid down in Section 7 of these Regulations. Where an existing budget head is involved, a supplementary estimate would not normally be approved where an appropriate virement was available. Supplementary estimates above the level delegated to the Borough Treasurer may only be sanctioned by the Executive Committee.

Treasury Management

The management of the Council's cash flows, its borrowings and its investments, the management of the associated risks, and the pursuit of the optimum performance or return consistent with those risks. It includes the setting of and monitoring compliance with the Prudential Indicators.

Treasury Management Policy Statement

A statement approved by the Full Council setting out the parameters within which treasury activities are to be managed.

Treasury Management Strategy

The strategy for the treasury management activities to be adopted for a particular financial year as approved by the Executive Committee within the parameters set by the Treasury Management Policy Statement.

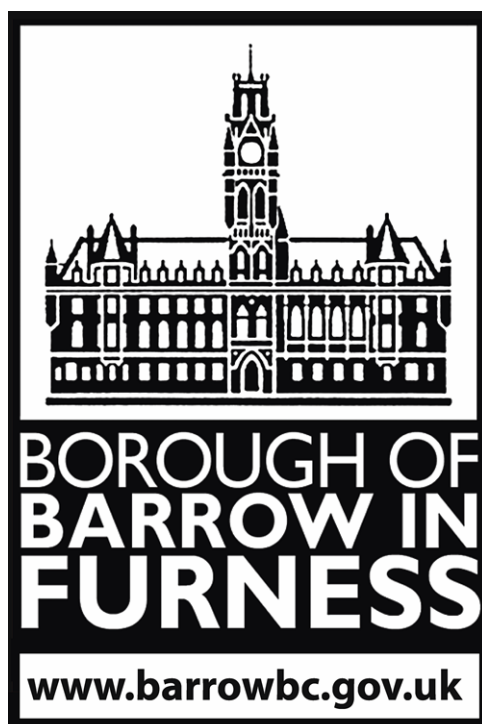
Virement

The transfer of budget provision from one budget head to another, under the procedure laid down in Section 7 of these Regulations. Virement decisions apply to revenue expenditure budgets. Virements may not be approved between capital and revenue budget heads. Virements may be approved by officers up to an amount specified in the Regulations, by the Borough Treasurer, or by the Executive Committee.

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Write off

The action taken to charge to the Council the amount due from some external party which has been found to be irrecoverable from that party. Whilst the sum remains due to the Council in law, it will no longer be shown as outstanding in the Council's accounts.



Purchasing Guide

Version 1 – 02/12/10

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Purchasing Guide

1. Introduction

This Purchasing Guide is designed to assist purchasers to manage purchasing and supplier payments. Any purchase above £100,000 must be conducted in accordance with the Contract Standing Orders.

For procurement, the adopted principle is that the Council aims to deliver value for money when procuring goods, services and supplies. This is balanced with consideration to sustainability, the local economy and fair competition to all providers.

The main objectives of the Guide are:

1. to make the purchasing process more efficient and easier for the end user; and,
2. work towards full utilisation of the Council's electronic iProcurement system (Oracle Financials).

By concentrating on key suppliers instead of using an ad-hoc supply base, a more standardised product range will be available greater discounts can be achieved.

All purchasing in the near future will be entered through the Council's electronic iProcurement system (Oracle Financials). Exceptions to this are documented in this manual.

If at any time you have any concerns about the arrangements in place and whether they are offering our business value please contact the Borough Treasurer's Department.

| |
|--|
| For purchases of £100,000 or above follow the Council's Contract Standing Orders. |
|--|

2. Financial limits

Threshold Limits for Quotations:

| From | To | Rationale |
|-----------|-----------|--|
| £0.00 | £2,499.99 | Purchase drawn from iProcurement market tested contract, agreement or framework already in place. Where no arrangements are in place, the best price is acceptable. |
| £2,500.00 | £9,999.99 | Purchase drawn from iProcurement market tested contract, agreement or framework already in place. Where no arrangements are in place then 2 written quotes need to be obtained. |

Purchasing Guide

| | | |
|------------|------------|---|
| | | If this is a one-off supply the purchaser will obtain the quotes, if it is a repeat item then a request should be made to the Borough Treasurer's Department to include it in the electronic iProcurement system. |
| £10,000.00 | £49,999.99 | <p>Purchase drawn from iProcurement market tested contract, agreement or framework already in place.</p> <p>Where no arrangements are in place then 3 written quotes need to be obtained.</p> <p>If this is a one-off supply the purchaser will obtain the quotes, if it is a repeat item then a request should be made to the Borough Treasurer's Department to include it in the electronic iProcurement system.</p> |
| £50,000.00 | £99,999.99 | <p>Purchase drawn from iProcurement market tested contract, agreement or framework already in place.</p> <p>Where no arrangements are in place then 4 written quotes that include a business case need to be obtained.</p> <p>If this is a one-off supply the purchaser will obtain the quotes, if it is a repeat item then a request should be made to the Borough Treasurer's Department to include it in the electronic iProcurement system.</p> |

The above thresholds apply to the whole scope of supply. For example, if a service has been requested that has a value of £50,000 per year and the requirement is for 2 years then this purchase will fall into the Contract Standing Orders. Please be aware of this when requesting quotations for work and supply.

IT hardware and software

IT hardware should only be purchased by IT Services.

Software should only be purchased after consultation with IT Services.

Public buildings maintenance

Expenditure on public buildings maintenance is controlled by the Technical Services Unit. The budget is allocated across services for accounting purposes; the Technical Services Unit is responsible for the use of the funds available.

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Specialist supply authorisation

If it is necessary to use a specialist supplier to obtain goods and services above £5,000 but below £20,000, approval must be obtained from the relevant Deputy Chief Officer.

If a specialist supplier is necessary and the cost is for £20,000 and above, approval must be obtained from the relevant Chief Officer.

3. Placing an order

All purchases, where possible, shall be entered into the Council's electronic iProcurement system (Oracle Financials).

The only permitted exceptions are, long term service contracts, utilities, periodic payments of rent or rates, refunds and petty cash purchases, other exceptions at the discretion of the Borough Treasurer's Department.

An official Purchase Order shall be sent to the supplier stating the Oracle order number, delivery address, description of supply with costs per order line and applicable terms and conditions stated.

If an order is placed verbally a Purchase Order marked 'Confirmation of order' should be sent to the supplier as soon as practicable, so that they know the exact supply need and any incorrect quantities and prices can be queried.

All invoices that are received by the Borough Treasurer's Department will not be paid unless they state an official Oracle order number.

New suppliers

All of our main supply arrangements shall be provided from the suppliers that have been vetted through arrangements, contracts and frameworks.

If a new supplier is needed then a request should be sent in writing to the Borough Treasurer's Department by using the New Supplier form available on the Borough Treasurer's Department section of the Intranet; providing the reason why a new account is required with supporting evidence, this process will be strictly controlled and authorisation will only happen if there is a well documented need for it and all other approved supplier routes have been exhausted.

There will be times when emergency purchases will need to be made; these purchases shall be undertaken with advice from the Borough Treasurer's Department.

Purchasing Guide

Use of local suppliers (based within the Barrow borough)

Efforts should be made to encourage local suppliers to submit quotations and prices to supply quality goods and services to the Council.

The Council does not bind itself to accept any quotations or tenders received from potential suppliers unless there is satisfactory evidence that the supplier will provide the most competitive business solution in terms of fitness for the purpose, quality of goods or services and after sales services (best value).

Local suppliers must compete for business with suppliers outside of the Barrow borough and the Council may not give preferential consideration and, or treatment to a local supplier for the award of contracts, except where this can be justified for bona fide commercial reasons.

The Council's support for the use of local suppliers does not take precedence over sourcing goods and services available to it through existing contracts.

Environmental Purchasing

In comparing suppliers and quotes, staff are encouraged to:

- Consider goods and services, which can be manufactured, used and disposed of in an environmentally responsible way.
- Give preference, where items are of similar cost, to those that are manufactured with a high-recycled content.
- Specify items that can be recycled or reused.
- Consider the energy usage to cost of operating equipment prior to purchase.

Completing an Order

All orders shall be input into the Council's electronic iProcurement system (Oracle Financials), staff who are authorised to purchase goods and services are required to undertake full training before using these systems. All new members of staff or staff who have not previously purchased goods and services should contact the Borough Treasurer's Department to arrange access to Oracle Financials.

4. Receiving goods

Delivery notes

Goods supplied must be checked upon arrival against the Purchase Order and should comply with set standards agreed between the supplier and the Council.

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The checking of goods is not a job that can be done after taking the delivery and must be completed while delivery driver is present. Any discrepancies must be noted on the delivery note and agreed with the driver before they leaves the premises.

Delivered goods are to be stored as soon as practical, with empty packaging being disposed of in the correct manner, recycling where possible.

Out of hours delivery must not happen and suppliers are informed of delivery schedules when a contract is awarded.

Faulty goods

Inform the supplier of any problem by phone, detailing the fault with the product or equipment. Ensure to make a note of all dealings with the supplier, so there is a trail of evidence of who said what, this will help when a follow up call is made, if needed. Keep a record of the person spoken to, the date the time and brief conversation.

Warranty periods

A minimum warranty of 12 months from date of purchase is normally given for most consumer goods such as, large equipment or electrical goods. Full advantage must be taken of any warranty and a note should be made when the warranty expires, so that an assessment can be made of any repairs near the end of the agreement, which can be claimed on the warranty.

5. Payment for goods

When a purchase order is raised for goods and services in Oracle Financials, the supplier will send an invoice requesting payment. This invoice should be sent direct to the Borough Treasurer's Department.

The delivery note and purchase order shall be matched against this invoice. If the invoice does not match, the supplier will need to be contacted to inform them of the discrepancy. When all discrepancies have been agreed the invoice then needs to be registered in Oracle Financials.

Once the invoice is registered the invoice needs to be authorised electronically; the invoice image is attached.

Oracle Financials holds a list (updated by the Borough Treasurer's Department) of Council staff, who are authorised to purchase goods or services and e-sign off invoices for payment. Invoices will only be paid when e-signed by a person who is on this list and the total value and expenditure code of the invoice falls within their limit. Invoices authorised by a person who is not on the list of authorised staff will not be processed for payment and will

Purchasing Guide

be returned for correct e-signing. Likewise an invoice will also be returned if the total value is above an authorised persons limit.

It is very important that you establish what authorisation you have before e-signing off invoices. If invoices have to be sent back because of incorrect authorisation, there will be a delay in paying the supplier. Some companies offer discounts for early payment and this will be lost if the above procedures are not carried out correctly and in a timely manner.

If you are unsure whether you are authorised to e-sign off invoices, please speak to your line manager or the Borough Treasurer's Department. For internal control purposes, it is a requirement that duties shall be 'segregated' and not one person has the authority to place an order, receive the goods and process the invoice for payment.